

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 29, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___ to ___

Commission file number 0-15451



PHOTRONICS, INC.

(Exact name of registrant as specified in its charter)

Connecticut
*(State or other jurisdiction
of incorporation or organization)*

06-0854886
*(IRS Employer
Identification Number)*

15 Secor Road, Brookfield, Connecticut 06804
(Address of principal executive offices and zip code)

(203) 775-9000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$0.01 par value per share**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common Stock, \$0.01 par value

Outstanding at June 1, 2007
41,813,991 Shares

Forward-Looking Information

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of Photronics, Inc. (the "Company"). These statements are based on management's beliefs, as well as assumptions made by and information currently available to management. Forward-looking statements may be identified by words like "expect", "anticipate", "believe", "plan", "projects", and similar expressions. All forward-looking statements involve risks and uncertainties that are difficult to predict. In particular, any statement contained in this quarterly report on Form 10-Q, in press releases, written statements or other documents filed with the Securities and Exchange Commission, or in the Company's communications and discussions with investors and analysts in the normal course of business through meetings, phone calls and conference calls, regarding the consummation and benefits of future acquisitions, expectations with respect to future sales, financial performance, operating efficiencies and product expansion, are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of the Company. These factors may cause actual results, performance or achievements to differ materially from anticipated results, performances or achievements. Factors that might affect such forward-looking statements include, but are not limited to, overall economic and business conditions; the demand and receipt of orders for the Company's products; competitive factors in the industries and geographic markets in which the Company competes; changes in federal, state and international tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); the Company's ability to place new equipment in service on a timely basis; interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations; economic and political conditions in international markets; the ability to obtain additional financings; the ability to achieve anticipated synergies and other cost savings in connection with acquisitions and productivity programs; uncertainties with respect to the integration and management of MP Mask Technology Center, LLC (MP Mask); delays in the construction and equipping of the planned nanofab fabrication facilities; the timing, impact and other uncertainties of future acquisitions; the seasonal and cyclical nature of the semiconductor and flat panel display industries; the availability of capital; management changes; damage or destruction to the Company's facilities by natural disasters, labor strikes, political unrest or terrorist activity; the ability to fully utilize its tools; the ability of the Company to receive desired yields, pricing, product mix, and market acceptance of its products; changes in technology; and the ability of the Company to obtain necessary export licenses. Any forward-looking statements should be considered in light of these factors. Accordingly, there is no assurance that the Company's expectations will be realized. The Company does not assume responsibility for the accuracy and completeness of the forward-looking statements and does not assume an obligation to provide revisions to any forward-looking statements.

PHOTRONICS, INC. AND SUBSIDIARIES

INDEX

PART I.	FINANCIAL INFORMATION	Page
Item 1.	Condensed Consolidated Financial Statements	
	<u>Condensed Consolidated Balance Sheets at April 29, 2007 and October 29, 2006</u>	4
	<u>Condensed Consolidated Statements of Income for the Three and Six Months Ended April 29, 2007 and April 30, 2006</u>	5
	<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended April 29, 2007 and April 30, 2006</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Results of Operations and Financial Condition</u>	15

Item 3.	Quantitative and Qualitative Disclosures about Market Risk	23
Item 4.	Controls and Procedures	24
PART II. OTHER INFORMATION		
Item 1A.	Risks Relating to the Company's Business	25
Item 4.	Submission of Matters to a Vote of Security Holders	25
Item 5.	Other Information	26
Item 6.	Exhibits	26

-3-

PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(in thousands, except per share amounts)
(unaudited)

	April 29, 2007	October 29, 2006
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$131,790	\$ 129,425
Short-term investments	21,934	69,899
Accounts receivable, net of allowance of \$4,252 in 2007 and \$4,471 in 2006	76,543	84,299
Inventories	18,254	19,209
Other current assets	8,618	16,055
	<u> </u>	<u> </u>
Total current assets	257,139	318,887
Property, plant and equipment, net	441,259	443,637
Goodwill	138,534	138,534
Investment in joint venture	64,553	64,365
Other intangibles, net	70,917	71,763
Other assets	4,917	8,497
	<u> </u>	<u> </u>
	\$977,319	\$1,045,683
	<u> </u>	<u> </u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term borrowings	\$ 25,000	\$ 86,903
Accounts payable	59,490	53,907
Accrued liabilities	29,403	50,386
	<u> </u>	<u> </u>
Total current liabilities	113,893	191,196
Long-term borrowings	149,106	170,288
Deferred income taxes and other liabilities	23,683	23,920

Total liabilities	286,682	385,404
Minority interest	47,474	45,997
Shareholders' equity:		
Preferred stock, \$0.01 par value, 2,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.01 par value, 150,000 shares authorized, 41,530 shares issued and outstanding at April 29, 2007 and 41,485 shares issued and outstanding at October 29, 2006	415	415
Additional paid-in capital	380,037	378,143
Retained earnings	224,574	202,652
Accumulated other comprehensive income	38,137	33,072
 Total shareholders' equity	 643,163	 614,282
	<u>\$977,319</u>	<u>\$1,045,683</u>

See accompanying notes to condensed consolidated financial statements.

-4-

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(in thousands, except per share amounts)
(unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>April 29, 2007</u>	<u>April 30, 2006</u>	<u>April 29, 2007</u>	<u>April 30, 2006</u>
Net sales	\$109,626	\$119,471	\$215,607	\$231,419
Costs and expenses:				
Cost of sales	(83,433)	(77,663)	(159,749)	(153,428)
Selling, general and administrative	(14,442)	(15,726)	(30,883)	(30,914)
Research and development	(4,324)	(7,993)	(9,044)	(16,243)
Consolidation, restructuring and related charges	-	(11,426)	-	(11,426)
Gain on sale of facility	-	-	2,254	-
Operating income	7,427	6,663	18,185	19,408
Other income (expense), net				
Interest expense	(936)	(3,229)	(3,032)	(6,014)
Investment and other income, net	1,366	7,021	3,177	11,578
Income before income taxes and minority interest	7,857	10,455	18,330	24,972
Income tax benefit (provision)	6,400	(3,814)	5,088	(7,632)

Income before minority interest	14,257	6,641	23,418	17,340
Minority interest	(191)	(1,376)	(1,495)	(2,382)
Net income	\$ 14,066	\$ 5,265	\$ 21,923	\$ 14,958
Earnings per share:				
Basic	\$0.34	\$0.13	\$0.53	\$0.36
Diluted	\$0.30	\$0.12	\$0.47	\$0.34
Weighted average number of common shares outstanding:				
Basic	41,513	41,334	41,494	41,325
Diluted	51,399	50,987	51,380	50,966

See accompanying notes to condensed consolidated financial statements.

-5-

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended	
	April 29, 2007	April 30, 2006
Cash flows from operating activities:		
Net income	\$ 21,923	\$ 14,958
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	47,840	44,921
Gain on sale of facility	(2,254)	-
Gain on sales of investments	(348)	(2,124)
Minority interest in income of consolidated subsidiaries	1,495	2,382
Consolidation, restructuring and related charges	-	11,426
Changes in assets and liabilities:		
Accounts receivable	8,973	(3,527)
Inventories	1,163	(5,436)
Other current assets	7,403	(3,532)
Accounts payable and other	(14,650)	(8,913)
Net cash provided by operating activities	71,545	50,155
Cash flows from investing activities:		
Purchases of property, plant and equipment	(37,346)	(56,572)
Purchases of short-term investments	-	(32,819)
Proceeds from sales of investments and other	48,507	47,877
Proceeds from sale of facility	5,011	-
Acquisition of additional interest in PK, Ltd.	-	(8,432)
Net cash provided by (used in) investing activities	16,172	(49,946)

Cash flows from financing activities:		
Repayments of long-term borrowings	(87,087)	(4,725)
Proceeds from long-term borrowings	3,369	9,289
Proceeds from issuance of common stock	552	730
	<u> </u>	<u> </u>
Net cash (used in) provided by financing activities	(83,166)	5,294
	<u> </u>	<u> </u>
Effect of exchange rate changes on cash	(2,186)	1,330
	<u> </u>	<u> </u>
Net increase in cash and cash equivalents	2,365	6,833
Cash and cash equivalents at beginning of period	129,425	196,049
	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	\$131,790	\$202,882
	<u> </u>	<u> </u>
Supplemented disclosure of cash flow information:		
Change in accrual for purchases of property, plant and equipment	\$ (702)	\$ 8,993
	<u> </u>	<u> </u>

See accompanying notes to condensed consolidated financial statements.

-6-

PHOTRONICS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
Three and Six Months Ended April 29, 2007 and April 30, 2006
(unaudited)
(in thousands, except share amounts)

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

Photronics, Inc. and its subsidiaries (the "Company" or "Photronics") 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 (FPD), and are used as masters to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits (IC) and a variety of FPD and, to a lesser extent, other types of electrical and optical components. The Company currently operates principally from ten manufacturing facilities, two of which are located in the United States, three in Europe, two in Taiwan, and one each in Korea, Singapore and China, which began production in the second quarter of the Company's fiscal 2007 year. The Company is also constructing an independent state-of-the-art nanofab facility (the "New NanoFab") in Boise, Idaho, under a build-to-suit lease agreement with Micron Technology, Inc. which is expected to be completed by the end of calendar year 2007.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the fiscal year ending October 28, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended October 29, 2006.

NOTE 2 - COMPREHENSIVE INCOME

The following table summarizes comprehensive income for the three and six months ended April 29, 2007 and April 30, 2006:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>April 29,</u>	<u>April 30,</u>	<u>April 29,</u>	<u>April 30,</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net income	\$14,066	\$5,265	\$21,923	\$14,958
Other comprehensive income:				
Change in unrealized net	(133)	(1,358)	(120)	(1,284)

gains on investments, net of tax				
Change in fair value of cash flow hedges	110	28	(1,373)	56
Foreign currency translation adjustments	467	4,649	6,558	20,674
	444	3,319	5,065	19,446
Total comprehensive income	\$14,510	\$8,584	\$26,988	\$34,404

-7-

NOTE 3 - EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is presented below:

	Three Months Ended		Six Months Ended	
	April 29, 2007	April 30, 2006	April 29, 2007	April 30, 2006
Net income	\$14,066	\$5,265	\$21,923	\$14,958
Effect of dilutive securities:				
Interest expense on convertible notes, net of related tax effect	1,100	1,100	2,201	2,201
Earnings for diluted earnings per share	\$15,166	\$6,365	\$24,124	\$17,159
Weighted average common shares computations:				
Weighted average common shares used for basic earnings per share	41,513	41,334	41,494	41,325
Effect of dilutive securities:				
Convertible notes	9,441	9,441	9,441	9,441
Employee stock options	445	212	445	200
Dilutive potential common shares	9,886	9,653	9,886	9,641
Weighted average common shares used for diluted earnings per share	51,399	50,987	51,380	50,966
Basic earnings per share	\$0.34	\$0.13	\$0.53	\$0.36
Diluted earnings per share	\$0.30	\$0.12	\$0.47	\$0.34

The effect of the potential conversion of some of the Company's convertible subordinated notes and the exercise of certain stock options has been antidilutive. The following table shows the amount of incremental shares outstanding that would have been added if the assumed conversion of convertible subordinated notes and stock options had been dilutive.

	Three Months Ended		Six Months Ended	
	April 29, 2007	April 30, 2006	April 29, 2007	April 30, 2006
Convertible notes	-	2,354	608	2,354
Employee stock options	1,770	911	1,789	1,012

Total potentially dilutive shares excluded	1,770	3,265	2,397	3,366
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NOTE 4 - INVESTMENTS

Short-term investments at April 29, 2007 and October 29, 2006 consist of available-for-sale fixed income and marketable equity securities. Long-term investments of \$408 at April 29, 2007 and \$706 at October 29, 2006 included in "Other Assets" primarily consist of available-for-sale equity securities, where fair values were determined based upon quoted market prices. For investments with no quoted market price, the estimated fair value is based upon the financial condition and the operating results and projections of the investee and is considered to approximate cost.

-8-

Available-for-sale investments at April 29, 2007 were as follows:

	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Short-term debt investments:				
Auction rate securities	\$12,000	\$ -	\$ -	\$12,000
Foreign bond funds and other	9,757	177	-	9,934
Total short-term investments	21,757	177	-	21,934
Long-term equity investments	30	378	-	408
	<u>\$21,787</u>	<u>\$555</u>	<u>\$ -</u>	<u>\$22,342</u>

Available-for-sale investments at October 29, 2006 were as follows:

	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Short-term debt investments:				
Auction rate securities	\$50,400	\$ -	\$ -	\$50,400
Foreign bond funds and other	19,479	125	(105)	19,499
Total short-term investments	69,879	125	(105)	69,899
Long-term equity investments	51	655	-	706
	<u>\$69,930</u>	<u>\$780</u>	<u>\$(105)</u>	<u>\$70,605</u>

In determining whether investment holdings are other than temporarily impaired, the Company considers the nature, cause, severity and duration of the impairment. The Company and its investment advisors used analyst reports, credit ratings or other items as part of its review. No investments were considered to be other than temporarily impaired as of April 29, 2007.

The maturities of available-for-sale short-term debt investments at April 29, 2007 were as follows:

<u>Cost Basis</u>	<u>Estimated Fair Value</u>
-------------------	-------------------------------------

Due in one year or less	\$ 9,757	\$ 9,934
Due after ten years	12,000	12,000
	<u>\$21,757</u>	<u>\$21,934</u>

In the six month periods ended April 29, 2007 and April 30, 2006, the Company sold \$47.4 million and \$47.2 million, respectively, of short-term debt investments.

-9-

Gross realized gains and losses related to the Company's investments are as follows:

	Six Months Ended	
	April 29, 2007	April 30, 2006
Gross realized gains	\$435	\$2,165
Gross realized losses	(87)	(41)
Net realized gains	<u>\$348</u>	<u>\$2,124</u>

NOTE 5 - STOCK-BASED COMPENSATION PLANS

In March 2007 shareholders approved a new stock-based compensation plan (the "Plan"), under which 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 may be granted from shares authorized but unissued, shares previously issued and reacquired by the Company or both. A maximum of three million shares of Common Stock may be issued under the Plan. Awards may be granted to Company officers, employees and directors, non-employee directors, consultants, advisors and independent contractors of the Company or a subsidiary of the Company. The Plan prohibits further awards from being issued under prior plans. The Plans are more fully described below. The Company incurred compensation expense under those Plans for the three and six months ended April 29, 2007 of \$0.7 million and \$1.5 million, respectively, as compared to \$0.4 million and \$0.8 million, respectively, for the comparable prior year periods. No compensation cost was capitalized as part of inventory, and no income tax benefit was recorded in those years. No equity awards were settled in cash during the periods presented.

Stock Options

Option awards generally vest in one to four years, and have a ten year contractual term. All incentive and non-qualified stock option grants must have an exercise price no less than the market value of the underlying common stock on the date of grant. The option and share awards provide for accelerated vesting if there is a change in control as defined in the Plan.

The fair value of option grants is determined with the closing price on the day of grant using the Black Scholes option pricing model. Expected volatility is based on the historical volatility of the Company's stock. The Company uses historical option exercise behavior and employee termination data to estimate option life, which represents the period of time that the options granted are expected to remain outstanding. The risk-free rate of return for the estimated life of the option is based on the U.S. treasury yield curve in effect at the time of grant. The weighted average assumptions used for the six months ended April 29, 2007 and April 30, 2006 are noted in the following table.

	Six Months Ended	
	April 29, 2007	April 30, 2006
Volatility	52.8%	58.0%

Risk-free rate of return	4.5%	4.4%
Dividend yield	0.0%	0.0%
Weighted average life	4.6 years	4.9 years

-10-

A summary of option activity under the Plan as of April 29, 2007 is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at April 29, 2007	2,444,845	\$18.72	6.8 years	\$825
Exercisable at April 29, 2007	1,671,207	\$19.58	5.8 years	\$754

During the six months ending April 29, 2007, 50,750 shares were granted with a weighted-average grant-date fair value of \$7.31 per share. For the comparable period last year 10,750 shares were granted with a weighted-average grant-date fair value of \$8.01 per share. As of April 29, 2007 the total compensation cost for non-vested awards not yet recognized was approximately \$4.7 million. That cost is expected to be recognized over a weighted average amortization period of 3.1 years.

Restricted Stock

The Company also grants restricted stock awards annually. The restrictions on these awards lapse over a service period that has ranged from less than one to eight years. During the six months ending April 29, 2007, 36,500 shares were granted with a weighted-average grant-date fair value of \$14.11 per share. For the comparable period last year 60,000 shares were granted with a weighted-average grant-date fair value of \$15.11 per share. As of April 29, 2007 the total compensation cost for non-vested awards not yet recognized was approximately \$3.7 million. That cost is expected to be recognized over a weighted average amortization period of 6.1 years. A summary of the status of the Company's nonvested restricted shares as of April 29, 2007 is presented below:

Restricted Stock	Shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at April 29, 2007	282,875	7.5 years	\$4,351

NOTE 6 - LEASE LIABILITIES RELATED TO RESTRUCTURING

Since 2001, the Company has closed manufacturing facilities in North America and in Europe due in part to the migration of semiconductor manufacturing to Asia, excess capacity, competitive pricing pressures and weakened demand. Decisions regarding which facilities to close were based on sales volume projections, customer base and production qualifications. The Company continues to assess its global manufacturing strategy based on changes in market conditions. This ongoing assessment could result, in the future, in facilities closures, asset redeployment, workforce reductions, or the addition of increased manufacturing facilities, all of which would be predicated by market conditions and customer requirements.

In fiscal 2006, the Company recorded total restructuring charges of \$15.6 million primarily related to ceasing operations at its manufacturing and research and development facility in Austin, Texas. During the first quarter of 2007, the Company sold this facility for proceeds of \$5.0 million and realized a gain of \$2.3 million.

The following tables set forth the Company's restructuring reserves as of April 29, 2007 and April 30, 2006 respectively, and reflect the activity affecting the reserves for the three and six months then ended. As of April 29, 2007, the remaining liability of \$2.0 million primarily represents non-cancelable lease obligations that are due under respective lease terms through 2009.

**Three Months Ended
April 29, 2007**

	January 28, 2007	Charges	Utilized	April 29, 2007
Leases and other	\$2,314	\$ -	\$(295)	\$2,019

**Six Months Ended
April 29, 2007**

	October 29, 2006	Charges	Utilized	April 29, 2007
Leases and other	\$2,654	\$ -	\$(635)	\$2,019

The following tables set forth the Company's restructuring reserve as of April 30, 2006 and reflects the activity affecting the reserve for the three and six months then ended (in thousands):

**Three Months Ended
April 30, 2006**

	January 29, 2006	Charges	Utilized	April 30, 2006
Manufacturing capacity reduction and other	\$ -	\$ 9,016	\$(8,714)	\$ 302
Workforce reductions	-	1,256	(176)	1,080
Leases and other	1,911	1,154	(434)	2,631
Total	\$1,911	\$11,426	\$(9,324)	\$4,013

**Six Months Ended
April 30, 2006**

	October 30, 2005	Charges	Utilized	April 30, 2006
Manufacturing capacity reduction and other	\$ -	\$ 9,016	\$(8,714)	\$ 302
Workforce reductions	-	1,256	(176)	1,080
Leases and other	2,245	1,154	(768)	2,631
Total	\$2,245	\$11,426	\$(9,658)	\$4,013

NOTE 7 - GEOGRAPHIC INFORMATION

The Company operates in a single industry segment as a manufacturer of photomasks, which are high precision quartz plates containing microscopic images of electronic circuits for use in the fabrication of semiconductors. The Company's net sales, operating income (loss) and identifiable assets by geographic area as of and for the three and six months ended April 29, 2007 and April 30, 2006 were as follows:

	Three Months Ended		Six Months Ended	
	April 29, 2007	April 30, 2006	April 29, 2007	April 30, 2006
Net sales				
Asia	\$ 63,896	\$ 65,403	\$122,605	\$126,561
Europe	18,999	19,829	38,488	39,812
North America	26,731	34,239	54,514	65,046
	<u>\$109,626</u>	<u>\$119,471</u>	<u>\$215,607</u>	<u>\$231,419</u>
Operating Income				
Asia	\$3,851	\$14,427	\$ 9,325	\$27,847
Europe	1,943	4,397	4,542	9,118
North America	2,331	(366)	3,550	(5,338)
Gain on sale of facility	-	-	2,254	-
Consolidation, restructuring and related charges	-	(11,426)	-	(11,426)
Stock-based compensation	(698)	(369)	(1,486)	(793)
	<u>\$7,427</u>	<u>\$ 6,663</u>	<u>\$18,185</u>	<u>\$19,408</u>
		<u>April 29, 2007</u>	<u>April 30, 2006</u>	
Total identifiable assets				
Asia		\$478,199	\$440,460	
Europe		118,674	109,763	
North America		380,446	445,060	
		<u>\$977,319</u>	<u>\$995,283</u>	

The Company is typically impacted during its first fiscal quarter by the North America and European holiday periods as some customers reduce their effective workdays and orders during this period. The Company's first quarter of fiscal 2007 had more than the usual customer shutdowns which resulted in reduced net sales.

NOTE 8 - INCOME TAXES

The income tax provision differs from the amount computed by applying the United States statutory rate of 35 percent to income before income taxes primarily due to the resolution and settlement of U.S. and foreign tax matters that were associated with uncertain tax positions in prior years, which benefited the income tax provision for the three and six month periods ended April 29, 2007 in the amount of \$7.4 million. In addition, the Company has benefited from reduced tax rates in Korea and Taiwan, which have been offset by valuation allowances placed on deferred tax assets in the U.S., primarily those generated by net operating loss carry forwards.

NOTE 9 - LONG -TERM BORROWINGS

Long-term borrowings consist of the following:

	<u>April 29, 2007</u>	<u>October 29, 2006</u>
4.75% convertible subordinated notes, including fair value adjustment of \$(184) in 2006	\$ -	\$ 86,903
2.25% convertible subordinated notes due April 15, 2008	150,000	150,000
Unsecured notes payable	24,106	20,288
	<u>174,106</u>	<u>257,191</u>
Less current portion	25,000	86,903
	<u>\$149,106</u>	<u>\$170,288</u>

On June 6, 2007, the Company entered into a credit agreement with a group of financial institutions that provides for a five-year, revolving credit facility (the "credit facility") with an aggregate commitment of \$125 million. In connection therewith, the Company has classified \$125 million of its \$150 million, 2.25% convertible subordinated notes due in April 2008 as long-term. The applicable interest rate spread and facility fee vary based upon the Company's senior leverage ratio. Under the terms of the credit facility, the Company is subject to compliance with certain financial and non-financial covenants. The credit facility is secured by a pledge of the Company's stock in certain of its subsidiaries. There were no borrowings under the credit facility as of June 7, 2007.

The 4.75% convertible subordinated notes were repaid at maturity on December 15, 2006. A related interest rate swap also matured on December 15, 2006 concurrent with the repayment of the related debt.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

At April 29, 2007, the Company had commitments outstanding of approximately \$210 million, for capital expenditures primarily related to equipment for the planned U.S. nanofab facility and equipment in Korea, and for a build-to-suit capital lease through 2012 for the planned U.S. nanofab facility.

The Company is subject to various claims that arise in the ordinary course of business. The Company believes such claims, individually or in the aggregate, will not have a material adverse effect on the business of the Company.

NOTE 11 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value, and is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company is currently evaluating the impact that the adoption of SFAS No. 159 will have on its consolidated financial statements.

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In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact, if any, that SFAS No. 157 may have on its consolidated financial statements.

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In June 2006, the FASB issued FASB Interpretation Number 48 (FIN 48), "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109." The interpretation contains a two step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The provisions are effective as of the beginning of the Company's 2008 fiscal year. The Company is evaluating the impact, if any, this statement may have on its consolidated financial statements.

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Overview

Management's discussion and analysis of the Company's financial condition, business results and outlook should be read in conjunction with its condensed consolidated financial statements and related notes. Various segments of this MD&A do contain forward-looking statements, all of which are presented based on current expectations and may be adversely affected by uncertainties and risk factors presented throughout this filing and the Company's Annual Report on Form 10-K for the fiscal 2006 year, leading actual results to materially differ from these expectations.

The Company sells substantially all of its photomasks to semiconductor designers and manufacturers, and manufacturers of flat panel displays (FPDs). Photomask technology is also being applied to the fabrication of other higher performance electronic products such as photonics, micro-electronic mechanical systems and certain nanotechnology applications. The Company's selling cycle is tightly interwoven with the development and release of new semiconductor designs and flat panel applications, particularly as it relates to the semiconductor industry's migration to more advanced design methodologies and fabrication processes. The Company believes that the demand for photomasks primarily depends on design activity rather than sales volumes from products produced using photomask technologies. Consequently, an increase in semiconductor or FPD sales does not necessarily result in a corresponding increase in photomask sales. In addition, the reduced use of customized integrated circuits (ICs), a reduction in design complexity or other changes in the technology or methods of manufacturing semiconductors or a slowdown in the introduction of new semiconductor or FPD designs could reduce demand for photomasks even if demand for semiconductors and FPDs increases. Advances in semiconductor and photomask design and semiconductor production methods could reduce the demand for photomasks. Historically, the semiconductor industry has been volatile, with sharp periodic downturns and slowdowns. These downturns have been characterized by, among other things, diminished product demand, excess production capacity and accelerated erosion of selling prices.

**Material Changes in Results of Operations
Three and Six Months ended April 29, 2007 versus April 30, 2006**

The following table represents selected operating information expressed as a percentage of net sales:

	Three Months Ended		Six Months Ended	
	April 29, 2007	April 30, 2006	April 29, 2007	April 30, 2006
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	(76.1)	(65.0)	(74.1)	(66.3)
Gross margin	23.9	35.0	25.9	33.7
Selling, general and administrative expenses	(13.2)	(13.2)	(14.3)	(13.4)

Research and development expenses	(3.9)	(6.7)	(4.2)	(7.0)
Consolidation, restructuring and related charges	-	(9.5)	-	(4.9)
Gain on sale of facility	-	-	1.0	-
Operating income	6.8	5.6	8.4	8.4
Other income (expense), net	0.4	3.2	0.1	2.4
Income before income taxes and minority interest	7.2	8.8	8.5	10.8
Income tax benefit (provision)	5.8	(3.2)	2.4	(3.3)
Minority interest	(0.2)	(1.2)	(0.7)	(1.0)
Net income	12.8%	4.4%	10.2%	6.5%

All of the following tabular comparisons, unless otherwise indicated, are for the three months ended April 29, 2007 (Q2-07) and April 30, 2006 (Q2-06) and for the six months ended April 29, 2007 (YTD-07) and April 30, 2006 (YTD-06) in millions of dollars:

Net Sales

	Three Months Ended			Six Months Ended		
	Q2-07	Q2-06	Percent Change	YTD-07	YTD-06	Percent Change
IC	\$ 88.3	\$ 91.0	(3.0)%	\$173.9	\$177.4	(2.0)%
FPD	21.3	28.5	(25.0)	41.7	54.0	(22.7)
Total net sales	\$109.6	\$119.5	(8.2)%	\$215.6	\$231.4	(6.8)%

-16-

Net sales for Q2-07 decreased 8.2% to \$109.6 million as compared to \$119.5 million for Q2-06. The decrease is principally related to reduced sales of FPD photomasks of \$7.2 million primarily associated with decreased average selling prices (ASPs) for high-end FPD photomasks. Sales of IC photomasks declined approximately \$2.7 million as a result of a slight decline in ASPs, principally from mainstream products. High-end photomask applications, which typically have higher ASPs, include mask sets for FPD products using G6 and above technologies and IC products using 90 nanometer and below technologies. By geographic area, net sales in Q2-07 as compared to Q2-06 decreased by \$1.5 million or 2.3% in Asia, \$7.5 million or 21.9% in North America, and \$0.8 million or 4.2% in Europe. As a percent of total sales in Q2-07, sales were 58% in Asia, 24% in North America, and 18% in Europe.

For YTD-07, net sales decreased 6.8% or \$15.8 million of which \$12.3 million of the decrease related to reduced sales of FPD photomasks as a result of decreased average selling prices for FPD products. The Company's quarterly revenues can be affected by the seasonal purchasing of its customers. The Company is typically impacted during its first quarter by the North American and European holiday periods as some customers reduce their effective workdays and orders during this period. Q1-07 had more than the usual customer shutdowns which resulted in reduced net sales.

Gross Margin

	Three Months Ended			Six Months Ended		
	Q2-07	Q2-06	Percent Change	YTD-07	YTD-06	Percent Change
Gross margin	\$26.2	\$41.8	(37.3)%	\$55.9	\$78.0	(28.4)%
Percentage of net sales	23.9%	35.0%		25.9%	33.7%	

Gross margin decreased to 23.9% in Q2-07 from 35.0% in Q2-06 as a result of decreased sales and the expanded manufacturing base in Asia including two greenfield facilities in Taiwan and China. Gross margin decreased to 25.9% in YTD-07 from 33.7% in YTD-06 primarily due to decreased FPD ASPs and the Company's increased manufacturing base in Asia. The Company operates in a high fixed cost environment and to the extent that the Company's revenues and utilization increase or decrease, gross margin will generally be positively or negatively impacted. The gross margin percentage throughout the remainder of fiscal 2007 could be negatively impacted by increased depreciation expense associated with the Company's capital expenditures as the Company increases its fixed cost manufacturing base, principally in Asia.

Selling, General and Administrative

	Three Months Ended			Six Months Ended		
	Q2-07	Q2-06	Percent Change	YTD-07	YTD-06	Percent Change
Selling, general and administrative expenses	\$14.4	\$15.7	(8.2)%	\$30.9	\$30.9	-
Percentage of net sales	13.2%	13.2%		14.3%	13.4%	

Selling, general and administrative expenses decreased \$1.3 million to \$14.4 million in Q2-07, compared with \$15.7 million in Q2-06. The reduction was primarily a result of the Company's two new facilities in Taiwan and China being operational in Q2-07 and therefore certain costs related thereto are reported as cost of sales whereas prior to them becoming operational for production such costs were reported as selling, general and administrative expenses, and decreased compensation costs. Selling, general, and administrative expenses were \$30.9 million in YTD-07 and YTD-06.

-17-

Research and Development

	Three Months Ended			Six Months Ended		
	Q2-07	Q2-06	Percent Change	YTD-07	YTD-06	Percent Change
Research and development	\$4.3	\$8.0	(45.9)%	\$9.0	\$16.2	(44.3)%
Percentage of net sales	3.9%	6.7%		4.2%	7.0%	

Research and development expenses consist primarily of global development efforts relating to high-end process technologies for advanced sub wavelength reticle solutions for IC and FPD technologies. Research and development expenses decreased by \$3.7 million and \$7.2 million in Q2-07 and YTD-07, respectively, as compared to the same periods in the prior year, primarily as a result of reduced expenditures resulting from the 2006 closure of the Company's Austin, Texas research and development operations. Such reduced expenditures were partially offset by amortization expenses of the fair value of the agreement to license technology from Micron Technology, Inc.

Gain on Sale of Facility

In January of 2007, the Company sold its Austin, Texas manufacturing and research and development facility for proceeds of \$5.0 million and realized a gain of \$2.3 million.

Consolidation, Restructuring and Related Charges

In March 2006, the Company implemented a restructuring program to streamline its operating infrastructure in North America, including the closing of its Austin, Texas manufacturing facility and ceasing its Austin, Texas research and development activities. The Company recorded a total restructure charge of \$11.4 million in the second quarter of 2006, primarily comprised of facility and equipment impairments at the Austin facility.

Other Income (Expense), Net

Three Months Ended	Six Months Ended
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	<u>Q2-07</u>	<u>Q2-06</u>	<u>YTD-07</u>	<u>YTD-06</u>
Interest expense	\$(0.9)	\$(3.2)	\$(3.0)	\$(6.0)
Investment and other income, net	1.3	7.0	3.1	11.6
Other income (expense), net	\$ 0.4	\$ 3.8	\$ 0.1	\$ 5.6

Interest expense in Q2-07 and YTD-07 decreased as compared to the same periods in the prior year, primarily as a result of the Company's redeeming the remaining outstanding balance of its \$87.1 million, 4.75% convertible subordinated notes in December, 2006. Investment and other income, net, for Q2-07 and YTD-07 decreased as compared to the same periods in the prior year as a result of decreased investment income associated with reduced investment balances, and decreased foreign currency gains. Further, realized gains on the sales of investments were \$0.3 million YTD-07 as compared to \$2.1 million in YTD-06.

Provision for Income Taxes

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Q2-07</u>	<u>Q2-06</u>	<u>YTD-07</u>	<u>YTD-06</u>
Income tax benefit (provision)	\$6.4	\$(3.8)	\$5.1	\$(7.6)
Effective income tax rate	81.5%	(36.5)%	27.8%	(30.6)%

-18-

The effective income tax benefit rate of 81.5% in Q2-07 resulted from the benefit recorded for the resolution and settlement of U.S. and foreign tax matters that were associated with uncertain tax positions in prior years. In addition, the tax rate was impacted by taxes incurred on income generated in taxable rates that were partially offset by increased income generated in the U.S. where the Company did not record additional deferred tax benefits due to net operating loss carryforwards. The income tax benefit for the three and six month periods ended April 29, 2007 primarily resulted from benefits associated with the tax settlements.

The Company's operations have followed the migration of semiconductor industry fabrication to Asia, where the Company operates in countries where it is accorded favorable tax rates. The Company is accorded tax holidays in Taiwan, one of which expired in December 2006, and another which is expected to begin to expire in 2012. In addition, the Company has been accorded a tax holiday in China which is expected to expire in 2011. In Korea, various investment tax credits have been utilized to reduce the Company's effective income tax rate.

Minority Interest in Consolidated Subsidiaries

Minority interest expense decreased \$1.2 million to \$0.2 million for Q2-07 and by \$0.9 million in YTD-07 as compared to the same periods in the prior year, primarily due to decreased net income of the Company's non-wholly owned subsidiary in Taiwan. The Company's ownership in its subsidiaries in Taiwan and Korea was approximately 58% and 99.7%, respectively, at April 29, 2007 and October 29, 2006.

Liquidity and Capital Resources

The Company's working capital increased \$15.6 million to \$143.2 million at April 29, 2007 as compared to October 29, 2006, primarily as a result of increased cash generated from operations, and a decrease in the current portion of long-term borrowings. At April 29, 2007, \$125 million of the Company's outstanding \$150 million, 2.25% convertible subordinated notes due in April of 2008, was reported as long-term in connection with \$125 million of credit available to the Company under a five-year, revolving credit facility agreement entered into on June 6, 2007 with a group of financial institutions. Cash, cash equivalents and short-term investments decreased to \$153.7 million at April 29, 2007 as compared to \$199.3 million at October 29, 2006, primarily due to the redemption of \$87.1 million of the remaining outstanding balance of the Company's 4.75% convertible subordinated notes. Cash provided by operating activities increased to \$71.5 million for the six months ended April 29, 2007, primarily due to increased net income compared to the same prior year period, and decreased accounts receivable associated with decreased sales compared to the same period in the prior year, and increased trade accounts payable, which were in part offset by decreases in accrued liabilities. Cash provided by investing activities for the six months ended April 29, 2007 was \$16.2 million, which is primarily comprised of \$48.5 million proceeds from the sales of investments less payments for capital expenditures of \$37.3 million. Cash used in financing activities was \$83.2 million which primarily related to the Company redeeming its \$87.1 million outstanding 4.75% convertible subordinated notes.

The Company's commitments represent investments in the tooling of the new US Nano Fab facility in Boise, Idaho, additional manufacturing capacity, as well as advanced equipment for the production of high-end, more complex photomasks in Asia, principally Korea. At April 29, 2007, Photronics had commitments outstanding of approximately \$210 million, primarily related to equipment for the planned U.S. nanofab facility and equipment in Korea, and for a build-to-suit capital lease through 2012 for the planned U.S. nanofab facility. The Company expects capital expenditures for fiscal 2007 to be approximately \$135 million to \$165 million. The Company will continue to use its working capital to finance its capital expenditures. Photronics believes that its currently available resources, together with its capacity for growth, and its access to other debt and equity financing sources, are sufficient to satisfy its currently planned capital expenditures, as well as its anticipated working capital requirements for the foreseeable future.

In May 2007, the Company paid Micron Technology, Inc. (Micron) \$7.5 million in connection with its \$135 million investment in May 2006 for a 49.99% interest in MP Mask Technology Center, LLC and a license for photomask technology of Micron and certain supply agreements.

-19-

Stock-Based Compensation

Total stock-based compensation expense for the three and six months ended April 29, 2007 was \$0.7 million and \$1.5 million respectively, as compared to \$0.4 million and \$0.8 million respectively for the comparable prior year periods, substantially all of which is in selling, general and administrative expenses. No compensation cost was capitalized as part of inventory, and no income tax benefit has been recorded. As of April 29, 2007 total unrecognized compensation cost of \$8.4 million is expected to be recognized over a weighted average amortization period of 4.4 years.

Business Outlook

A majority of the Company's revenue growth has come from, and is expected to continue to come from, the Asian region as customers increase their use of manufacturing foundries located outside of North America and Europe. Additional revenue growth is also anticipated from North America and Europe as a result of utilizing technology licensed under the Company's technology license with Micron Technology, Inc. The Company's Korean and Taiwanese operations are non-wholly owned subsidiaries; therefore a portion of earnings generated at each location is allocated to the minority shareholders.

The Company continues to assess its global manufacturing strategy based on changes in market conditions. In addition to the restructuring plan implemented in the second quarter of 2006 relating to closing the Austin facility, this ongoing assessment could result in the future, in facilities closures, asset redeployment, workforce reductions, or the addition of increased manufacturing facilities, all of which would be based on market conditions and customer requirements.

The Company's future results of operations and the other forward-looking statements contained in this filing involve a number of risks and uncertainties. Various factors that have been discussed and a number of other factors could cause actual results to differ materially from the Company's expectations.

Application of Critical Accounting Procedures

The Company's consolidated financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. The Company believes that the following are some of the more critical judgment areas in the application of the Company's accounting policies that affect its financial condition and results of operations.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in them. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The Company's estimates are based on the facts and circumstances available at the time; different reasonable estimates could have been used in the current period, and changes in the accounting estimates used are likely to occur from period to period, which may have a material impact on the presentation of the Company's financial condition and results of operations. Actual results reported by the Company may differ from such estimates. The Company reviews these estimates periodically and reflects the effect of revisions in the period that they are determined.

Derivative Instruments and Hedging Activities

The Company records derivatives in the consolidated balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives are reported in the consolidated statements of income or as accumulated other comprehensive income (loss), a separate component of shareholders' equity, depending on the use of the derivatives and whether they qualify for hedge accounting. In order to qualify for hedge accounting, the derivative must be highly effective in achieving offsetting changes in fair value or cash flows of the hedged items during the term of the hedge. The Company uses

judgment in assessing the fair value of derivatives and related financial instruments, including assumptions utilized in derivative fair value models in areas such as projected interest rates and changes in the Company's stock price during the contract term.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Repairs and maintenance, as well as renewals and replacements of a routine nature are charged to operations as incurred, while those which improve or extend the lives of existing assets are capitalized. Upon sale or other disposition, the cost of the asset and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operations.

Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 15 to 40 years, machinery and equipment over 3 to 10 years and furniture, fixtures and office equipment over 3 to 5 years. Leasehold improvements are amortized over the life of the lease or the estimated useful life of the improvement, whichever is less. Judgment and assumptions are used in establishing estimated useful lives and depreciation periods. The Company also uses judgment and assumptions as it periodically reviews property, plant and equipment for any potential impairment in carrying values whenever events such as a significant industry downturn, plant closures, technological obsolescence or other changes in circumstances indicate that their carrying amount may not be recoverable. Actual fair values may differ from estimated fair values.

Intangible Assets

Intangible assets consist primarily of goodwill and other acquisition-related intangibles, and a technology license agreement and a supply agreement. These assets are stated at fair value as of the date acquired less accumulated amortization. Amortization is calculated on a straight-line basis or another method that more fairly represents the utilization of the assets. The future economic benefit of the carrying value of intangible assets is reviewed annually and the Company uses judgment whenever events or changes in circumstances indicate the carrying value of an intangible asset may not be recoverable based on discounted cash flows or market factors and an impairment loss would be recorded in the period so determined.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on the Company's judgment and estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets and certain identifiable intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Investment in Joint Venture

Investments in joint ventures over which the Company has the ability to exercise significant influence and that, in general, are at least 20 percent owned are stated at cost plus equity in undistributed net income (loss) of the joint venture. These investments are evaluated for impairment in accordance with the requirements of Accounting Principles Board (APB) Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." An impairment loss would be recorded whenever a decline in value of an equity investment below its carrying amount is determined to be other than temporary. In judging "other than temporary," the Company would consider the length of time and extent to which the fair value of the investment has been less than the carrying amount of the equity company, the near-term and longer-term operating and financial prospects of the equity company, and its longer-term intent of retaining the investment in the equity company.

Income Taxes

The income tax provision is computed on the basis of consolidated financial statement income or loss before income taxes. Deferred income taxes reflect the tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In the event the Company determines that future taxable income is not expected to be sufficient, the Company uses judgment and assumptions to determine if valuation allowances for deferred income tax assets are required by considering future market growth, forecasted operations, future taxable income, and the mix of earnings in the tax jurisdictions in which it operates in order to determine the need for a valuation allowance.

The Company considers income taxes in each of the tax jurisdictions in which it operates in order to determine its effective income tax rate. Current income tax exposure is identified along with assessing temporary differences resulting from differing

treatment of items for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities, which are included in the Company's consolidated balance sheets. The actual annual amount of taxable income in each tax jurisdiction may differ from the estimates used to compute the effective income tax rate during the first, second and third quarters. Additionally, the Company evaluates the recoverability of deferred income tax assets from future taxable income and establishes valuation allowances if recovery is deemed not likely. Accordingly, the income tax provision in the consolidated statements of income is impacted by changes in the valuation allowance. Significant management estimates and judgment are required in determining any valuation allowance recorded against net deferred tax assets.

Revenue Recognition

The Company recognizes revenue when both title and risk of loss transfer to the customer. The Company makes estimates and assumptions and uses judgment relating to discounts and estimates for product return and warranties which are accrued and recognized at the time of sale.

Discounts - Sales discounts are negotiated with customers prior to billing and at the time of billing, sales invoices are prepared net of negotiated sales discounts.

Product Returns - Customer returns have historically been insignificant. However, the Company does record a liability for the insignificant amount of estimated sales returns based upon historical experience.

Warranties and Other Post Shipment Obligations - For a 30-day period, the Company warrants that items sold will conform to customer specification. However, the Company's liability is limited to repair or replacement of the photomasks at its sole option. The Company inspects photomasks for conformity to customer specifications prior to shipment. Accordingly, customer returns of items under warranty have historically been insignificant. However, the Company records a liability for the insignificant amount of estimated warranty returns based on historical experience. The Company's specific return policies include accepting returns for products with defects or products that have not been produced to precise customer specifications. At the time of shipment, a liability is established for these items.

Customer Acceptance - Customer acceptance occurs concurrently with the transfer of title and risk of loss based upon the applicable shipping and delivery terms.

Effect of New Accounting Standards

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-22-

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In June 2006, the FASB issued FASB Interpretation Number 48 (FIN 48), "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109." The interpretation contains a two step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The provisions are effective as of the beginning of the Company's 2008 fiscal year. The Company is evaluating the impact, if any, this statement may have on its consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company records derivatives on the balance sheet as assets or liabilities, measured at fair value. The Company does not engage in derivative instruments for speculative purposes. Gains or losses resulting from changes in the values of those derivatives are reported in the statement of income, or as accumulated other comprehensive income (loss), a separate component of shareholders' equity, depending on the use of the derivatives and whether they qualify for hedge accounting. In order to qualify for hedge accounting, the derivative must be highly effective in achieving offsetting changes in fair value or cash flows of the hedged items during the term of the hedge. In general, the types of risks hedged are those relating to the variability of future cash flows caused by movements in foreign currency exchange rates. The Company documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge.

Foreign Currency Exchange Rate Risk

The Company conducts business in several major international currencies through its worldwide operations and is subject to changes in foreign exchange rates of such currencies. Changes in exchange rates can positively or negatively affect the Company's sales, operating margins and retained earnings. The principal functional currencies of the Company's Asian subsidiaries are the Korean won, New Taiwan dollar and Singapore dollar. The principal functional currencies of the Company's European subsidiaries are the British pound and euro.

-23-

The Company attempts to minimize its risk to foreign currency transaction losses by producing its products in the same country in which the products are sold and thereby generating revenues and incurring expenses in the same currency and by managing its working capital. However, there can be no assurance that this approach will be successful, especially in the event of a significant adverse movement in the value of any foreign currencies against the U.S. dollar. In some instances, the Company may sell products in a currency other than the functional currency of the country where it was produced. The Company does not engage in purchasing forward exchange contracts for speculative purposes.

The Company's primary net foreign currency exposures as of April 29, 2007 included the Korean won, Singapore dollar, New Taiwan dollar, euro, British pound and Chinese renminbi. As of April 29, 2007, a 10% adverse movement in the value of these currencies against the U.S. dollar would have resulted in a net unrealized pre-tax loss of \$4.8 million. The Company does not believe that a 10% change in the exchange rates of other non-U.S. dollar currencies would have a material effect on its consolidated financial position, results of operations or cash flows.

In April, 2006, the Company's Korean subsidiary entered into a foreign currency rate swap contract. Under the terms of the contract, the Company has effectively converted a \$50 million interest bearing intercompany loan denominated in U.S. dollars to Korean won. This contract was initially scheduled to expire in December 2006, however, it has been extended to December 2007. The Company elected not to designate the foreign currency rate swap contract as a hedge which results in a market-to-market adjustment in the income statement.

In September, 2006, the Company entered into forward contracts to convert the fixed yen purchase price of certain equipment into fixed U.S. dollar amounts. In accordance with SFAS No. 133, "Accounting for Derivatives and Hedging Activities," hedges related to anticipated transactions are designated and documented at the inception of the respective hedges as cash flow and are evaluated for effectiveness. The Company records these derivative instruments in either other current assets or non current assets or accrued liabilities, depending on their net position, at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of the derivative financial instrument are recognized in earnings or in shareholders equity as a component of accumulated other comprehensive income or loss depending on whether the derivative financial instrument qualifies for hedge accounting as defined by SFAS No. 133.

Interest Rate Risk

The majority of the Company's borrowings at April 29, 2007 were in the form of its convertible subordinated note, which bears interest at a fixed rate of 2.25%, and certain unsecured international notes payable which bear interest at rates between 6.39% and

6.75%. At April 29, 2007, the Company had approximately \$81 million in net variable rate financial instrument assets which were sensitive to interest rate risk. A 10% change in interest rates would not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Act of 1934) as of April 29, 2007, the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of April 29, 2007, the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting during the three months ended April 29, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. RISKS RELATING TO THE COMPANY'S BUSINESS

There have been no material changes to risks relating to the Company's business as disclosed in Part 1, Item 1A of the Company's Form 10-K for the year ended October 29, 2006.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- (a) The matters set forth in this Item 4 were submitted to a vote of security holders of the Company at an Annual Meeting of Shareholders held on March 30, 2007.
- (b) The following directors, constituting the entire Board of Directors, were elected at the Annual Meeting of Shareholders held on March 30, 2007. Also indicated are the affirmative and authority withheld votes for each director.

	For	Authority Withheld
Walter M. Fiederowicz	35,817,095	2,435,104
Joseph A. Fiorita, Jr.	35,879,324	2,372,875
Michael J. Luttati	36,557,262	1,694,937
Constantine S. Macricostas	36,298,682	1,953,517
George C. Macricostas	35,853,253	2,398,946
Willem D. Maris	26,029,966	12,222,233
Mitchell G. Tyson	36,764,579	1,487,620

- (c) Ratification of the selection of Deloitte & Touche LLP as registered independent public accounting firm for the fiscal year ended October 28, 2007.

For	Against	Abstain	Broker Non-Votes
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(d) To consider and vote on a proposal to approve a new 2007 Long-Term Equity Incentive Plan.

For	Against	Abstain	Broker Non-Votes
25,323,323	6,042,114	29,685	4,041,990

Item 5. OTHER INFORMATION

On June 6, 2007, the Company entered into a Credit Agreement which included commitments by JPMorgan Chase Bank, National Association, as administrative agent and collateral agent; Citizens Bank of Massachusetts; HSBC Bank USA, National Association; Citibank, N.A.; Bank of America, N.A.; and UBS Loan Finance LLC, which provides for a five-year, revolving credit facility with an aggregate commitment of \$125 million (the “credit facility”). The credit facility allows for borrowings in various currencies. The applicable interest rate spread and facility fee varies depending upon the Company’s senior leverage ratio. The Company is subject to compliance with and maintenance of certain financial and other covenants. The credit facility is secured by a pledge of the Company’s stock in certain of its subsidiaries. There were no borrowings under the credit facility as of June 7, 2007.

Item 6. EXHIBITS

(a) Exhibits

**Exhibit
Number Description**

- 10.25 The Company's 2007 Long Term Equity Incentive Plan (incorporated by reference to Annex A to the Company's Definitive Proxy Statement which was filed February 23, 2007 (Commission File Number 0-15451)).
- 10.26 The Company's Non-Qualified Deferred Compensation Plan.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

Photronics, Inc.
(Registrant)

By: /s/ SEAN T. SMITH

Sean T. Smith
Senior Vice President
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: June 7, 2007

**NONQUALIFIED
SUPPLEMENTAL DEFERRED COMPENSATION PLAN**

- PLAN DOCUMENT -

SECTION 1 INTRODUCTION

1.1 Adoption of Plan and Purpose

This Plan is an unfunded, nonqualified deferred compensation plan. With the consent of the Employer (as defined in subsection 2.16) the plan may be adopted by executing the Adoption Agreement (as defined in subsection 2.3) in the form attached hereto. The Plan contains certain variable features which the Employer has specified in the Adoption Agreement. Only those variable features specified by the Employer in the Adoption Agreement will be applicable to the Employer.

The purpose of the Plan is to provide certain supplemental benefits under the Plan to a select group of management or highly compensated Employees of the Employers (in accordance with Sections 201, 301 and 401 of ERISA), Members of the Board(s) of the Employers, or Other Service Providers to the Employers (as defined below), and to allow such Employees, Board Members or Other Service Providers the opportunity to defer a portion of their salaries, bonuses and other compensation, subject to the terms of the Plan. Participants (and their Beneficiaries) shall have only those rights to payments as set forth in the Plan and shall be considered general, unsecured creditors of the Employers with respect to any such rights. The Plan is designed to comply with the American Jobs Creation Act of 2004 (the "Jobs Act") and Code Section 409A. It is intended that the Plan be interpreted according to a good faith interpretation of the Jobs Act and Code Section 409A, and consistent with published IRS guidance, until final IRS regulations are issued. In the event of any inconsistency between the terms of the Plan and the Jobs Act or Code Section 409A, the terms of the Jobs Act and Code Section 409A (including IRS interpretations) shall control. The Plan is intended to constitute an account balance plan (as defined in IRS Notice 2005-1, Q&A-9).

1.2 Adoption of the Plan

The Employer may adopt the Plan by completing and signing the Adoption Agreement in the form attached hereto.

1.3 Plan Year

The Plan is administered on the basis of a Plan Year, as defined in subsection 2.27.

1.4 Plan Administration

The plan shall be administered by a plan administrator (the "Administrator," as that term is defined in Section 3(16)(A) of ERISA) designated by the Employer in the Adoption Agreement. The Administrator has full discretionary authority to construe and interpret the provisions of the Plan and make factual determinations thereunder, including the power to determine the rights or eligibility of employees or participants and any other persons, and the amounts of their benefits under the plan, and to remedy ambiguities, inconsistencies or omissions, and such determinations shall be binding on all parties. The Administrator from time to time may adopt such rules and regulations as may be necessary or desirable for the proper and efficient administration of the Plan and as are consistent with the terms of the Plan. The administrator may delegate all or any part of its powers, rights, and duties under the Plan to such person or persons as it may deem advisable, and may engage agents to provide certain administrative services with respect to the Plan. Any notice or document relating to the Plan which is to be filed with the Administrator may be delivered, or mailed by registered or certified mail, postage pre-paid, to the Administrator, or to any designated representative of the Administrator, in care of the Employer, at its principal office.

SECTION 2 DEFINITIONS

2.1 Account

"Account" means all notional accounts and sub accounts maintained for a Participant in order to reflect his interest under the Plan, as described in Section 6.

2.2 Administrator

"Administrator" means the individual or individuals (if any) delegated authority by the Employer to administer the Plan, as defined in subsection 1.4.

2.3 Adoption Agreement

"Adoption Agreement" shall mean the form executed by the Employer and attached hereto, which Agreement shall constitute a part of the Plan.

2.4 Beneficiary

"Beneficiary" means the person or persons to whom a deceased Participant's benefits are payable under subsection 9.5.

2.5 Board

"Board" means the Board of Directors of the Employer (if applicable), as from time to time constituted.

2.6 Board Member

"Board Member" means a member of the Board.

2.7 Bonus

"Bonus" (also referred to herein as a "Non-Performance-Based Bonus") means an award of cash that is not a Performance-Based Bonus (as defined in subsection 2.25) that is payable to an Employee (or Board Member or Other Service Provider, as applicable) in a given year, with respect to the immediately preceding Bonus performance period, which may or may not be contingent upon the achievement of specified performance goals.

2.8 Code

"Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

2.9 Compensation

"Compensation" shall mean the amount of a Participant's remuneration from the Employer designated in the Adoption Agreement. Notwithstanding the foregoing, the Compensation of an Other Service Provider (as defined in subsection 2.22) shall mean his remuneration from the Employer pursuant to an agreement to provide services to the Employer. With respect to any Participant who is a Member of the Board (if applicable), "Compensation" means all cash remuneration which, absent a deferral election under the Plan, would have otherwise been received by the Board Member in the taxable year, payable to the Board Member for service on the Board and on Board committees, including any cash payable for attendance at Board meetings and Board committee meetings, but not including any amounts constituting reimbursements of expenses to Board Members. To the extent the Employer has designated "401(k) Refunds" in the Adoption Agreement (and to the extent elected by the Participant), an amount equal to the Participant's "401(k) Refund" shall be deferred from the Participant's Compensation otherwise payable to the Participant in the next subsequent Compensation pay period (or such later pay period as the Plan Administrator determines shall be administratively feasible), and shall be credited to the Participant's Compensation Deferral Account in accordance with subsection 4.1. For purposes of this subsection, "401(k) Refund" means any amount distributed to the applicable Participant from the Employer's qualified retirement plan intended to comply with Section 401(k) of the Code that is in excess of the maximum deferral for the prior calendar year allowable under such qualified retirement plan. To the extent the Employer has designated "401(k) Continuation Compensation" in the Adoption Agreement (and to the extent elected by the Participant), an amount equal to the Participant's "401(k) Continuation Compensation" that otherwise would have been contributed to the 401(k) Plan shall be deferred from the Participant's Compensation in the next subsequent Compensation pay period (or such later pay period as the Plan Administrator determines shall be administratively feasible), and shall be credited to the Participant's Compensation Deferral Account in accordance with subsection 4.1.

2.10 Compensation Deferrals

"Compensation Deferrals" means the amounts credited to a Participant's Compensation Deferral Account pursuant to the Participant's election made in accordance with subsection 4.1.

2.11 Deferral Election

"Deferral Election" means an election by a Participant to make Compensation Deferrals or Performance-Based Bonus Deferrals in accordance with Section 4.

2.12 Disability

"Disability" for purposes of this Plan shall mean the occurrence of an event as a result of which the Participant is considered disabled, as designated by the Employer in the Adoption Agreement.

2.13 Effective Date

"Effective Date" means the Effective Date of the Plan, as indicated in the Adoption Agreement.

2.14 Eligible Individual

"Eligible Individual" means each Board Member, Other Service Provider, or Employee of an Employer who satisfies the eligibility requirements set forth in the Adoption Agreement.

2.15 Employee

"Employee" means a person who is employed by an Employer and is treated and/or classified by the Employer as a common law employee for purposes of wage withholding for Federal income taxes. If a person is not considered to be an Employee of the Employer in accordance with the preceding sentence, a subsequent determination by the Employer, any governmental agency, or a court that the person is a common law employee of the Employer, even if such determination is applicable to prior years, will not have a retroactive effect for purposes of eligibility to participate in the Plan.

2.16 Employer

"Employer" means the business entity designated in the Adoption Agreement, and its successors and assigns unless otherwise herein provided, or any other corporation or business organization which, with the consent of the Employer, or its successors or assigns, assumes the Employer's obligations hereunder, and any affiliate or subsidiary of the Employer, as defined in Subsections 414(b) and (c) of the Code, or other corporation or business organization that has adopted the Plan on behalf of its Eligible Individuals with the consent of the Employer.

2.17 Employer Contributions

"Employer Contributions" means the amounts other than Matching Contributions that are credited to a Participant's Employer Contributions Account under the Plan by the Employer in accordance with subsection 4.4.

2.18 ERISA

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific section of ERISA shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

2.19 Fiscal Year Compensation

"Fiscal Year Compensation" means Compensation relating to a period of service coextensive with one or more consecutive non-calendar-year fiscal years of the Employer, where no amount of such Compensation is paid or payable during the service period. For example, a Bonus based upon a service period of two consecutive fiscal years payable after the completion of the second fiscal year would be "Fiscal Year Compensation," but periodic salary payments or Bonuses based on service periods other than the Employer's fiscal year would not be Fiscal Year Compensation.

2.20 Investment Funds

"Investment Funds" means the notional funds or other investment vehicles designated pursuant to subsection 5.1.

2.21 Matching Contributions

"Matching Contributions" means the amounts credited to a Participant's Employer Contribution Account under the Plan by the Employer that are based on the amount of Participant Deferrals made by the Participant under the Plan, or that are based upon such other formula as designated by the Employer in the Adoption Agreement, in accordance with subsection 4.3.

2.22 Other Service Providers

"Other Service Providers" shall mean independent contractors, consultants, or other similar providers of services to the Employer, other than Employees and Board Members. To the extent that an Other Service Provider is unrelated to the Employer, as described in Code Section 409A and other applicable regulations, guidance, etc. thereunder, the provisions of such guidance shall not apply. To the extent that an Other Service Provider uses an accrual method of accounting for a given taxable year, amounts deferred under the Plan in such taxable year shall not be subject to Code Section 409A and other applicable guidance thereunder, notwithstanding any provision of the Plan to the contrary.

2.23 Participant

"Participant" means an Eligible Individual who meets the requirements of Section 3 and elects to make Compensation Deferrals pursuant to Section 4, or who receives Employer Contributions or Matching Contributions pursuant to subsection 4.3 or 4.4. A Participant shall cease being a Participant in accordance with subsection 3.2 herein.

2.24 Participant Deferrals

"Participant Deferrals" means all amounts deferred by a Participant under this Plan, including Participant Compensation Deferrals and Participant Performance-Based Bonus Deferrals.

2.25 Performance-Based Bonus

"Performance-Based Bonus" generally means Compensation where the amount of, or entitlement to, the compensation is contingent on the satisfaction of previously established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months in which the Eligible Individual performs services, pursuant to rules described in Proposed Treasury Regulation Section 1.409A-1(e).

2.26 Performance-Based Bonus Deferrals

"Performance-Based Bonus Deferrals" means the amounts credited to a Participant's Compensation Deferral Account from the Participant's Performance-Based Bonus pursuant to the Participant's election made in accordance with subsection 4.2.

2.27 Plan Year

"Plan Year" means each 12-month period specified in the Adoption Agreement, on the basis of which the Plan is administered.

2.28 Retirement

"Retirement" for purposes of this Plan means the Participant's Termination Date, as defined in subsection 2.30, after attaining any age and/or service minimums with respect to Retirement or Early Retirement as designated by the Employer in the Adoption Agreement.

2.29 Spouse

"Spouse" means the person to whom a Participant is legally married under applicable state law at the earlier of the date of the Participant's death or the date payment of the Participant's benefits commenced and who is living on the date of the Participant's death.

2.30 Termination Date

"Termination Date" means (i) with respect to an Employee Participant, the Participant's separation from service (within the meaning of Section 409A of the Code and the regulations, notices and other guidance thereunder, including death or Disability) with the Employers, and any subsidiary or affiliate of the Employers as defined in Sections 414(b) and (c) of the Code; (ii) with respect to a Board Member Participant, the Participant's resignation or removal from the Board (for any reason, including death or Disability); and (iii) with respect to any Other Service Provider, the expiration of all agreements to provide services to the Employers (for any reason, including death or Disability), as described in Proposed Treasury Regulation Section 1.409A-1(h)(2) and any successor guidance thereto.

2.31 Valuation Date

"Valuation Date" means the last day of each Plan Year and any other date that the Employer, in its sole discretion, designates as a Valuation Date, as of which the value of an Investment Fund is adjusted for notional deferrals, contributions, distributions, gains, losses, or expenses.

2.32 Other Definitions

Other defined terms used in the Plan shall have the meanings given such terms elsewhere in the Plan.

SECTION 3 ELIGIBILITY AND PARTICIPATION

3.1 Eligibility

Each Eligible Individual on the Effective Date of the Plan shall be eligible to become a Participant by properly making a Deferral Election on a timely basis as described in Section 4, or, if applicable and eligible as designated by the Employer in the Adoption Agreement, by receiving a Matching Contribution or other Employer Contribution under the Plan. Each other Eligible Individual may become a Participant by making a Deferral Election on a timely basis as described in Section 4 or, if applicable and eligible as designated by the Employer in the Adoption Agreement, by receiving a Matching Contribution or other Employer Contribution under the Plan. Each Eligible Individual's decision to become a Participant by making a Deferral Election shall be entirely voluntary. The Employer may require the Participant to complete any necessary forms or other information as it deems necessary or advisable prior to permitting the Eligible Individual to commence participation in the Plan.

3.2 Cessation of Participation

If a Termination Date occurs with respect to a Participant, or if a Participant otherwise ceases to be an Eligible Individual, no further Compensation Deferrals, Performance-Based Bonus Deferrals, Matching Contributions or other Employer Contributions shall be credited to the Participant's Accounts after the Participant's Termination Date or date the Participant ceases to be eligible (or as soon as administratively feasible after the date the Participant ceases to be eligible), unless he is again determined to be an Eligible Individual, but the balance credited to his Accounts shall continue to be adjusted for notional investment gains and losses under the terms of the Plan and shall be distributed to him at the time and manner set forth in Section 9. An Employee, Board Member or Other Service Provider shall cease to be a Participant after his Termination Date or other loss of eligibility as soon as his entire Account balance has been distributed.

3.3 Eligibility for Matching or Employer Contributions

An Employee Participant who has satisfied the requirements necessary to become an Eligible Individual with respect to Matching Contributions as specified in the Adoption Agreement, and who has made a Compensation Deferral election pursuant to subsection 4.1 herein or who has satisfied such other criteria as specified in the Adoption Agreement, shall be eligible to receive

Matching Contributions described in subsection 4.3. An Employee Participant who has satisfied the requirements necessary to become an Eligible Individual with respect to Employer Contributions other than Matching Contributions as specified in the Adoption Agreement, shall be eligible to receive Employer Contributions described in subsection 4.4.

SECTION 4 DEFERRALS AND CONTRIBUTIONS

4.1 Compensation Deferrals Other Than Performance-Based Bonus Deferrals

Each Plan Year, an Eligible Individual may elect to defer receipt of no less than the minimum and no greater than the maximum percentage or amount selected by the Employer in the Adoption Agreement with respect to each type of Compensation (other than Performance-Based Bonuses) earned with respect to pay periods beginning on and after the effective date of the election; provided, however, that Compensation earned prior to the date the Participant satisfies the eligibility requirements of Section 3 shall not be eligible for deferral under this Plan. Except as otherwise provided in this subsection, a Participant's Deferral Election for a Plan Year under this subsection must be made not later than December 31 of the preceding Plan Year (or such earlier date as determined by the Plan Administrator) with respect to Compensation (other than Performance-Based Bonuses) earned in pay periods beginning on or after the following January 1 in accordance with rules established by the Administrator.

An Employee, Board Member or Other Service Provider who first becomes an Eligible Individual during a Plan Year (by virtue of a promotion, Compensation increase, commencement of employment with the Employers, commencement of Board service, execution of an agreement to provide services to an Employer, or any other reason) shall be provided enrollment documents (including Deferral Election forms) as soon as administratively feasible following such initial eligibility. Such Eligible Individual must make his Deferral Elections within 30 days after first becoming an Eligible Individual, with respect to his Compensation (other than Performance-Based Bonuses) earned on or after the effective date of the Deferral Election (provided, however, that if such Eligible Individual is participating in any other account balance plan maintained by the Employer or any member of the Employer's "controlled group" (as defined in subsections 414(b) and (c) of the Code), such Eligible Individual must make his Compensation Deferral Election no later than December 31 of the preceding Plan Year (or such earlier date as determined by the Plan Administrator), or he may not elect to make Compensation Deferrals for that initial Plan Year). If an Eligible Individual does not elect to make Compensation Deferrals during that initial 30-day period, he may not later elect to make Compensation Deferrals for that year under this subsection. In the event that an Eligible Individual first becomes eligible during a Plan Year with respect to which Fiscal Year Compensation is payable, such Eligible Individual must make his Fiscal Year Compensation Deferral Election on or before the end of the fiscal year of the Employer immediately preceding the first fiscal year in which any services are performed for which the Fiscal Year Compensation is payable.

An election to make Compensation Deferrals under this subsection 4.1 shall remain in effect through the last pay period commencing in the calendar year to which the election applies (except as provided in subsection 4.5), shall apply with respect to the applicable type of Compensation (other than Performance-Based Bonuses) to which the Deferral Election relates earned for pay periods commencing in the applicable calendar year to which the election applies, and shall be irrevocable (provided, however, that a Participant making a Deferral Election under this subsection may change his election at any time prior to December 31 of the year preceding the year for which the Deferral Election is applicable, subject to rules established by the Plan Administrator). If a Participant fails to make a Compensation Deferral election for a given Plan Year, such Participant's Compensation Deferral Election for that Plan Year shall be deemed to be zero; provided, however, that if the Employer has elected in the Adoption Agreement that a Participant's Compensation Deferral Election shall be "evergreen", then such Participant's Compensation Deferral Election shall be deemed to be identical to the most recent applicable Deferral Election on file with the Administrator with respect to the applicable type of Compensation; provided, however, that no In-Service Distribution shall be applicable to any amounts deferred in a year in which the Participant fails to make an affirmative election, and payment of such amounts for such year shall be made in accordance with his most recent election on file with the Administrator (if no election is on file, then such amounts shall be paid to him in a single lump sum).

With respect to "401(k) Refund" and "401(k) Continuation Compensation" deferrals, a Participant's action or inaction under the 401(k) Plan, including an adjustment to a deferral election under such qualified plan, will not be treated as either a deferral election or an acceleration of a payment under this Plan, provided that for any given calendar year, the Participant's actions or inactions under the 401(k) Plan do not result in an increase in the amounts deferred under all nonqualified deferred compensation plans in which the Participant participates in excess of the limit with respect to elective deferrals under 402(g) in effect for the calendar year in which such actions or inactions occur.

Compensation Deferrals shall be credited to the Participant's Compensation Deferral Account as soon as administratively feasible after such amounts would have been payable to the Participant.

4.2 Performance-Based Bonus Deferrals

Each Plan Year, an Eligible Individual may elect to defer receipt of no less than the minimum and no greater than the maximum percentage or amount selected by the Employer in the Adoption Agreement with respect to Performance-Based Bonuses earned with respect to the performance period for which the Performance-Based Bonus is earned; provided, however, that the Eligible Individual performed services continuously from a date no later than the date upon which the performance criteria are established through a date no earlier than the date upon which the Eligible Individual makes a Performance-Based Bonus Deferral Election; and further provided that in no event may an election to defer Performance-Based Bonuses be made after such Bonuses have become both substantially certain to be paid and readily ascertainable. Except as otherwise provided in this subsection, a Participant's Performance-Based Bonus Deferral Election under this subsection must be made not later than six months (or such earlier date as determined by the Plan Administrator) prior to the end of the performance period.

An Employee, Board Member or Other Service Provider who first becomes an Eligible Individual during a Plan Year (by virtue of a promotion, Compensation increase, commencement of employment with the Employers, commencement of Board service, execution of an agreement to provide services to an Employer, or any other reason) shall be provided enrollment documents (including Deferral Election forms) as soon as administratively feasible following such initial eligibility. Such Eligible Individual must make his Performance-Based Bonus Deferral Election within 30 days after first becoming an Eligible Individual (provided, however, that if such Eligible Individual is participating in any other account balance plan maintained by the Employer or any member of the Employer's "controlled group" (as defined in subsections 414(b) and (c) of the Code), such Eligible Individual must make his Performance-Based Bonus Deferral Election no later than six months (or such earlier date as determined by the Plan Administrator) prior to the end of the performance period, or he may not elect to make Performance-Based Bonus Deferrals for such initial Plan Year. In the case of a Deferral Election in the first year of eligibility that is made after the beginning of the Performance-Based Bonus performance period, the Deferral Election will apply to the portion of the Performance-Based Bonus equal to the total amount of the Performance-Based Bonus for the performance period multiplied by the ratio of the number of days remaining in the performance period after the effective date of the Deferral Election over the total number of days in the Performance Period. If an Eligible Individual does not elect to make a Performance-Based Bonus Deferral during that initial 30-day period, he may not later elect to make a Performance-Based Bonus Deferral for that performance period under this subsection.

An election to make Performance-Based Bonus Deferrals under this subsection 4.2 shall remain in effect through the end of the performance period to which the election applies (except as provided in subsection 4.5), and shall be irrevocable (provided, however, that a Participant making a Performance-Based Bonus Deferral Election under this subsection may change his election at any time prior to the first day of the six-month period ending on the last day of the performance period for which the Performance-Based Bonus Deferral Election is applicable, subject to rules established by the Plan Administrator). If a Participant fails to make a Performance-Based Bonus Deferral Election for a given performance period, such Participant's Performance-Based Bonus Deferral Election for that performance period shall be deemed to be zero; provided, however, that if the Employer has elected in the Adoption Agreement that a Participant's Performance-Based Deferral Election shall be "evergreen", then such Participant's Performance-Based Bonus Deferral Election shall be deemed to be identical to the most recent applicable Performance-Based Bonus Deferral Election on file with the Administrator; provided, however, that no In-Service Distribution shall be applicable to any amounts deferred in a year in which the Participant fails to make an affirmative election, and payment of such amounts for such year shall be made in accordance with his most recent election on file with the Administrator (if no election is on file, then such amounts shall be paid to him in a single lump sum).

Performance-Based Bonus Deferrals shall be credited to the Participant's Compensation Deferral Account as soon as administratively feasible after such amounts would have been payable to the Participant.

4.3 Matching Contributions

Matching Contributions shall be determined in accordance with the formula specified in the Adoption Agreement, and shall be credited to the Employer Contribution Accounts of Participants who have satisfied the eligibility requirements for Matching Contributions specified in the Adoption Agreement. Matching Contributions under this Plan shall be credited to such Participants' Employer Contribution Accounts as soon as administratively feasible after the Applicable Period selected in the Adoption Agreement, but only with respect to Participants eligible to receive such Matching Contributions as described in the Adoption Agreement.

4.4 Other Employer Contributions

Employer Contributions other than Matching Contributions shall be determined in accordance with the formula specified in the Adoption Agreement, and shall be credited to the Employer Contribution Accounts of Participants who have satisfied the eligibility requirements for Employer Contributions specified in the Adoption Agreement. Employer Contributions under this Plan shall be credited to such Participants' Employer Contributions Accounts as soon as administratively feasible after the Applicable Period selected in the Adoption Agreement, but only with respect to Participants eligible to receive such Employer Contributions as described in the Adoption Agreement.

4.5 No Election Changes During Plan Year

A Participant shall not be permitted to change or revoke his Deferral Elections (except as otherwise described in subsections 4.1 and 4.2), except that, if a Participant's status changes such that he becomes ineligible for the Plan, the Participant's Deferrals under the Plan shall cease as described in subsection 3.2. Notwithstanding the foregoing, in the event the Employer maintains a qualified plan designed to comply with the requirements of Code Section 401(k) that requires the cessation of all deferrals in the event of a hardship withdrawal under such plan, the Participant's Deferrals under this Plan shall cease as soon as administratively feasible upon notification to the Administrator that the participant has taken such a hardship withdrawal. Notwithstanding the foregoing, if the Employer has elected in the Adoption Agreement to permit Unforeseeable Emergency Withdrawals pursuant to subsection 9.8, the Participant's Deferrals under this Plan shall cease as soon as administratively feasible upon approval by the Administrator of a Participant's properly submitted request for an Unforeseeable Emergency Withdrawal under subsection 9.8.

4.6 Crediting of Deferrals

The amount of deferrals pursuant to subsections 4.1 and 4.2 shall be credited to the Participant's Accounts as of a date not later than 15 business days after the date on which the amount (but for the deferral) otherwise would have been paid to the Participant, or such later date as determined to be administratively feasible by the Plan Administrator.

4.7 Reduction of Deferrals or Contributions

Any Participant Deferrals or Employer Contributions to be credited to a Participant's Account under this Section may be reduced by an amount equal to the Federal or state income, payroll, or other taxes required to be withheld on such deferrals or contributions or to satisfy any necessary employee welfare plan contributions. A Participant shall be entitled only to the net amount of such deferral or contribution (as adjusted from time to time pursuant to the terms of the Plan). The Administrator may limit a Participant's Deferral Election if, as a result of any election, a Participant's Compensation from the Employer would be insufficient to cover taxes, withholding, and other required deductions applicable to the Participant.

SECTION 5 NOTIONAL INVESTMENTS

5.1 Investment Funds

The Employer may designate, in its discretion, one or more Investment Funds for the notional investment of Participants' Accounts. The Employer, in its discretion, may from time to time establish new Investment Funds or eliminate existing Investment Funds. The Investment Funds are for recordkeeping purposes only and do not allow Participants to direct any Employer assets (including, if applicable, the assets of any trust related to the Plan). Each Participant's Accounts shall be adjusted pursuant to the Participant's notional investment elections made in accordance with this Section 5, except as otherwise determined by the Employer or Administrator in their sole discretion.

5.2 Investment Fund Elections

The Employer shall have full discretion in the direction of notional investments of Participants' Accounts under the Plan; provided, however, that if the Employer so elects in the Adoption Agreement, each Participant may elect from among the Investment Funds for the notional investment of such of his Accounts as are permitted under the Adoption Agreement from time to time in accordance with procedures established by the Employer. The Administrator, in its discretion, may adopt (and may modify from time to time) such rules and procedures as it deems necessary or appropriate to implement the notional investment of the Participant's Accounts. Such procedures may differ among Participants or classes of Participants, as determined by the Employer or the Administrator in its discretion. The Employer or Administrator may limit, delay or restrict the notional investment of certain Participants' Accounts, or restrict allocation or reallocation into specified notional investment options, in accordance with rules established in order to comply with Employer policy and applicable law, to minimize regulated filings and disclosures, or under any other circumstances in the discretion of the Employer. Any deferred amounts subject to a Participant's investment election that must be so limited, delayed or restricted under such circumstances may be notionally invested in an Investment Fund designated by the Administrator, or may be credited with earnings at a rate determined by the Administrator, which rate may be zero. A Participant's notional investment election shall remain in effect until later changed in accordance with the rules of the Administrator. If a Participant does not make a notional investment election, all deferrals by the Participant and contributions on his behalf will remain uninvested until such time as the Administrator receives proper direction, or, at the Employer's election, may be deemed to be notionally invested in the Investment Fund designated by the Employer for such purpose or may be credited with earnings at a rate determined by the Administrator or Employer, which rate may be zero.

5.3 Investment Fund Transfers

A Participant may elect that all or a part of his notional interest in an Investment Fund shall be transferred to one or more of the other Investment Funds. A Participant may make such notional Investment Fund transfers in accordance with rules established from time to time by the Employer or the Administrator, and in accordance with subsection 5.2.

SECTION 6 ACCOUNTING

6.1 Individual Accounts

Bookkeeping Accounts shall be maintained under the Plan in the name of each Participant, as applicable, along with any subaccounts under such Accounts deemed necessary or advisable from time to time, including a subaccount for each Plan Year that a Participant's Deferral Election is in effect. Each such subaccount shall reflect (i) the amount of the Participant's Deferral during that year, any Matching Contributions or Employer Contributions credited during that year, and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.

Rules and procedures may be established relating to the maintenance, adjustment, and liquidation of Participants' Accounts, the crediting of deferrals and contributions and the notional gains, losses, expenses, appreciation, and depreciation attributable thereto, as are considered necessary or advisable.

6.2 Adjustment of Accounts

Pursuant to rules established by the Employer, Participants' Accounts will be adjusted on each Valuation Date, except as provided in Section 9, to reflect the notional value of the various Investment Funds as of such date, including adjustments to reflect any deferrals and contributions, notional transfers between Investment Funds, and notional gains, losses, expenses, appreciation, or depreciation with respect to such Accounts since the previous Valuation Date. The "value" of an Investment Fund at any Valuation Date may be based on the fair market value of the Investment Fund, as determined by the Administrator in its sole discretion.

6.3 Accounting Methods

The accounting methods or formulae to be used under the Plan for purposes of monitoring Participants' Accounts, including the calculation and crediting of notional gains, losses, expenses, appreciation, or depreciation, shall be determined by the Administrator in its sole discretion. The accounting methods or formulae selected by the Administrator may be revised from time to time.

6.4 Statement of Account

At such times and in such manner as determined by the Administrator, but at least annually, each Participant will be furnished with a statement reflecting the condition of his Accounts.

SECTION 7 VESTING

A Participant shall be fully vested at all times in his Compensation Deferral Account (if applicable). A Participant shall be vested in his Matching Contributions and/or Employer Contributions (if applicable), in accordance with the vesting schedule elected by the Employer under the Adoption Agreement. Vesting Years of Service shall be determined in accordance with the election made by the Employer in the Adoption Agreement. Amounts in a Participant's Accounts that are not vested upon the Participant's Termination Date ("forfeitures") shall be returned to the Employer.

If a Participant has a Termination Date with the Employer as a result of the Participant's Misconduct (as defined by the Employer in the Adoption Agreement), or if the Participant engages in Competition with the Employer (as defined by the Employer in the Adoption Agreement), and the Employer has so elected in the Adoption Agreement, the Participant shall forfeit all amounts allocated to his or her Matching Contribution Account and/or Employer Contribution Accounts (if applicable). Such forfeitures shall be returned to the Employer.

Neither the Administrator nor the Employers in any way guarantee the Participant's Account balance from loss or depreciation. Notwithstanding any provision of the Plan to the contrary, the Participant's Account balance is subject to Section 8.

SECTION 8 FUNDING

No Participant or other person shall acquire by reason of the Plan any right in or title to any assets, funds, or property of the Employers whatsoever, including, without limiting the generality of the foregoing, any specific funds, assets, or other property of the Employers. Benefits under the Plan are unfunded and unsecured. A Participant shall have only an unfunded, unsecured right to the amounts, if any, payable hereunder to that Participant. The Employers' obligations under this Plan are not secured or funded in any manner, even if the Employer elects to establish a trust with respect to the Plan. Even though benefits provided under the Plan are not funded, the Employer may establish a trust to assist in the payment of benefits. All investments under this Plan are notional and do not obligate the Employers (or their delegates) to invest the assets of the Employers or of any such trust in a similar manner.

SECTION 9 DISTRIBUTION OF ACCOUNTS

9.1 Distribution of Accounts

With respect to any Participant who has a Termination Date that precedes his Retirement date, an amount equal to the Participant's vested Account balances shall be distributed to the Participant (or, in the case of the Participant's death, to the Participant's Beneficiary), in the form of a single lump sum payment, or, if subsection 9.2 applies, in the form of installment payments as designated by the Employer in the Adoption Agreement. Subject to subsection 9.3 hereof, distribution of a Participant's Accounts shall be made or commence by the end of the calendar year in which occurs the Participant's Termination Date, or such earlier date as shall be administratively feasible for the Administrator to make such payment. Notwithstanding any provision of the Plan to the contrary, for purposes of this subsection, a Participant's Accounts shall be valued as of a Valuation Date as soon as administratively feasible preceding the date such distribution is made, in accordance with rules established by the Administrator.

Notwithstanding the foregoing, to the extent designated by the Employer in the Adoption Agreement, a Participant may elect, in accordance with this subsection, a distribution date for his Compensation Deferral Accounts that is prior to his Termination Date (an "In-Service Distribution"). A Participant's election of an In-Service Distribution date must: (i) be made at the time of his Deferral Election for a Plan Year; and (ii) apply only to amounts deferred pursuant to that election, and any earnings, gains, losses, appreciation, and depreciation credited thereto or debited therefrom with respect to such amounts. To the extent permitted by the Employer, a Participant may elect an In-Service Distribution date with respect to Performance-Based Bonus Deferrals that is separate from an In-Service Distribution date with respect to Compensation Deferrals other than Performance-Based Bonus Deferrals for the same year, provided that the applicable In-Service Distribution date may not be earlier than the number of years designated by the Employer in the Adoption Agreement following the year in which the applicable Compensation would have been paid absent the deferral, or as further determined or limited in accordance with rules established by the Administrator. Payments made pursuant to an In-Service Distribution election shall be made in a lump sum as soon as administratively feasible following January 1 of the calendar year in which the payment was elected to be made, but in no event later than the end of the calendar year in which the payment was elected to be made, or such later date as shall be administratively feasible for the Administrator to make such payment. For purposes of such payment, the value of the Participant's Accounts for the applicable Plan Year shall be determined as of a Valuation Date preceding the date that such distribution is made, in accordance with rules established by the Administrator. In the event a Participant's Termination Date occurs (or, if elected by the Employer in the Adoption Agreement, in the event of a Change in Control of the Employer occurs) prior to the date the Participant had previously elected to have an In-Service Distribution payment made to him, such amount shall be paid to the Participant under the rules applicable for payment on Termination of Employment in accordance with this subsection 9.1 and subsection 9.2. No In-Service

Distribution shall be applicable to any amounts deferred in a year in which the Participant fails to make an affirmative election, and payment of such amounts for such year shall be made in accordance with his most recent election on file with the Administrator (if no election is on file, then such amounts shall be paid to him in a single lump sum).

To the extent elected by the Employer in the Adoption Agreement, Participants whose Termination Date has not yet occurred may elect to defer payment of any In-Service Distribution, provided that such election is made in accordance with procedures established by the Administrator, and further provided that any such election must be made no later than 12 calendar months prior to the originally elected In-Service Distribution Date. Participants may elect any deferred payment date, but such date must be no fewer than five years from the original In-Service Distribution Date.

9.2 Installment Distributions

To the extent elected by the Employer in the Adoption Agreement, a Participant may elect to receive payments from his Accounts in the form of a single lump sum, as described in Section 9.1, or in annual installments over a period elected by the Employer in the Adoption Agreement. To the extent a Participant fails to make an election, the Participant shall be deemed to have elected to receive his distribution for that Plan Year in the form of a single lump sum. To the extent elected by the Employer in the Adoption Agreement, a Participant may make a separate election with respect to his Performance-Based Bonus Deferrals for each year (as adjusted for gains and losses thereon) that provides for a different method of distribution from the method of distribution he elects with respect to his Compensation Deferrals (as adjusted for gains and losses thereon) for that year. The Participant's Employer Contributions Account attributable to such year, if any (as adjusted for gains and losses thereon), shall be distributed in the same manner as his Compensation Deferral Account for such year.

- (a) Installment Elections. A Participant will be required to make his distribution election prior to the commencement of each calendar year (or, in the event of an election with respect to Performance-Based Bonuses, prior to six months before the end of the applicable performance period), or such earlier date as determined by the Plan Administrator.
- (b) Installment Payments. The first installment payment shall generally be made no later than the end of the calendar year in which occurs the Participant's Termination Date, or such later date as shall be administratively feasible for the Administrator to make such payment. Succeeding payments shall generally be made by January 1 of each succeeding calendar year, but in no event later than the end of each succeeding calendar year, or as soon as administratively feasible for the Administrator to make such payment. The amount to be distributed in each installment payment shall be determined by dividing the value of the Participant's Accounts as of a Valuation Date preceding the date of each distribution by the number of installment payments remaining to be made, in accordance with rules established by the Administrator. In the event of the death of the Participant prior to the full payment of his Accounts, payments will continue to be made to his Beneficiary in the same manner and at the same time as would have been payable to the Participant, but substituting the Participant's date of death for the Participant's Retirement Date.

To the extent elected by the Employer in the Adoption Agreement, Participants who have elected payment in installments may make a subsequent election to elect payment of that amount in the form of a lump sum or to change the number of such installment payments so long as no acceleration of distribution payments occurs (but no fewer than the minimum number, and not to exceed the maximum number of installments elected by the Employer in the Adoption Agreement), if payment of installments with respect to that year's Deferral Elections has not yet commenced. Such election must be made in accordance with procedures established by the Administrator, and any such election must be made no later than 12 calendar months prior to the originally elected payment date of the first installment. The new payment date for any installment with respect to which such election is made must be deferred for a period of not less than five years from the date such payment would otherwise have been made. Participants will be permitted to make such a change to the number of installments only once with respect to any year's Deferral Elections.

9.3 Key Employees

Notwithstanding anything herein to the contrary, and subject to Code Section 409A, payment shall not be made or commence as a result of the Participant's Termination Date to any Participant who is a key employee (defined below) before the date that is not less than six months after the Participant's Termination Date. For this purpose, a key employee includes a "key employee" (as defined in Proposed Treasury Regulation Section 1.409A-1(i)) during the entire 12-month period determined by the Administrator ending with the annual date upon which key employees are identified by the Administrator, and also including any Employee identified by the Administrator in good faith with respect to any distribution as belonging to the group of identified key employees, regardless of whether such Employee is subsequently determined by the Employer, any governmental agency, or a court not to be a key employee. In the event amounts are payable to a key employee in installments in accordance with subsection 9.2, the first installment shall be delayed by six months, with all other installment payments payable as originally scheduled.

9.4 Mandatory Cash-Outs of Small Amounts

If the value of a Participant's total Accounts equals \$10,000 or less at his Termination Date (or his death), or at any time thereafter, the Accounts will be paid to the Participant (or, in the event of his death, his Beneficiary) in a single lump sum,

notwithstanding any election by the Participant otherwise. Payments made on account of the Participant's Termination Date shall be made on or before the earlier of (a) the last day of the Plan Year in which the Participant's Termination Date occurs, or (b) as soon as administratively feasible (except as otherwise provided in subsection 9.3).

9.5 Designation of Beneficiary

Each Participant from time to time may designate any individual, trust, charity or other person or persons to whom the value of the Participant's Accounts will be paid in the event the Participant dies before receiving the value of all of his Accounts. A Beneficiary designation must be made in the manner required by the Administrator for this purpose. Primary and secondary Beneficiaries are permitted. A married participant designating a Beneficiary other than his Spouse must obtain the consent of his Spouse to such designation (in accordance with rules determined by the Administrator). Payments to the Participant's Beneficiary(ies) shall be made in accordance with subsection 9.1, 9.2 or 9.4, as applicable, after the Administrator has received proper notification of the Participant's death.

A Beneficiary designation will be effective only when the Beneficiary designation is filed with the Administrator while the Participant is alive, and a subsequent Beneficiary designation will cancel all of the Participant's Beneficiary designations previously filed with the Administrator. Any designation or revocation of a Beneficiary shall be effective as only if it is received by the Administrator. Once received, such designation shall be effective as of the date the designation was executed, but without prejudice to the Administrator on account of any payment made before the change is recorded by the Administrator. If a Beneficiary dies before payment of the Participant's Accounts have been made, the Participant's Accounts shall be distributed in accordance with the Participant's Beneficiary designation and pursuant to rules established by the Administrator. If a deceased Participant failed to designate a Beneficiary, or if the designated Beneficiary predeceases the Participant, the value of the Participant's Accounts shall be payable to the Participant's Spouse or, if there is none, to the Participant's estate, or in accordance with such other equitable procedures as determined by the Administrator.

9.6 Reemployment

If a former Participant is rehired by an Employer, the Employer or any affiliate or subsidiary of the Employer described in Section 414(b) and (c) of the Code, regardless of whether he is rehired as an Eligible Individual (with respect to an Employee Participant), or a former Participant returns to service as a Board member, any payments being made to such Participant hereunder by virtue of his previous Termination Date shall cease. Upon such Participant's subsequent Termination Date, his payments shall again commence in the form previously elected by such Participant in accordance with this Section 9. If a former Participant is rehired by the Employer (with respect to an Employee Participant) or returns to service as a Board member, and in either case any payments to be made to the Participant by virtue of his previous Termination Date have not been made or commenced, such Participant shall no longer be entitled to such payments until his subsequent Termination Date.

9.7 Special Distribution Rules

Except as otherwise provided herein and in Section 12, Account balances of Participants in this Plan shall not be distributed earlier than the applicable date or dates described in this Section 9. Notwithstanding the foregoing, in the case of payments: (i) the deduction for which would be limited or eliminated by the application of Section 162(m) of the Code; (ii) that would violate securities or other applicable laws; (iii) that would violate loan covenants or other contractual terms to which an Employer is a party, where such a violation would result in material harm to an Employer, deferral of such payments may be made by the Employer at the Employer's discretion. In the case of a payment described in (i) above, the payment must be deferred either to a date in the first year in which the Employer or Administrator reasonably anticipates that a payment of such amount would not result in a limitation of a deduction with respect to the payment of such amount under Section 162(m), or the year in which the Participant's Termination Date occurs. In the case of a payment described in (ii) or (iii) above, payment will be made in the first calendar year in which the Employer or Administrator reasonably anticipates that the payment would not violate loan or other similar contractual terms, the violation would not result in material harm to an Employer, or the payment would not result in a violation of securities or other applicable laws. Payments intended to pay employment taxes or payments made as a result of income inclusion of an amount in a Participant's Accounts as a result of a failure to satisfy Section 409A of the Code shall be permitted at the Employer or Administrator's discretion at any time and to the extent provided in Proposed Treasury Regulations under Section 409A of the Code and IRS Notice 2005-1, Q&A-15, and any applicable subsequent guidance. "Employment taxes" shall include Federal Income Contributions Act (FICA) tax imposed under Sections 3101 and 3121(v)(2) of the Code on compensation deferred under the Plan (the "FICA Amount"), the income tax imposed under Section 3401 of the Code on the FICA Amount, and to pay the additional income tax under Section 3401 of the Code attributable to the pyramiding Section 3401 wages and taxes. A distribution may be accelerated as may be necessary to comply with a certificate of divestiture (as defined in Section 1043(b)(2) of the Code) with respect to certain conflict of interest rules. With respect to a subchapter S corporation, a distribution may be accelerated to avoid a nonallocation year under Code Section 409(p) with respect to a subchapter S corporation in the discretion of the Employer or Administrator, provided that the amount distributed does not exceed 125 percent of the minimum amount of distribution necessary to avoid the occurrence of a nonallocation year, in accordance with Proposed Treasury Regulation Section 1.409A-3(h)(2)(ix).

9.8 Distribution on Account of Unforeseeable Emergency

If elected by the Employer in the Adoption Agreement, if a Participant or Beneficiary incurs a severe financial hardship of the type described below, he may request an Unforeseeable Emergency Withdrawal, provided that the withdrawal is necessary in light of severe financial needs of the Participant or Beneficiary. To the extent elected by the Employer in the Adoption Agreement, the ability to apply for an Unforeseeable Emergency Withdrawal may be restricted to Participants whose Termination Date has not yet

occurred. Such a withdrawal shall not exceed the amount required (including anticipated taxes on the withdrawal) to meet the severe financial need and not reasonably available from other resources of the Participant (including reimbursement or compensation by insurance, cessation of deferrals under this Plan, and liquidation of the Participant's assets, to the extent liquidation itself would not cause severe financial hardship). Each such withdrawal election shall be made at such time and in such manner as the Administrator shall determine, and shall be effective in accordance with such rules as the Administrator shall establish and publish from time to time. Severe financial needs are limited to amounts necessary for:

- (a) A sudden unexpected illness or accident incurred by the Participant, his Spouse, or dependents (as defined in Code Section 152(a)).
- (b) Uninsured casualty loss pertaining to property owned by the Participant.
- (c) Other similar extraordinary and unforeseeable circumstances involving an uninsured loss arising from an event outside the control of the Participant.

Withdrawals of amounts under this subsection shall be paid to the Participant in a lump sum as soon as administratively feasible following receipt of the appropriate forms and information required by and acceptable to the Administrator.

9.9 Distribution Upon Change in Control

In the event of the occurrence of a Change in Control of the Employer or a member of the Employer's controlled group (as designated by the Employer in the Adoption Agreement, and to the extent certified by the Plan Administrator that a Change in Control has occurred), distributions shall be made to Participants to the extent elected by the Employer in the Adoption Agreement, in the form elected by the Participants as if a Termination Date had occurred with respect to each Participant, or as otherwise specified by the Employer in the Adoption Agreement. The Change in Control shall relate to: (i) the corporation for whom the Participant is performing services at the time of the Change in Control event; (ii) the corporation that is liable for the payment from the Plan to the Participant (or all corporations so liable if more than one corporation is liable); (iii) a corporation that is a majority shareholder of a corporation described in (i) or (ii) above; or (iv) any corporation in a chain of corporations in which each such corporation is a majority shareholder of another corporation in the chain, ending in a corporation described in (i) or (ii) above, as elected by the Employer in the Adoption Agreement. A "majority shareholder" for these purposes is a shareholder owning more than 50% of the total fair market value and total voting power of such corporation. Attribution rules described in section 318(a) of the Code apply to determine stock ownership. Stock underlying an option (whether vested or unvested) is considered owned by the individual who holds the vested (or unvested) option. Notwithstanding the foregoing, if a vested option is exercisable for stock that is not substantially vested (as defined in section 1.83-3(b) and (j) of the Code), the stock underlying the option is not treated as owned by the individual who holds the option. If plan payments are made on account of a Change in Control and are calculated by reference to the value of the Employer's stock, such payments shall be completed not later than 5 years after the Change in Control event. The Change in Control shall occur upon the date that: (v) a person or "Group" (as defined in Proposed Treasury Regulation Sections 1.409A-3(g)(5)(v)(B) and (vi)(D)) acquires more than 50% of the total fair market value or voting power of stock of the corporation designated in (i) through (iv) above; (vi) a person or Group acquires ownership ("effective control") of stock of the corporation with at least 35% of the total voting power of the corporation designated in (i) through (iv) above and as further limited by Proposed Treasury Regulation Section 1.409A-3(g)(5)(vi)); (vii) a majority of the board of directors of the corporation designated in (i) through (iv) above is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the board as constituted prior to the appointment or election; or (viii) a person or Group acquires assets from the corporation designated in (i) through (iv) above having a total fair market value of at least 40% of the value of all assets of the corporation immediately prior to such acquisition; as designated by the Employer in the Adoption Agreement. For purposes of (vi) above, if any one person, or more than one person acting as a Group, is considered to own more than 50 percent of the total fair market value or total voting power of the stock of a corporation, the acquisition of additional stock by the same person or persons is not considered to cause a change in the ownership of the corporation (or to cause a change in the effective control of the corporation under (vi) above). An increase in the percentage of stock owned by any one person, or persons acting as a Group, as a result of a transaction in which the corporation acquires its stock in exchange for property will be treated as an acquisition of stock for purposes of this subsection. For purposes of (v) through (viii) above, a Change in Control shall be further limited in accordance with Proposed Treasury Regulation Sections 1.409A-3(g)(5)(v), (vi) and (vii). Distributions under this subsection shall be made as soon as administratively feasible following such Change in Control.

9.10 401(k) Pourover Transfers to Employer's 401(k) Plan

If the Employer has elected in the Adoption Agreement to include a "401(k) Pourover" feature in the Plan, then, as soon as practicable for each plan year of the Employer's qualified profit sharing plan containing a qualified cash-or-deferred arrangement as described in Code Section 401(k) (the "401(k) plan"), and not later than March 15 of the next calendar year, the Employer shall perform a preliminary actual deferral percentage and actual contribution percentage test to determine the maximum amount of elective deferrals that could be made to the 401(k) plan for the applicable plan year, consistent with Code Sections 402(g) and 401(k)(3), on behalf of the Participant in the 401(k) plan. The lesser of such amount or the Participant's Compensation Deferrals hereunder for the Plan Year will be paid to the Participant from this Plan as soon as practicable, but in no event later than March 15 of the Plan Year following the Plan Year for which such determination is made, unless the Participant previously elected to have such amount contributed to the 401(k) plan as an elective deferral to such plan. The Participant's election to have such amount contributed to the 401(k) plan must be made at the same time as the Participant's Deferrals under this Plan, which must in no event be later than December 31 of the Plan Year in which the compensation to which the deferral relates is earned (or such earlier date as determined by the Plan Administrator) and, once made, the election shall be irrevocable.

SECTION 10 GENERAL PROVISIONS

10.1 Interests Not Transferable

The interests of persons entitled to benefits under the Plan are not subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any state's income tax act, may not be voluntarily or involuntarily sold, transferred, alienated, assigned, or encumbered; provided, however, that a Participant's interest in the Plan may be transferable pursuant to a qualified domestic relations order, as defined in Section 414(p) of the Code to the extent designated by the Employer in the Adoption Agreement.

10.2 Employment Rights

The Plan does not constitute a contract of employment, and participation in the Plan shall not give any Employee the right to be retained in the employ of an Employer, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. The Employers expressly reserve the right to discharge any Employee at any time.

10.3 Litigation by Participants or Other Persons

If a legal action begun against the Administrator (or any member or former member thereof), an Employer, or any person or persons to whom an Employer or the Administrator has delegated all or part of its duties hereunder, by or on behalf of any person results adversely to that person, or if a legal action arises because of conflicting claims to a Participant's or other person's benefits, the cost to the Administrator (or any member or former member thereof), the Employers or any person or persons to whom the Employer or the Administrator has delegated all or part of its duties hereunder of defending the action shall be charged to the extent permitted by law to the sums, if any, which were involved in the action or were payable to the Participant or other person concerned.

10.4 Indemnification

To the extent permitted by law, the Employer shall indemnify each member of the Administrator committee, and any other employee or member of the Board with duties under the Plan, against losses and expenses (including any amount paid in settlement) reasonably incurred by such person in connection with any claims against such person by reason of such person's conduct in the performance of duties under the Plan, except in relation to matters as to which such person has acted fraudulently or in bad faith in the performance of duties. Notwithstanding the foregoing, the Employer shall not indemnify any person for any expense incurred through any settlement or compromise of any action unless the Employer consents in writing to the settlement or compromise.

10.5 Evidence

Evidence required of anyone under the Plan may be by certificate, affidavit, document, or other information which the person acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

10.6 Waiver of Notice

Any notice required under the Plan may be waived by the person entitled to such notice.

10.7 Controlling Law

Except to the extent superseded by laws of the United States, the laws of the state indicated by the Employer in the Adoption Agreement shall be controlling in all matters relating to the Plan.

10.8 Statutory References

Any reference in the Plan to a Code section or a section of ERISA, or to a section of any other Federal law, shall include any comparable section or sections of any future legislation that amends, supplements, or supersedes that section.

10.9 Severability

In case any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provision had never been set forth in the Plan.

10.10 Action By the Employer, the Employers or the Administrator

Any action required or permitted to be taken by the Employer or any of the Employers under the Plan shall be by resolution of its Board of Directors (which term shall include any similar governing body for any Employer that is not a corporation), by resolution or other action of a duly authorized committee of its Board of Directors, or by action of a person or persons authorized by resolution of its Board of Directors or such committee. Any action required or permitted to be taken by the Administrator under the Plan shall be by resolution or other action of the Administrator or by a person or persons duly authorized by the Administrator.

10.11 Headings and Captions

The headings and captions contained in this Plan are inserted only as a matter of convenience and for reference, and in no way define, limit, enlarge, or describe the scope or intent of the Plan, nor in any way shall affect the construction of any provision of the Plan.

10.12 Gender and Number

Where the context permits, words in the masculine gender shall include the feminine and neuter genders, the singular shall include the plural, and the plural shall include the singular.

10.13 Examination of Documents

Copies of the Plan and any amendments thereto are on file at the office of the Employer where they may be examined by any Participant or other person entitled to benefits under the Plan during normal business hours.

10.14 Elections

Each election or request required or permitted to be made by a Participant (or a Participant's Spouse or Beneficiary) shall be made in accordance with the rules and procedures established by the Employer or Administrator and shall be effective as determined by the Administrator. The Administrator's rules and procedures may address, among other things, the method and timing of any elections or requests required or permitted to be made by a Participant (or a Participant's Spouse or Beneficiary).

10.15 Manner of Delivery

Each notice or statement provided to a Participant shall be delivered in any manner established by the Administrator and in accordance with applicable law, including, but not limited to, electronic delivery.

10.16 Facility of Payment

When a person entitled to benefits under the Plan is a minor, under legal disability, or is in any way incapacitated so as to be unable to manage his financial affairs, the Administrator may cause the benefits to be paid to such person's guardian or legal representative. If no guardian or legal representative has been appointed, or if the Administrator so determines in its sole discretion, payment may be made to any person as custodian for such individual under any applicable state law, or to the legal representative of such person for such person's benefit, or the Administrator may direct the application of such benefits for the benefit of such person. Any payment made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such payment under the Plan.

10.17 Missing Persons

The Employers and the Administrator shall not be required to search for or locate a Participant, Spouse, or Beneficiary. Each Participant, Spouse, and Beneficiary must file with the Administrator, from time to time, in writing the Participant's, Spouse's, or Beneficiary's post office address and each change of post office address. Any communication, statement, or notice addressed to a Participant, Spouse, or Beneficiary at the last post office address filed with the Administrator, or if no address is filed with the Administrator, then in the case of a Participant, at the Participant's last post office address as shown on the Employer's records, shall be considered a notification for purposes of the Plan and shall be binding on the Participant and the Participant's Spouse and Beneficiary for all purposes of the Plan.

If the Administrator is unable to locate the Participant, Spouse, or Beneficiary to whom a Participant's Accounts are payable, the Participant's Accounts shall be frozen as of the date on which distribution would have been completed under the terms of the Plan, and no further notional investment returns shall be credited thereto.

If a Participant whose Accounts were frozen (or his Beneficiary) files a claim for distribution of the Accounts within 7 years after the date the Accounts are frozen, and if the Administrator or Employer determines that such claim is valid, then the frozen balance shall be paid by the Employer to the Participant or Beneficiary in a lump sum cash payment as soon as practicable thereafter. If the Administrator notifies a Participant, Spouse, or Beneficiary of the provisions of this Subsection, and the Participant, Spouse, or Beneficiary fails to claim the Participant's, Spouse's, or Beneficiary's benefits or make such person's whereabouts known to the Administrator within 7 years after the date the Accounts are frozen, the benefits of the Participant, Spouse, or Beneficiary may be disposed of, to the extent permitted by applicable law, by one or more of the following methods:

- (a) By retaining such benefits in the Plan.
- (b) By paying such benefits to a court of competent jurisdiction for judicial determination of the right thereto.
- (c) By forfeiting such benefits in accordance with procedures established by the Administrator. If a Participant, Spouse, or Beneficiary is subsequently located, such benefits shall be restored (without adjustment) to the Participant, Spouse, or Beneficiary under the Plan.
- (d) By any equitable manner permitted by law under rules adopted by the Administrator.

10.18 Recovery of Benefits

In the event a Participant, Spouse, or Beneficiary receives a benefit payment from the Plan that is in excess of the benefit payment that should have been made to such Participant, Spouse, or Beneficiary, or in the event a person other than a Participant, Spouse, or Beneficiary receives an erroneous payment from the Plan, the Administrator or Employer shall have the right, on behalf of the Plan, to recover the amount of the excess or erroneous payment from the recipient. To the extent permitted under applicable law, the Administrator or Employer may, at its option, deduct the amount of such excess or erroneous payment from any future benefits payable to the applicable Participant, Spouse, or Beneficiary.

10.19 Effect on Other Benefits

Except as otherwise specifically provided under the terms of any other employee benefit plan of the Employer, a Participant's participation in this Plan shall not affect the benefits provided under such other employee benefit plan.

10.20 Tax and Legal Effects

The Employers, the Administrator, and their representatives and delegates do not in any way guarantee the tax treatment of benefits for any Participant, Spouse, or Beneficiary, and the Employers, the Administrator, and their representatives and delegates do not in any way guarantee or assume any responsibility or liability for the legal, tax, or other implications or effects of the Plan. In the event of any legal, tax, or other change that may affect the Plan, the Employer may, in its sole discretion, take any actions it deems necessary or desirable as a result of such change.

SECTION 11 THE ADMINISTRATOR

11.1 Information Required by Administrator

Each person entitled to benefits under the Plan must file with the Administrator from time to time in writing such person's mailing address and each change of mailing address. Any communication, statement, or notice addressed to any person at the last address filed with the Administrator will be binding upon such person for all purposes of the Plan. Each person entitled to benefits under the Plan also shall furnish the Administrator with such documents, evidence, data, or information as the Administrator considers necessary or desirable for the purposes of administering the Plan. The Employers shall furnish the Administrator with such data and information as the Administrator may deem necessary or desirable in order to administer the Plan. The records of the Employers as to an Employee's or Participant's period of employment or membership on the Board, termination of employment or membership and the reason therefor, leave of absence, reemployment, and Compensation will be conclusive on all persons unless determined to the Administrator's or Employer's satisfaction to be incorrect.

11.2 Uniform Application of Rules

The Administrator shall administer the Plan on a reasonable basis. Any rules, procedures, or regulations established by the Administrator shall be applied uniformly to all persons similarly situated.

11.3 Review of Benefit Determinations

Benefits will be paid to Participants and their beneficiaries without the necessity of formal claims. Participants or their beneficiaries, however, may make a written request to the Plan Administrator for any Plan benefits to which they may be entitled. Participants' written request for Plan benefits will be considered a claim for Plan benefits, and will be subject to a full and fair review. If the claim is wholly or partially denied, the Plan Administrator will furnish the claimant with a written notice of this denial. This written notice will be provided to the claimant within 90 days after the receipt of the claim by the Plan Administrator. If notice of the denial of a claim is not furnished to the claimant in accordance with the above within 90 days, the claim will be deemed denied. The claimant will then be permitted to proceed to the review stage described in the following paragraphs.

Upon the denial of the claim for benefits, the claimant may file a claim for review, in writing, with the Plan Administrator. The claim for review must be filed no later than 60 days after the claimant has received written notification of the denial of the claim for benefits or, if no written denial of the claim was provided, no later than 60 days after the deemed denial of the claim. The claimant may review all pertinent documents relating to the denial of the claim and submit any issues and comments, in writing, to the Plan Administrator. If the claim is denied, the Plan Administrator must provide the claimant with written notice of this denial within 60 days after the Plan Administrator's receipt of the claimant's written claim for review. The Plan Administrator's decision on the claim for review will be communicated to the claimant in writing and will include specific references to the pertinent Plan provisions on which the decision was based. If the Plan Administrator's decision on review is not furnished to the claimant within the time limitations described above, the claim will be deemed denied on review. If the claim for Plan benefits is finally denied by the Plan Administrator (or deemed denied), then the claimant may bring suit in federal court. The claimant may not commence a suit in a court of law or equity for benefits under the Plan until the Plan's claim process and appeal rights have been exhausted and the Plan benefits requested in that appeal have been denied in whole or in part. However, the claimant may only bring a suit in court if it is filed within 90 days after the date of the final denial of the claim by the Plan Administrator.

11.4 Administrator's Decision Final

Benefits under the Plan will be paid only if the Administrator decides in its sole discretion that a Participant or Beneficiary (or other claimant) is entitled to them. Subject to applicable law, any interpretation of the provisions of the Plan and any decisions on

any matter within the discretion of the Administrator made by the Administrator or its delegate in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known and the Administrator shall make such adjustment on account thereof as it considers equitable and practicable.

SECTION 12 AMENDMENT AND TERMINATION

While the Employer expects and intends to continue the Plan, the Employer and the Administrator reserve the right to amend the Plan at any time and for any reason, including the right to amend this Section 12 and the Plan termination rules herein; provided, however, that each Participant will be entitled to the amount credited to his Accounts immediately prior to such amendment. The Employer's power to amend the Plan includes (without limitation) the power to change the Plan provisions regarding eligibility, contributions, notional investments, vesting, and distribution forms, and timing of payments, including changes applicable to benefits accrued prior to the effective date of any such amendment; provided, however, that amendments to the Plan (other than amendments relating to Plan termination) shall not cause the Plan to provide for acceleration of distributions in violation of Section 409A of the Code and applicable regulations thereunder.

The Employer reserves the right to terminate the Plan at any time and for any reason; provided, however, that each Participant will be entitled to the amount credited to his Accounts immediately prior to such termination (but such Accounts shall not be adjusted for future notional income, losses, expenses, appreciation and depreciation).

In the event that the Plan is terminated pursuant to this Section 12, the balances in affected Participants' Accounts shall be distributed at the time and in the manner set forth in Section 9. Notwithstanding the foregoing, the Employer and the Administrator reserve the right to make all such distributions within the second twelve-month period commencing with the date of termination of the Plan; provided, however, that no such distribution will be made during the first twelve-month period following such date of Plan termination other than those that would otherwise be payable under Section 9 absent the termination of the Plan. In the event of a Plan termination due to a Change in Control of the Employer, distributions shall be made within 12 months of the date of the Change in Control.

EXHIBIT 31.1

I, Michael J. Luttati, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Photronics, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL J. LUTTATI

Michael J. Luttati
Chief Executive Officer
June 7, 2007

EXHIBIT 31.2

I, Sean T. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Photronics, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ SEAN T. SMITH

Sean T. Smith
Chief Financial Officer
June 7, 2007

EXHIBIT 32.1

Section 1350 Certification of the Chief Executive Officer

I, Michael J. Luttati, Chief Executive Officer of Photronics, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended April 29, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL J. LUTTATI

Michael J. Luttati
Chief Executive Officer
June 7, 2007

EXHIBIT 32.2

Section 1350 Certification of the Chief Financial Officer

I, Sean T. Smith, Chief Financial Officer of Photonics, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended April 29, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SEAN T. SMITH

Sean T. Smith
Chief Financial Officer
June 7, 2007