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

Form 10-K/A
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 2, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-15451

Photronics, Inc.

(Exact name of registrant as specified in its charter)

Connecticut
(State or other jurisdiction of incorporation or organization)

06-0854886
(I.R.S. Employer Identification No.)

15 Secor Road
Brookfield, CT 06804
(203) 775-9000

(Address and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class
Common Stock, par value \$.01

Name of Each Exchange on Which Registered
The Nasdaq Stock Market LLC
(NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 period 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

As of May 4, 2014, the last business day of the registrant's last completed second quarter of the 2014 fiscal year, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$529,675,990 (based on the closing price of \$8.77 per share, as reported by the NASDAQ Global Market, on such date).

The number of shares of the registrant's Common Stock, par value \$.01 per share, outstanding as of June 30, 2015 was 66,719,333.

The exhibit index as required by Item 601(a) of Regulation S-K is included in Item 15 of Part IV of this report.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

This Amendment No. 1 (“Amendment No. 1”) to the Annual Report on Form 10-K of Photonics, Inc. (the “Company”) for the fiscal year ended November 2, 2014 (the “Form 10-K”), originally filed with the Securities and Exchange Commission (the “SEC”) on January 6, 2015 (the “Original Report”) is being filed in response to comments from the SEC and for the purpose of re-filing the agreements filed as Exhibits 10.19 thru 10.25 to the Original Report in order to restore certain redacted information that was subject to a confidential treatment request by the Company.

This Amendment No. 1 consists of a cover page, this explanatory note, a revised list of exhibits (Item 15 of Part IV), a signature page, CEO and CFO certifications pursuant to Section 302 of the Sarbanes Oxley Act of 2002 and Exhibits 10.19, 10.20, 10.21, 10.22, 10.23, 10.24 and 10.25. Because no financial statements have been included in this Amendment No. 1 and this Amendment No. 1 does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4 and 5 of the CEO and CFO certifications have been omitted.

This Amendment No. 1 speaks as of the initial filing date of the Original Report. Other than as expressly set forth above, no part of the Original Report is being amended. Accordingly, other than as discussed above, this Amendment No. 1 does not purport to amend, update or restate any other information or disclosure included in the Original Report or reflect any events that have occurred after the initial filing date of the Original Report. As a result, the Company’s Annual Report on Form 10-K for the fiscal year ended November 2, 2014 continues to speak as of January 6, 2015.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(b) Exhibits

- 10.19 Joint Venture Framework Agreement dated November 20, 2013 between the Company and Dai Nippon Printing Co., Ltd.*#
 - 10.20 Joint Venture Operating Agreement dated November 20, 2013 between the Company and Dai Nippon Printing Co., Ltd.*#
 - 10.21 Outsourcing Agreement dated November 20, 2013 between the Company, Dai Nippon Printing Co., Ltd and Photronics Semiconductor Mask Corporation.*#
 - 10.22 License Agreement dated November 20, 2013 between the Company and Photronics Semiconductor Mask Corporation.*#
 - 10.23 License Agreement dated November 20, 2013 between Dai Nippon Printing Co., Ltd and Photronics Semiconductor Mask Corporation.*#
 - 10.24 Margin Agreement dated November 20, 2013 between the Company, Dai Nippon Printing Co., Ltd and Photronics Semiconductor Mask Corporation.*#
 - 10.25 Merger Agreement dated January 16, 2014 between Photronics Semiconductor Mask Corporation and DNP Photomask Technology Taiwan Co. Ltd.*#
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EXHIBIT INDEX

Exhibit Number	Description
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10.24	Margin Agreement dated November 20, 2013 between the Company, Dai Nippon Printing Co., Ltd and Photronics Semiconductor Mask Corporation.*#
10.25	Merger Agreement dated January 16, 2014 between Photronics Semiconductor Mask Corporation and DNP Photomask Technology Taiwan Co. Ltd.*#
31.1*	Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2*	Certification of the Chief Financial Officer as required by Section 302 of the Sarbanes-Oxley Act of 2002.*

Confidential treatment has been granted with respect to certain provisions of this exhibit.

* Filed herewith.

Signatures

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

Photronics, Inc.

July 7, 2015

By: /s/ Peter S. Kirlin
Peter S. Kirlin
Chief Executive Officer
(Principal Executive Officer)

/s/ SEAN T. SMITH
Sean T. Smith
Senior Vice President
Chief Financial Officer
(Principal Accounting Officer/
Principal Financial Officer)

July 7, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ CONSTANTINE S. MACRICOSTAS July 7, 2015
Constantine S. Macricostas
Executive Chairman of the Board

By /s/ PETER S. KIRLIN July 7, 2015
Peter S. Kirlin
Chief Executive Officer
Director

By /s/ WALTER M. FIEDEROWICZ July 7, 2015
Walter M. Fiederowicz
Director

By /s/ JOSEPH A. FIORITA, JR. July 7, 2015
Joseph A. Fiorita, Jr.
Director

By /s/ LIANG-CHOO HSIA July 7, 2015
Liang-Choo Hsia
Director

By /s/ GEORGE MACRICOSTAS July 7, 2015
George Macricostas
Director

By /s/ MITCHELL G. TYSON July 7, 2015
Mitchell G. Tyson
Director

JOINT VENTURE FRAMEWORK AGREEMENT

This Joint Venture Framework Agreement (“Agreement”) is entered into on this 20th day of November, 2013 by and between Photronics, Inc., a corporation organized under the laws of the state of Connecticut, U.S.A. with its principal place of business at 15 Secor Road, Brookfield, Connecticut, U.S.A. (“Photronics”) and Dai Nippon Printing Co., Ltd., a corporation organized under the laws of Japan with its principal place of business at 1-1, Ichigaya Kagacho 1-chome, Shinjuku-ku, Tokyo, Japan (“DNP”). (Photronics and DNP are hereinafter individually a “Party” and collectively the “Parties”.)

1. Objective

1.1 The objectives of this Agreement are to set forth the agreements between the Parties to effect (a) the acquisition by Photronics Semiconductor Mask Corp., a subsidiary of Photronics organized under the laws of Taiwan, the Republic of China (hereinafter “ROC” or “Taiwan”) with its current principal place of business at 1F, No. 2, Lising Road, Hsinchu City, Hsinchu Science Park, Taiwan (“PSMC”) of DNP Photomask Technology Taiwan Co., Ltd., a subsidiary of DNP organized under the laws of Taiwan with its principal place of business at No.6, Lising 7th Rd., East District, Hsinchu City 30078 Hsinchu Science Park, Taiwan (“DPTT”), by way of a statutory merger under the laws of Taiwan whereby PSMC shall survive (the “Business Combination”); (b) the issue of shares of PSMC to DNP as consideration for the Business Combination; and (c) the execution of the Transaction Agreements (defined below).

1.2 For the purposes of this Agreement, the term “Transaction Agreements” shall refer to the following documents (as each is defined herein):

- (a) this Agreement;
- (b) the Merger Agreement, the form of which is attached hereto as Exhibit 1-1;
- (c) the Joint Venture Operating Agreement, the form of which is attached hereto as Exhibit 1-2;
- (d) the Outsourcing Agreement, the form of which is attached hereto as Exhibit 1-3;
- (e) the License Agreement between Photronics and PSMC, the form of which is attached hereto as Exhibit 1-4; and

(f) the License Agreement between DNP and PSMC, the form of which is attached hereto as Exhibit 1-5 (together with the License Agreement between Photonics and PSMC hereinafter "License Agreement").

The term "Joint Venture Agreements" shall refer to the agreements referred to in items (a), (c), (d), (e) and (f) above in this Section.

1.3 The schedules and exhibits after duly executed shall form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement, and any reference to this Agreement shall include such schedules and exhibits.

1.4 References to "Affiliates" in this Agreement shall refer to, with respect to any person, a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such person, where "control" for the purposes of this definition (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and actions of a person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise.

2. Business Combination in Taiwan

Subject to the applicable laws of the ROC and the restrictions thereunder, the Parties shall use their reasonable efforts, acting in good faith, to carry out each of the steps and tasks relating to the proposed Business Combination, substantially within the respective contemplated timeframe, set forth in the Project Timetable attached hereto as Exhibit 2 (the "Project Timetable"); provided, however, the Parties acknowledge that the Project Timetable is subject to revision and change from time to time and thus, the failure by a Party to accomplish any step or task within the respective preferred timeframe described in the Project Timetable shall not be deemed a material breach, noncompliance or other default of this Agreement if the Party has been reasonably diligent in carrying out such step or task. In the event of a material delay of the preferred timeframe set out in the Project Timetable, the Parties will promptly meet and discuss in good faith a revised preferred timeframe and amend the Project Timetable in writing.

3. Cooperation and Support

3.1 The Parties shall use their reasonable best efforts to take or cause to be taken all actions required to consummate the transactions contemplated hereby. In addition, the Parties hereto shall file or supply, or cause to be filed or supplied, all material applications, notifications and information required to be filed or supplied by them pursuant to applicable laws in connection with the transactions contemplated hereby. Each Party hereto shall use its reasonable best efforts to obtain all waivers, consents and approvals from governmental authorities and third parties required to be obtained by such Party for the consummation of the transactions contemplated hereby, other than any waivers, consents and approvals where the failure to obtain such waiver, consent and/or approval, either in any individual case or in the aggregate, would not have a material adverse effect on the transactions contemplated hereby. Each Party hereto shall cooperate in good faith with the other Party hereto in order to achieve the timely consummation of the transactions contemplated hereby.

3.2 Notwithstanding the foregoing, the Parties understand that their communications and activities under the Transactions Agreements are subject to various applicable laws and regulations, including anti-trust and related competition laws. Each of the Parties hereby agree to use its reasonable best efforts to take or cause to be taken all actions required and to work with each other to cause the transactions contemplated hereby to be in compliance with such laws and regulations.

4. Execution of Transaction Agreements and Regulatory Approval Procedures

4.1 Each of the Parties shall execute the Joint Venture Agreements concurrently with their execution of this Agreement. The Joint Venture Agreements (except for this Agreement) will have an effective date as of the closing of the Business Combination.

4.2 It is understood that Photronics holds approximately 98.63% of PSMC's total issued and outstanding shares as of the date of this Agreement and Photronics plans to make PSMC become, directly or indirectly, a wholly owned subsidiary of Photronics ("Restructuring Transaction") in accordance with the Project Timetable subject to the proviso of Section 2 hereof. Photronics and DNP agree that they shall respectively cause PSMC and DPTT to sign the Merger Agreement promptly (but in no event later than ten (10) calendar days) after PSMC has become, directly or indirectly, a wholly owned subsidiary of Photronics.

4.3 Subject to the compliance of the Parties in regard to their respective obligations under the Transaction Agreements and except as otherwise agreed by the Parties in writing after the date hereof, the Parties agree that regulatory approvals necessary to consummate the Business Combination are as set forth in the Schedule I of the Merger Agreement.

5. Representations and Warranties and Further Covenants

5.1 Photronics hereby represents and warrants that each of the representations and warranties set forth in Exhibit 5-1 are true and correct in all material respects as of the date hereof, and as of the closing of the Business Combination.

- 5.2 DNP hereby represents and warrants that each of the representations and warranties set forth in Exhibit 5-2 are true and correct in all material respects as of the date hereof, and as of the closing of the Business Combination.
- 5.3 Photronics and DNP further agree on the relevant net working capital of PSMC and DPTT respectively as set forth in the NWC Proposal attached hereto as Exhibit 5-3 (the "NWC Proposal"). Photronics and DNP hereby covenant to, and shall cause PSMC or DPTT, as applicable, to implement and carry out their respective obligations under the NWC Proposal. In the event that there is a need to extract or inject cash by Photronics and/or DNP from PSMC and/or DPTT as the case may be after the closing of the Business Combination according to the NWC Proposal, Photronics and DNP shall make their best efforts to cooperate with each other in good faith to carry out such cash extraction or injection.
- 5.4 Photronics hereby covenants that it will, and it will also cause PSMC to, and DNP hereby covenants that it will, and it will also cause DPTT to, consummate the terms and the respective obligations set forth in Section 1.9 of the Merger Agreement on the transfer of DPTT employees to the surviving entity resulting from the Business Combination.
- 5.5 During the period of time between signing this Agreement and the closing of the Business Combination, DNP and DPTT will use best efforts to continue to maintain * to the extent reasonably possible under the circumstances. Furthermore, the Parties (DNP, Photronics along with their subsidiaries PSMC and DPTT) agree to collaborate and apply best effort to * by which the Parties can confirm * from the joint venture company formed as a result of the Business Combination referenced hereunder once it is formed or as soon as practical thereafter under similar * as the current *. Either Party will be under no obligation to consummate the Business Combination until the * is secured. In the event that the * is not secured by March 31, 2014, then each Party has a right to * this Agreement and any other Transaction Agreement by delivering a written notice to the other Party, but in no event such notice shall be delivered to the other Party later than April 14, 2014. A failure to deliver such notice by April 14, 2014 shall be regarded as a waiver of the right to * this Agreement or any other Transaction Agreement in accordance with this Section 5.5, and thereafter, notwithstanding anything to the contrary in this Section 5.5, the * shall not affect in any way the Parties' obligations to consummate the Business Combination under this Agreement and/or any other Transaction Agreement.

6. Standstill

- 6.1 Each of the Parties agree, and undertake to cause their Affiliates, not to sell, pledge, hypothecate, assign, encumber, or otherwise directly or indirectly transfer any of their shares in PSMC or DPTT to any person prior to the closing of the Business Combination; for clarification, this standstill restriction does not apply to any actions taken by Photonics and/or any of its Affiliate(s) to carry out the Restructuring Transaction (including but not limited to the release and re-creation of pledge over PSMC shares currently pledged as described in Section 6.4 (i)).
- 6.2 The Parties agree, and undertake to cause their Affiliates, not to sell, pledge, hypothecate, assign, encumber, or otherwise directly or indirectly transfer any of their shares in, or any rights to any interest in the surviving entity resulting from the Business Combination, except as otherwise agreed in the Joint Venture Operating Agreement.
- 6.3 Photonics undertakes to cause PSMC, and DNP undertakes to cause DPTT, commencing with the date first above written and ending as of the date of the closing of the Business Combination:
- (a) to conduct the business in substantially the same manner as heretofore conducted and only in the ordinary course of business, to use its reasonable best efforts to preserve its business organization, and to maintain the existing relations with customers, creditors, business partners and others having business dealings with PSMC and DPTT, respectively;
 - (b) not to pass any resolution for its winding up, bankruptcy, re-organization or dissolution or liquidation or apply for the appointment of a receiver, manager or judicial manager or like officer; and
 - (c) not to take any of the following actions without the prior written consent of the other Party except for DPTT's Permitted Capital Increase (as defined in the Merger Agreement), Restructuring Transaction and PSMC's Permitted Capital Reduction (as defined in the Merger Agreement):
 - (i) unless otherwise permitted under Article 1.7 of the Merger Agreement, amend its articles of incorporation or make any material change in any policy on corporate governance, internal control, accounting or the like;
 - (ii) issue, sell, transfer, dispose of or create encumbrances over any shares, securities, or options;
 - (iii) make a capital increase/reduction or split or combine any of its capital stock or securities;

- (iv) redeem, purchase or otherwise acquire directly or indirectly any of its capital stock or securities;
- (v) enter into any business outside the existing scope of business, change the scope of the existing business or cease carrying on business;
- (vi) sell or otherwise dispose of all or substantially all of its assets to any third party or contract to do so;
- (vii) change its auditors;
- (viii) change its financial year end or tax accounting year end;
- (ix) except in the ordinary course of its business, and except for the acquisition/lease (an related lease liability) of the * from Photronics or one of Photronics' Affiliates, acquire assets from third parties in excess of US* in the aggregate;
- (x) create or establish any subsidiary, acquire any interest in any other person or entity or enter into any joint venture, business alliance or partnership;
- (xi) except in the ordinary course of its business, make any borrowings, incur any indebtedness or enter into any financial commitments, guarantees or provision of any kind of security;
- (xii) enter into any M&A transaction (such as merger, spin-off, business transfer/assumption and share exchange) other than the Business Combination contemplated under the Merger Agreement; or
- (xiii) make any distribution to its shareholder(s), employees and/or directors/supervisors.

6.4 Notwithstanding anything to the contrary set forth herein or in the Section 7.2.1 of the Joint Venture Operating Agreement, the Parties agree that (i) Photronics' or its Affiliate(s)' pledge of PSMC shares for Photronics' or its Affiliate(s)' loans existing as of the date hereof (including the revolving or renewal of the same or the new loans substitutive therefor) up to * shares of PSMC, in aggregate, is not subject to the restrictions under this Section 6 and Section 7.2.1 of the Joint Venture Operating Agreement, provided that a change in the ownership of any of such pledged shares as a result of the foreclosure by the pledgor shall constitute a material breach of this Agreement and Section 7.2.1 of the Joint Venture Operating Agreement, and (ii) DPTT's * prior to the closing of the Business Combination as referred to in Article III of the License Agreement between DNP and PSMC is not subject to the restrictions under this Section 6.

7. **Effectiveness of this Agreement**

7.1 This Agreement constitutes binding obligations of each of the Parties and shall take effect as of the date hereof until it has been terminated in accordance with this Section 7.

7.2 This Agreement shall terminate upon the earliest occurrence of one of the following events:

(a) the written consent of the Parties;

(b) by written notice delivered by the non-defaulting Party to the Party in default, in the event of any material breach, noncompliance or other default of any provision of this Agreement or any other Transaction Agreement, which, if capable of cure, is not cured within thirty (30) calendar days after receipt by such defaulting Party of a written notice, which shall specify such default, from the non-defaulting Party;

(c) by written notice from either Party to the other Party hereto, in the event that (i) the Closing (as defined under the Merger Agreement) does not occur on or prior to September 30, 2014 (or such later date agreed by the Parties in writing) or (ii) any of the regulatory approvals necessary to consummate the Business Combination set forth in the Schedule I of the Merger Agreement has been disapproved by the relevant competent authority by a final decision that is unable to be changed by re-application or supplemental filing; or (iii) the * is not secured * and notice is given under Section 5.5 hereof to terminate; and

(d) upon any termination of the Merger Agreement.

8. **Dispute Resolution**

8.1 The Parties hereby agree that any and all claims, disputes or controversies of whatever nature, arising out of, in connection with, or in relation to the interpretation, performance, enforcement, breach, termination or validity of this Agreement and/or any other Transaction Agreement (except for the License Agreement for the purpose of this Section 8), shall be first raised * of each of the Parties for discussion and attempt at resolution in good faith among *.

8.2 If, within thirty (30) days (or such shorter time if emergency or exigent circumstances exist) of first raising the issue to the *, the Parties are unable to reach a mutually agreed resolution, then the Parties hereby agree that such claims, disputes or controversies shall be resolved by a binding arbitration, to be held in Taipei at the ROC Arbitration Association (the "Association"), under the ROC Arbitration Law and the Arbitration Rules of the ROC Arbitration Association. Each Party shall bear its own expenses incurred in connection with arbitration and the fees and expenses of the arbitrator shall be shared equally by the Parties involved in the dispute and advanced by them from time to time as required. The arbitrator shall render its final award within six (6) months, subject to extension by the arbitrator upon substantial justification shown of extraordinary circumstances, following conclusion of the hearing and any required post-hearing briefing or other proceedings ordered by the arbitrator. Any discovery in connection with such arbitration hereunder shall be limited to information directly relevant to the controversy or claim in arbitration. The arbitrator will state the factual and legal basis for the award. To the extent not amended or overturned by appeal to a court of competent jurisdiction pursuant to the Arbitration Law of Taiwan, the decision of the arbitrator in any such proceeding will be final and binding and not subject to judicial review and final judgment may be entered upon such an award in any court of competent jurisdiction, but entry of such judgment will not be required to make such award effective. The Parties agree that the arbitration proceedings and decisions shall be kept confidential and that any information or documents, including any pleadings or submissions exchanged or produced in such arbitration (including, but not limited to briefs, or other documents submitted or exchanged, any testimony or other oral submissions, and any awards) shall not be disclosed beyond the arbitrator, the Association, the Parties, their counsel and any person necessary to conduct the arbitration, except as may be required in recognition and enforcement proceedings or otherwise permitted under Section 9.1. The Parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any action brought for enforcement of such arbitration clause or any award resulting from arbitration pursuant to this Section 8 or any defense of inconvenient forum for the maintenance of any such action. Each of the Parties hereto agrees that an arbitration award in any such action may be enforced in other jurisdictions by suit on the arbitration award or in any other manner provided by applicable law. The Parties agree that the arbitration proceeding described in this Section 8 is the sole and exclusive manner in which the Parties may resolve disputes arising out of or in connection with this Agreement; provided that the Parties expressly agree that nothing in this Agreement shall prevent the Parties from applying to a court having jurisdiction over any of the Parties to this Agreement for the limited purpose of obtaining temporary and provisional or injunctive relief necessary solely to preserve the status quo or otherwise to prevent irreparable harm to a Party pending the outcome of arbitration. The Parties agree that all arbitration proceeding described in this Section 8 shall be conducted in English with English speaking lawyer(s) and arbitrator(s), and that the number of arbitrator(s) required at such proceeding shall be: (a) one (1) arbitrator in the event that the disputed amount is less than*, or (b) three (3) arbitrators in the event that the disputed amount is equal to or greater than *.

9. Confidentiality

- 9.1 Each Party shall not disclose, divulge, provide, publish or provide access to third parties, and will use reasonable efforts to cause its respective Affiliates, officers, directors, members, employees, agents, representatives and advisors (collectively, such party's "Covered Persons") not to disclose, divulge, provide, publish or provide access to third parties, unless and solely to the extent (i) compelled to disclose by judicial or administrative process or by other requirements of law or the applicable rules of any national securities exchange or (ii) necessary to enforce claims in a judicial or administrative proceeding, (a) the existence and content of the Transaction Agreements and any information arising from or in connection with the Transaction Agreements and/or the transactions contemplated hereby and (b) all documents and information concerning the Transaction Agreements and the transactions contemplated hereby or furnished by one Party and its Covered Persons (the "Disclosing Party"), to any other Party and its Covered Persons (the "Receiving Party"), except to the extent that such information can be shown by written evidence to have been (A) previously known on a non-confidential basis by the Receiving Party, (B) publicly available through no fault of the Receiving Party, (C) rightfully received from a third party without a duty of confidentiality, (D) disclosed by the Disclosing Party of such information to a third party without a duty of confidentiality on such third party, (E) independently developed by the Receiving Party prior to or without reference to any such documents or information, or (F) disclosed with the prior approval of the Disclosing Party of such documents or information. If this Agreement is terminated for any reason, the confidentiality obligations required by this Section 9 shall survive and be maintained as set forth below, and the Receiving Party shall return to the Disclosing Party, all documents and other materials, and all copies thereof, obtained by the Receiving Party from the Disclosing Party in connection herewith that are subject to this Section 9. The Receiving Party shall use any information obtained herewith that are subject to this Section 9 only in relation to the performance of its obligations under the Transaction Agreements and/or the transactions contemplated hereby. The confidentiality obligations required by this Section 9 shall not apply to disclosures permitted pursuant to Section 9.2 hereof, and all confidentiality obligations required by this Section 9 shall be terminated upon the * of the (i) termination of this Agreement, or (ii) termination or expiration of *, whichever is later.
- 9.2 Except as agreed by the Parties, each of the Parties agrees that it shall not, directly or indirectly, make or cause any public announcement in respect of the Transaction Agreements or the transactions contemplated hereby without the prior written consent of the other Party, and the Parties agree that they shall undertake not to, and to cause either PSMC or DPTT, as applicable, not to, directly or indirectly, make or cause to be made any such public announcement without the prior written consent of the applicable other Party. Notwithstanding the foregoing, each Party shall be permitted to issue any public announcements or press releases solely to the extent as required by law or the applicable rules of any national securities exchange, provided that a draft of any such public announcement or press release be first provided by the Party who issues such public disclosure to the other Party no later than five (5) Business Days (defined in the Joint Venture Operating Agreement) prior to such required public disclosure; provided further that, in case that reports on Form 8-K need to be filed according to the Securities Exchange Act of 1934 of the United States, such draft shall be provided to the other Party no later than three (3) Business Days.

10. Expenses

Each Party shall pay its own fees and expenses incurred with respect to the preparation and negotiation of the Transaction Agreements.

11. Governing Law

THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS, INCLUDING AS TO VALIDITY, INTERPRETATION AND EFFECT, BY THE INTERNAL LAWS OF TAIWAN WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS RULES THEREOF.

12. Indemnification

12.1 Each of the Parties hereby agrees to indemnify the other Party that is not in default under this Agreement and/or any other Transaction Agreement and its Affiliates, directors, supervisors, officers, employees, agents, and successors (collectively the “Non-Breaching Party”) against, and agrees to hold the Non-Breaching Party harmless from, any and all claim, cost, damage, loss, liability and expense (including without limitation reasonable attorneys’ fees and expenses in connection with any action, suit or proceeding) of any nature whatsoever suffered or incurred by the Non-Breaching Party resulting from or in connection with a breach of this Agreement and/or any other Transaction Agreement by such Party (each, a “Loss”).

12.2 Procedures for Indemnification.

(a) The party seeking indemnification under Section 12 hereof (the “Indemnified Party”) agrees to give prompt notice to the Party against whom indemnity is sought (the “Indemnifying Party”) of the assertion of any claim, or the commencement of any suit, action or proceeding in respect of which indemnity may be sought hereunder; provided that the failure to notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have materially and adversely prejudiced the Indemnifying Party. The Indemnifying Party shall not be liable under this Section 12.2 for any settlement of Third Party Claims (as defined below) effected without its consent and in violation of Section 12.2(b) hereof.

(b) The Indemnifying Party shall be entitled to participate in the defense of any claim asserted by any third party and arising from the breach of obligations under this Agreement and/or any other Transaction Agreement (“Third Party Claim”) and, subject to the limitations set forth in this Section 12.2, shall be entitled to control and appoint lead counsel for such defense, in each case at its expense, provided that prior to assuming control of such defense, the Indemnifying Party must acknowledge that it would have an indemnity obligations for Loss resulting from such Third Party Claims as provided under this Section 12.2. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled or obligated to assume or maintain control of the defense of any Third Party Claim nor pay the fees and expense of counsel retained by the Indemnified Party if (i) the Third Party Claim relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation against the Indemnified Party and/or willful misconduct or gross negligence of the Indemnified Party, or (ii) the Third Party Claim seeks an injunction or equitable relief against the Indemnified Party.

(c) If the Indemnifying Party shall assume the control of the defense of any Third Party Claim in accordance with the provisions of Section 12.2(b), the Indemnifying Party shall obtain the prior written consent of the Indemnified Party (which shall not be unreasonably withheld or delayed) before entering into any settlement of such Third Party Claim.

(d) The Indemnified Party shall be entitled to participate in the defense of any Third Party Claim and to employ one law firm as separate counsel of its choice for such purpose. The reasonable fees and expenses of such separate counsel shall be borne by the Indemnified Party, provided that the Indemnifying Party shall not pay the reasonable fees and expenses of such separate counsel, (i) incurred by the Indemnified Party prior to the date the Indemnifying Party assumes control of the defense of the Third Party Claim and the Indemnifying Party is not otherwise required to assume control of the defense of such Third Party Claim, or (ii) if representation of both the Indemnifying Party and the Indemnified Party by the same counsel would create a conflict of interest.

(e) The Indemnified Party shall take all reasonable steps to avoid or mitigate its Losses upon and after becoming aware of any event or condition which would reasonably be expected to give rise to any Losses that are indemnifiable under this Agreement and/or any other Transaction Agreement, including taking all reasonable steps to enforce any claim for indemnification for such Losses under any contract with any third party (including any insurance coverage) that may cover any portion of such Losses.

12.3 Limitations on Indemnification.

(a) No claim pursuant to this Section 12 may be asserted after the expiration of twelve (12) months from the date of the closing of the Business Combination or March 31, 2015, whichever is later, except with respect to any claims for indemnification with respect to the representations and warranties contained in following Sections:

- as for Exhibit 5-1

- A.I. Photonics Corporate Matters (Sections 1, 2, 4, 5 and 6);
- B.I. PSMC Corporate Matters (Sections 10, 11, 12, 14, 16, 19 and 20);
- B.III PSMC Environmental (Sections 30, 31, 32, 33 and 34);
- B.IV PSMC Compliance with Laws (Sections 37 and 38); and
- B.VII PSMC Intellectual Property (Sections 41, 42, 43, 44, 45, 46, 47, 48 and 49)

- as for Exhibit 5-2

- A.I. DNP Corporate Matters (Sections 1, 2, 4, 5 and 6);
- B.I. DPTT Corporate Matters (Sections 10, 11, 12, 13, 15, 18 and 19);
- B.III DPTT Environmental (Sections 32, 33, 34, 35 and 36);
- B.IV DPTT Compliance with Laws (Sections 39 and 40); and
- B.VII DPTT Intellectual Property (Sections 43, 44, 45, 46, 47, 48, 49, 50 and 51)

(collectively, the "Fundamental Representations"), each of which shall survive for a period of four (4) years after the date of the closing of the Business Combination or March 31, 2015, whichever is later.

(b) No indemnity or reimbursement for Losses asserted under this Section 12 shall be required of the Indemnifying Party (i) for any individual Loss (or group of related Losses) that is less than NT* (or its equivalent in other currency, the "Individual Basket") (provided, that for the avoidance of doubt, any such Loss shall not be applied towards the Basket), (ii) unless and until the aggregate amount of Losses suffered by the Indemnified Party exceeds NT* (or its equivalent in other currency, the "Basket"), at which point, the Indemnifying Party shall be liable only for such Losses in excess of NT*, subject to the other limitations set forth herein, and (iii) to the extent the aggregate amount of all such Losses suffered by the Indemnified Party and indemnified by the Indemnifying Party in excess of NT* (or its equivalent in other currency, the "Cap"); provided that the Individual Basket, the Basket and the Cap shall not be applicable to any Losses asserted in respect of fraud, willful misconduct or gross negligence of the Indemnifying Party or its Affiliates, directors, supervisors, officers, employees, agents, and successors; provided further that the Cap shall not be applicable to any Losses asserted resulting from or in connection with a breach of the Fundamental Representations.

(c) For the avoidance of doubt, (i) each indemnification obligation set forth in this Section 12 shall be calculated on an after-tax basis; and (ii) all Losses shall be decreased by any recoveries from third parties and any tax benefits relating to such Losses.

(d) In no event shall either Party or any of its Affiliates, officers, directors, supervisors, employees, agents or assigns be liable for any consequential, incidental, punitive, special, exemplary or other indirect damages, including, by way of example and not limitation, loss of business, profits, use, data, or other economic advantage.

(e) Notwithstanding the foregoing, Sections 12.3(a) and 12.3(b) shall not apply to any breach or default of the obligations set forth in the Joint Venture Operating Agreement, the Outsourcing Agreement and the License Agreement.

12.4 Sole and Exclusive Remedy.

Without prejudice to other remedy otherwise and expressly provided in other Transaction Agreements which are intended to operate from and after the closing of the Business Combination (including, without limitation, the * under Section * of the License Agreement in respect of the license granted by DNP or Photronics), this Section 12 shall be the sole and exclusive remedy of the Parties for any breach of the representations, warranties, covenants or agreements contained in this Agreement and the Merger Agreement.

13. Notices

13.1 All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) mailed, certified or registered mail with postage prepaid, (c) sent by next-day or overnight mail or delivery, or (d) sent by fax with electronic confirmation of delivery, as follows:

- if to Photronics,

Photronics, Inc.
15 Secor Road
Brookfield, CT 06804
Telephone: +1- 203-775-9000
Fax: *
Attention: General Counsel

with a copy to:

LCS & Partners
5th floor, Sec. 5, No. 8, Sinyi Road
Taipei, Taiwan, Republic of China
Telephone: +886 2 2729 8000
Fax: *
Attention: Victor I. Chang, Esq.

- if to DNP,

Dai Nippon Printing Co., Ltd.
1-1, Ichigaya Kagacho 1-chome, Shinjuku-ku, Tokyo, Japan
Telephone: *
Fax: *
Attention: General Manager of Fine Electronics Operations

with a copy to:

Lee and Li, Attorneys-at-Law
7F, 201 Tun Hua No. Road
Taipei, Taiwan 10508, R.O.C.
Telephone: +886-2-27153300 ext. 2707/2157
Fax: 886-2-25149841
Attention □ Arthur Li/James Huang

or, in each case, at such other addresses as may be specified in writing to the other Party hereto.

- 13.2 All such notices, requests, demands, waivers and other communications shall be deemed to have been received (a) if by personal delivery on the day after such delivery, (b) if by certified or registered mail, on the fifth business day after the mailing thereof, (c) if by next-day or overnight mail or delivery, on the day delivered or (d) if by fax, on the next day following the day on which such transmission was sent, provided that a copy is also sent by personal delivery, overnight courier or certified or registered mail.

14. Amendments and Waivers

No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by or on behalf of Photonics and DNP. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the Party granting such waiver in any other respect or at any other time. Neither the waiver by any of the Parties hereto of a breach of or a default under any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. The rights and remedies herein provided are cumulative and none is exclusive of any other, or of any rights or remedies that any Party may otherwise have pursuant to applicable laws.

15. Assignment

In no event may any rights or obligations under this Agreement be assigned by either Party to another person without obtaining prior written approval from the other Party.

16. Severability

If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement, and the balance of the Agreement shall be interpreted as if such provision were so excluded, and shall be enforceable in accordance with its terms.

17. Survival

Unless otherwise indicated by context, Sections 7 to 9 and 11 to 18 and such other sections as are intended by their nature or by their terms to survive any expiration or termination shall survive the expiration or termination of this Agreement.

18. Miscellaneous

This Agreement shall supersede any previous agreement and understanding between the Parties and all their respective Affiliates with regard to the same subject. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties hereto. This Agreement may be signed in counterparts.

- Remainder of Page Intentionally Left Blank -

For and on behalf of

Photronics, Inc.

By: _____

Name: Constantine Macricostas

Title: Chairman and Chief Executive Officer

For and on behalf of

Dai Nippon Printing Co., Ltd.

By: _____

Name: Koichi Takanami

Title: Executive Vice President

Framework Agreement Signature Page

Form of the Merger Agreement

Form of the Joint Venture Operating Agreement

Form of the Outsourcing Agreement

Form of the License Agreement between Photonics and PSMC

Form of the License Agreement between DNP and PSMC

Project Timetable¹

1*

Further Representations and Warranties of Photonics

Further Representations and Warranties of DNP

NWC Proposal

The Estimated * at Closing, the Estimated * at Closing, the Actual PSMC NWC at Closing, and * at Closing shall be determined in accordance with the principles set forth in this Exhibit and shall be (a) consistent with the preparation of the * as outlined in Exhibit A (including and excluding all line items outlined in such Exhibit) and (b) to the extent any of the line items appearing on the balance sheets of PSMC or DPTT as current assets or current liabilities under Taiwan GAAP are not included in Exhibit A, the inclusion of such items in the determination of the Estimated * at Closing, the Estimated * at Closing, the Actual * at Closing, and the Actual * at Closing shall be determined in accordance with the historical accounting practices of PSMC and DPTT.

*

Definitions*

*

Actual Mechanic

No less than 1 week prior to the scheduled Closing Date, both PSMC and DPTT shall deliver to the other party the Estimated * at Closing and Estimated * at Closing. Both parties shall be required to make best efforts to reduce or increase cash at * such that the Estimated * at Closing is equal to * and Estimated * at Closing is equal to *.

One month following the Closing Date, both parties, PSMC and DPTT will deliver to one another the Actual * at Closing and Actual * at Closing, respectively:

- (i) If the Actual PSMC NWC at Closing exceeds or is less than the Estimated * at Closing by an amount greater than NT* then PLAB may extract or must inject *.
- (ii) If the Actual * at Closing exceeds or is less than the Estimated * at Closing by an amount greater than NT* then DNP may extract or must inject *.

JOINT VENTURE OPERATING AGREEMENT

OF

PHOTRONICS DNP MASK CORPORATION

between

PHOTRONICS, INC.

and

DAI NIPPON PRINTING CO., LTD.

Dated as of November 20, 2013

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**JOINT VENTURE OPERATING AGREEMENT
OF
PHOTRONICS DNP MASK CORPORATION**

This **JOINT VENTURE OPERATING AGREEMENT** (together with the Schedules, as amended or otherwise modified from time to time, this "**Agreement**") is made and entered into as of the 20th day of November, 2013, by and between Photronics, Inc., a corporation organized under the laws of the state of Connecticut, U.S.A. with its principal place of business at 15 Sector Road, Brookfield, Connecticut, U.S.A. ("**Photronics**") and Dai Nippon Printing Co., Ltd., a corporation organized under the laws of Japan with its principal place of business at 1-1, Ichigaya Kagacho 1-chome, Shinjuku-ku, Tokyo, Japan ("**DNP**"), with respect to Photronics DNP Mask Corporation, whose name as of the date of this Agreement is Photronics Semiconductor Mask Corporation (the "**Company**"), a company limited by shares organized and formed under the Company Act of the Republic of China (the "**Act**") with its principal place of business at 1F, No. 2, Lising Road, Hsinchu City, Hsinchu Science Park, Taiwan.

**ARTICLE 1.
ORGANIZATIONAL MATTERS**

1.1 Background

The Company was formed on October 6, 1997 under the Act and will become the joint venture entity contemplated by the Merger Agreement (the "**Merger Agreement**") to be executed between the Company and DNP Photomask Technology Taiwan Co., Ltd., a corporation organized under the laws of the R.O.C., with its principal place of business at No. 6, Lising 7th Rd., East District, Hsinchu City, Hsinchu Science Park, Taiwan, R.O.C. Upon execution of the Merger Agreement, Photronics will be the sole Shareholder of the Company directly or indirectly, and upon the contributions contemplated under such Merger Agreement, DNP will also become a Shareholder of the Company. The rights and liabilities of the Shareholders shall be as provided in the Act, except as otherwise expressly provided herein. In the event of any inconsistency between any terms and conditions contained in this Agreement and any non-mandatory provisions of the Act, the terms and conditions contained in this Agreement shall govern. If any provision of this Agreement is prohibited or ineffective under the Act, this Agreement will be considered amended to the smallest degree possible in order to make such provision effective under the Act. The Shareholders and the Board of Directors shall also cause the Company to take corporate actions and make filings and recordings that are necessary or advisable to effectuate the aforesaid amendment.

1.2 Name

The name of the Company after the completion of the Merger contemplated under the Merger Agreement shall be 聯華光電股份有限公司 (Photronics DNP Mask Corporation). The Board of Directors may change the name of the Company from time to time, in accordance with this Agreement and Applicable Law.

1.3 Principal Place of Business

The principal place of business of the Company will be located in 1F, No. 2, Lising Road, Hsinchu City, Hsinchu Science Park, Taiwan.

1.4 Business Purpose

The purpose of the Company shall be the (a) development, fabrication and sale of integrated circuit photomasks and related services to * (c) entry into any other lawful business, purpose or activity in which a company limited by shares may be engaged under Applicable Law (including, without limitation, the Act) as the Shareholders may determine from time to time, subject to and in accordance with the terms of this Agreement; and (d) entry into any lawful transaction and engagement in any lawful activity in furtherance of the foregoing purposes and as may be necessary, incidental or convenient to carry out the business of the Company as contemplated by this Agreement.

1.5 Term

The Company shall continue until the Company is terminated, dissolved or liquidated in accordance with this Agreement and the Act. Notwithstanding the dissolution of the Company, the existence of the Company shall continue until termination pursuant to, and as provided in, Article 10 of this Agreement.

1.6 Accounting Consolidation

1.6.1 The Shareholders confirm and agree that, for as long as Photronics and/or an Affiliate of Photronics holds more than fifty percent (50%) of Percentage Interest in the Company in the aggregate, the Company is intended to, and shall be treated as, a consolidated subsidiary of Photronics under United States and Taiwan GAAP. In the event that any term of this Agreement or any relationship, understanding or other agreement, including any Transaction Document, between or among, the Company, Photronics and DNP shall be inconsistent with any existing or future rule, principle or standard governing accounting consolidation of the Company's financial results by Photronics under GAAP, then this Agreement or such relationship, understanding or other agreement shall be modified, terminated or waived (as the case may be) (each an "**Accounting Amendment**") to the minimum extent necessary to grant, allow or permit accounting consolidation of the Company's financial results by Photronics in accordance with Section 1.6.2.

1.6.2 Where Photronics believes that an Accounting Amendment may be necessary due to any existing or future rule, principle or standard under GAAP,

- (a) Photronics shall promptly notify DNP of the reasons for, and content of, any proposed Accounting Amendment in writing;
- (b) after Photronics' above notification, Photronics and DNP shall use all reasonable efforts to negotiate with each other with a view to reaching a written agreement for the Accounting Amendment or other mutually acceptable solution, provided however, that, if no such agreement or solution is reached by Photronics and DNP within thirty (30) calendar days after Photronics' above notification, (i) Photronics may, in its discretion, retroactively and/or prospectively, make the Accounting Amendment to the minimum extent reasonably deemed necessary by Photronics, and shall promptly notify the Company and DNP of the content of such Accounting Amendment in writing; and (ii) after Photronics exercises its discretionary power set forth in (i) above, if the Accounting Amendment concerned involves any change in the definition of and/or any of the actions requiring a Supermajority Vote of Directors as set forth in Schedule G hereof, the definition of and/or any of the actions requiring a Supermajority Vote of Shareholders as set forth in Schedule F hereof, and/or the number of board seats of DNP in the Company hereunder, DNP shall have *. DNP may, after the Accounting Amendment takes effect, exercise *by giving * prior written notice to Photronics *the "Accounting Amendment Option Notice" before the Accounting Amendment Closing (as defined below). The closing (the "**Accounting Amendment Closing**") of the * shall take place as soon as commercially practicable (taking into account the necessary funds raising arrangement by Photronics) without any undue delay and shall be within three (3) Business Days from all prior regulatory approvals or clearance have been obtained. The Accounting Amendment Closing Price shall be equal to the * as of the last day of the Fiscal Month immediately prior to the date of the Accounting Amendment Option Notice, divided by the number of issued and outstanding shares of the Company as of the date of the Accounting Amendment Option Notice, multiplied by the number of shares held by * as of the date of the Accounting Amendment Closing. The Accounting Amendment Closing Price shall be paid by * the detailed terms and conditions of loans (including loan period, currency and applicable interests) will be discussed and agreed upon in writing between Photronics and DNP. In the event that Photronics desires to make a * Photronics shall, within thirty (30) calendar days from the Accounting Amendment Option Notice, notify *. If Photronics fails to notify DNP of any proposal within the above-mentioned period, *. At the Accounting Amendment Closing, * shall transfer all of its *to Photronics, free and clear of any liens or encumbrances, and * pay the Accounting Amendment Closing Price * as applicable. At the Accounting Amendment Closing, DNP shall deliver to Photronics such instrument or instruments of conveyance as Photronics reasonably requests.

1.6.3 For the avoidance of doubt, for as long as Photronics and/or an Affiliate of Photronics holds more than fifty percent (50%) of Percentage Interest in the Company in aggregate, nothing contained herein is intended or shall allow DNP to (a) control the operations or assets of the Company in its sole discretion and (b) have the discretionary power to govern the financial, operating and personnel policies of the Company unless such actions as set forth in (a) and (b) immediately above are permitted under GAAP and agreed to between the parties hereto.

1.7 Transaction Documents

Contemporaneous with the execution of this Agreement, Photronics, DNP, their respective subsidiaries and the Company have entered into the agreements listed on Schedule A-1 hereto and will have agreed to the final form and substance of the exhibits attached as Schedule A-2, as applicable (collectively, the "**Transaction Documents**"). The timing and execution of the Transaction Documents is governed by the Framework Agreement.

1.8 Ratification of Organizational Actions

When necessary, the Shareholders will, by a resolution adopted by the Shareholders' meeting of the Company, authorize the Company, and ratify all action having been taken by or on behalf of the Company (including by its Officers) prior to the date hereof, to execute and deliver the Transaction Documents to which it is a party, including all certificates, agreements and other documents required in connection therewith.

1.9 Articles of Incorporation

The Shareholders agree that as of the completion of the Merger contemplated under the Merger Agreement, the Articles of Incorporation of the Company shall substantially be in the form attached hereto as Schedule I.

1.10 Compliance

For as long as Photronics and/or an Affiliate of Photronics hold more than fifty percent (50%) of Percentage Interest in the Company, the Company will comply with Photronics health and safety and environmental and corporate compliance policies, procedures, programs and standards. In the event the Company has any concerns about any compliance matters including but not limited to antitrust concerns the Company will consult with counsel for the Company.

1.11 Pre-Closing Liabilities

DNP agrees to be responsible for any and all DPTT Pre-Closing Liability, and Photronics agrees to be responsible for any and all PSMC Pre-Closing Liability.

ARTICLE 2. DEFINITIONS

Capitalized words and phrases used and not otherwise defined elsewhere in this Agreement shall have the following meanings:

“**Accounting Amendment**” is defined in Section 1.6.1.

“**Accounting Amendment Closing**” is defined in Section 1.6.2(b).

“**Accounting Amendment Closing Price**” is defined in Section 1.6.2(b).

“**Accounting Amendment Option**” is defined in Section 1.6.2(b).

“**Accounting Amendment Option Notice**” is defined in Section 1.6.2(b).

“**Act**” is defined in the preamble.

“**Additional Contributions**” is defined in Section 4.1.2(a).

“Affiliate” of a Person means any other Person which, directly or indirectly, controls, is controlled by, or is under common control with, such Person. The term “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. A Person shall be deemed an Affiliate of another Person only so long as such control relationship exists. The parties acknowledge and agree that neither DNP nor Photonics is presently controlled by any other Person. Notwithstanding the foregoing, a Company Entity shall not be deemed to be an Affiliate of either DNP or Photonics, except where expressly provided in this Agreement.

“Agreement” is defined in the preamble.

“Annual Budget” is defined in Section 6.2.

“Applicable Law” means, with respect to a Person, any domestic or foreign, national, federal, territorial, state or local constitution, statute, law (including principles of common law), treaty, ordinance, rule, administrative interpretation, regulation, order, writ, injunction, legally binding directive, judgment, decree or other requirement or restriction of any arbitrator or Governmental Authority applicable to such Person or its properties, assets, officers, directors, employees, consultants or agents (in connection with such officer’s, director’s, employee’s, consultant’s or agent’s activities on behalf of such Person).

“Articles of Incorporation” means the Articles of Incorporation of the Company, as amended from time to time.

“Board of Directors” means, at any time, the Board of Directors of the Company.

“Business” shall mean all activities related to or reasonably required in connection with the design, development fabrication and sale of integrated circuit photomasks.

“Business Day” means a full banking business day in the State of Connecticut, Japan and Taiwan.

“Business Plan” is defined in Section 6.2.

“Capital Contributions” means, with respect to any Shareholder, the total amount of cash and the initial agreed upon asset value of property (other than cash) contributed to the capital of the Company by such Shareholder.

“Cash” means cash and cash equivalents determined by the Board of Directors in good faith consistent with GAAP.

“Chairman of the Board” is defined in Section 5.5.

“Change in Control” shall be deemed to have occurred, with respect to Photronics or DNP, when:

(1) Any “Person” or “group” (as defined below) is or becomes the “beneficial owner” (as defined below) of shares representing more than fifty percent (50%) of the combined voting power of the then outstanding securities entitled to vote generally in elections of directors of Photronics or DNP, as the case may be (the “**Voting Stock**”); or

(2) Photronics or DNP (A) consolidates with or merges into any other Person or any other Person merges into Photronics or DNP, and in the case of any such transaction, the outstanding common stock of Photronics or DNP, as the case may be, is changed or exchanged into other assets or securities as a result, unless the stockholders of Photronics or DNP, as the case may be, immediately before such transaction own, directly or indirectly immediately following such transaction, more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the corporation resulting from such transaction in substantially the same proportion as their ownership of the Voting Stock immediately before such transaction, or (B) conveys, transfers or leases all or substantially all of its assets to any Person.

For the avoidance of doubt, the delisting of Photronics from the NASDAQ Stock Market standing alone, if occurs, does not constitute a Change in Control with respect to Photronics.

For the purpose of this definition, a “group” means two or more Persons who, acting for a common purpose, which act based on their mutual consent in the form of a contract, an agreement or others; and a “beneficial owner” means any Person who owns the shares or other assets under his/her/its own name or under the name of a third party (i.e. a nominee) where: (i) such Person (a) provides said shares or assets or (b) provides the funds to acquire such shares or assets to the nominee directly or indirectly; or (ii) the principal has the right to manage, utilize or dispose of the shares or assets held by the nominee; or (iii) entire or partial profits or losses of the shares or assets held under the name of the nominee are assumed by the principal.

“Change in Control Closing” is defined in Section 7.4.2.

“Change in Control Closing Price” is defined in Section 7.4.3.

“Change in Control Notice” is defined in Section 7.4.1.

“Company” is defined in the preamble.

“Company Accountant” shall mean initially Deloitte Touche LLP or such other independent accounting firm as appointed from time to time by the Board of Directors.

“Company Assets” means all direct and indirect rights and interests in real and personal property owned by the Company and its subsidiaries from time to time, and shall include both tangible and intangible property (including Cash). For the sake of clarity, “Company Assets” shall not be deemed to include any right or interest owned by Photronics or DNP or their respective Affiliates, including, without limitation, any rights licensed from third parties to Photronics or DNP unless authorized by such third parties.

“Company Entity” means the Company, or any of its directly or indirectly majority owned subsidiaries (whether organized as corporations, limited liability companies or other legal entities).

“Company Liabilities” means all direct and indirect liabilities and obligations of the Company and its subsidiaries from time to time including the aggregate undistributed amounts due to Shareholders to pay Taiwanese taxes on any income allocated to them. In determining the amount of such liabilities, any contingent liabilities, guarantees or other amounts that are not recorded on the Company’s consolidated balance sheet shall be included and reserved against at the fair probable value thereof as reasonably determined by the Board of Directors in accordance with GAAP.

“Directors” is defined in Section 5.1.3.

“DNP” is defined in the preamble.

“DNP Director” means any of the Directors designated by DNP to serve on the Board of Directors in accordance with Section 5.1.3.

“DPTT” means DNP Photomask Technology Taiwan Co., Ltd., a company limited by shares incorporated under the Act.

“DPTT Pre-Closing Liability” means any and all liabilities and claims arising against DPTT (whether or not made against DPTT or against the Company after the completion of the Merger as contemplated in the Merger Agreement) by any third party which are attributable to events occurred prior to the completion of the Merger as contemplated in the Merger Agreement and are not: (i) reflected in the latest financial statements of DPTT which were made available to Photronics prior to the execution of this Agreement; (ii) taken into consideration and reflected by the relevant adjustment(s) made under Exhibit 5-3 (NWC Proposal) of the Framework Agreement (excluding those that are not required to be taken into consideration thereunder); and (iii) otherwise indemnified by DNP pursuant to Section 12 of the Framework Agreement or recovered from third parties.

“Economic Interest” means a Person’s right to share in allocations of Net Profits, Net Losses and other items of income, gains, losses, deductions and credits hereunder and to receive distributions from the Company as set forth in this Agreement, but does not include any other rights of a Shareholder including, without limitation, the right to vote or to participate in the management of the Company, or, except as specifically provided in this Agreement or required under the Act, any right to information concerning the business and affairs of the Company.

“Effective Date” means the date of the Closing (as defined in the Merger Agreement).

“Exchange Act” means the Securities Exchange Act of 1934 of the United States, as amended.

“Fiscal Months” is defined in Section 5.12.1.

“Fiscal Quarters” is defined in Section 5.12.1.

“Fiscal Year” is defined in Section 5.12.1.

“Force Majeure” means any cause or causes beyond the reasonable control of the Company, including, but not limited to, acts of God, industrial disturbances, wars, terrorism, epidemics, blockages, embargoes, insurrections, riots, explosions, fires, earthquake, floods, perils of the sea.

“Framework Agreement” means the Joint Venture Framework Agreement of even date herewith executed by and between Photonics and DNP.

“GAAP” means generally accepted accounting principles in Taiwan and/or United States, as applicable, as in effect from time to time.

“GAAS” means generally accepted auditing standards in Taiwan and/or United States, as applicable, as in effect from time to time.

“General Manager” is defined in Section 5.14.1.

“Governmental Authority” means any foreign, domestic, national, federal, territorial, state or local governmental authority, quasi-governmental authority, instrumentality, court, government, stock exchange or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

“Increasing Shareholder” is defined in Section 5.4

“Indemnified Loss” is defined in Section 5.13.1.

“Indemnitee” is defined in Section 5.13.1.

“Interest” means the entire ownership interest of a Shareholder in the Company at any particular time, including without limitation, the Shareholder’s Shares and Economic Interest, any and all rights to vote and otherwise participate in the Company’s affairs, and the rights to any and all benefits to which a Shareholder may be entitled as provided in this Agreement, together with the obligations of such Shareholder to comply with all of the terms and provisions of this Agreement. An Interest may be expressed as a number of Shares.

“Liquidating Event” is defined in Section 10.2.

“Liquidators” is defined in Section 10.5.1.

“Majority Shareholder” is defined in Section 7.3.1.

“Management Advisory Committee” is defined in Section 5.15.

“Minority Closing” is defined in Section 7.3.2.

“**Minority Closing Price**” is defined in Section 7.3.3.

“**Minority Shareholder**” is defined in Section 7.3.1.

“**Net Book Value**” means, with respect to (i) any assets, the value thereof, net of accumulated depreciation, amortization and other adjustments, as would be included in a consolidated balance sheet of the entity owning such assets prepared in accordance with GAAP, (ii) any liabilities, the amount thereof as would be included in a consolidated balance sheet of the entity having the liabilities prepared in accordance with GAAP and (iii) any equity security of a Company Entity or other entity, the product of (x) the value of the assets of such entity, net of accumulated depreciation, amortization or other adjustments, as would be included in a consolidated balance sheet of the entity prepared in accordance with GAAP, minus the amount of the liabilities of such entity, as would be included in a consolidated balance sheet of such entity prepared in accordance with GAAP, multiplied by (y) a percentage equal to the percentage of the equity of such entity represented by such equity security. Any determination of Net Book Value shall be consistent with the historic GAAP methods, procedures and election used by the Company.

“**Net Profits**” or “**Net Losses**” means, for each Fiscal Year or other period, an amount equal to the Company’s taxable income or loss for such year or period.

“**Officer**” is defined in Section 5.14.3.

“**Overseas Customers**” shall mean those existing customers of PSMC and DPPT designated on Schedule B.

“**Percentage Interest**” means, with respect to a Shareholder holding one or more Shares, its Interest in the Company as determined by dividing the number of Shares owned by such Shareholder by the total number of Shares of the Company then outstanding. For the purposes of this Agreement, the aggregate Percentage Interest of all entities directly or indirectly wholly owned by Photronics or DNP, as the case may be, shall be the basis for calculating the Percentage Interest of Photronics and DNP.

“**Person**” means any person or entity, whether an individual, trustee, corporation, partnership, limited partnership, limited liability company, trust, unincorporated organization, business association, firm, joint venture, other legal entity or Governmental Authority.

“**Photronics**” is defined in the preamble.

“**Photronics Director**” means any of the Directors designated by Photronics to serve on the Board of Directors in accordance with Section 5.1.3.

“**PSMC**” means Photronics Semiconductor Mask Corporation, a company limited by shares incorporated under the Act.

“**PSMC Pre-Closing Liability**” means any and all liabilities and claims arising against the Company by any third party which are attributable to events occurred prior to the completion of the Merger as contemplated in the Merger Agreement and are not: (i) reflected in the latest financial statements of the Company which were made available to DNP prior to the execution of this Agreement; (ii) taken into consideration and reflected by the relevant adjustment(s) made under Exhibit 5-3 (NWC Proposal) of the Framework Agreement (excluding those that are not required to be taken into consideration thereunder); and (iii) otherwise indemnified by Photronics pursuant to Section 12 of the Framework Agreement or recovered from third parties.

“**Reducing Shareholder**” is defined in Section 5.4.

“**Related Party Agreement**” is defined in Section 5.18.

“**Representative**” is defined in Section 5.13.6(d).

“**Required Funding Date**” is defined in Section 4.1.2(a).

“**Secoded Employees**” is defined in Section 6.4.

“**Service Provider Documents**” is defined in Section 6.5.1

“**Share**” means equity interest of the Company issued pursuant to Article 3 of this Agreement. Shares may be issued in whole numbers of a fractional interest. As of the completion of the Merger contemplated under the Merger Agreement, the Shares are to be held by the Shareholders in accordance with Schedule C.

“**Shareholder**” means a Person owning Shares.

“**Shortfall**” means the dollar difference between a requested Additional Contribution and the actual amount a Shareholder pays of such Additional Contribution.

“**Tax**” or “**Taxes**” means all taxes, levies, imposts and fees imposed by any Governmental Authority (domestic or foreign) of any nature including but not limited to federal, state, local or foreign net income tax, alternative or add-on minimum tax, profits or excess profits tax, franchise tax, gross income, adjusted gross income or gross receipts tax, employment related tax (including employee withholding or employer payroll tax), real or personal property tax or ad valorem tax, sales or use tax, excise tax, stamp tax or duty, any withholding or back up withholding tax, value added tax, severance tax, prohibited transaction tax, premiums tax, occupation tax, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Authority (domestic or foreign) responsible for the imposition of any such tax.

“**Territory**” means *.

“**Transaction Documents**” is defined in Section 1.7.

“**Transfer**” (including, with correlative meaning, the term “**Transferred**”) means, with respect to any Share or Economic Interest or portion thereof, a sale, conveyance, exchange, assignment, pledge, encumbrance, gift, bequest, hypothecation or other transfer or disposition by any other means, whether for value or no value and whether voluntary or involuntary (including, without limitation, by operation of law), or an agreement to do any of the foregoing.

“Supermajority Vote of Directors” means the unanimous affirmative vote or consent of all Directors of the Company present at a meeting of the Board of Directors, provided that the Percentage Interest of Photronics and DNP shall be at least twenty percent (20%) each.

“Supermajority Vote of Shareholders” means the unanimous affirmative vote or consent of all Shareholders of the Company present at a meeting of the Shareholders, provided that the Percentage Interest of Photronics and DNP shall be at least twenty percent (20%) each.

“Vice General Manager” is defined in Section 5.14.1.

“Voting Stock” is defined in the definition of “Change in Control.”

ARTICLE 3. SHARES AND CAPITAL CONTRIBUTIONS

3.1 Authorized Shares

The Company is authorized to issue equity interests (which should be common shares with the par value at * per share) in the Company designated as “Shares”. The total number of authorized Shares and issued Shares of the Company as of the completion of the Merger contemplated under the Merger Agreement shall be set forth in the Merger Agreement.

3.2 Initial Capital Contributions and Share Issuance

The Shareholders acknowledge and agree that the names and address of each Shareholder, Percentage Interests of, and number of Shares owned by, the Shareholders as of the completion of the Merger contemplated under the Merger Agreement are as set forth on Schedule C.

3.3 Return or Redemption of Capital Contribution

Except as otherwise provided in this Agreement or approved by a Supermajority Vote of Shareholders: (a) no Shareholder shall demand or be entitled to receive a return of or interest on any portion of its Capital Contributions; and (b) no Shareholder shall withdraw any portion of its Capital Contributions or receive any distributions from the Company as a return of capital on account of such Capital Contributions. Except as otherwise provided in this Agreement or approved by a Supermajority Vote of Board, the Company shall not redeem or repurchase the Shares of any Shareholder. Provided in all three cases that any such return, distribution or redemption that is permitted hereunder shall be *pro rata* based upon the Shareholders’ respective Percentage Interests and in compliance with Applicable Law.

3.4 Liability of Shareholders

Except as otherwise required by any non-waivable provision of the Act or other Applicable Law and except as provided in this Agreement or other agreements between the Company and one or more Shareholders or their Affiliates, no Shareholder shall be liable in any manner whatsoever for any debt, liability or other obligation of the Company, whether such debt, liability or other obligation arises in contract, tort, or otherwise solely by reason of being a Shareholder.

3.5 Revenue

The Shareholders hereby agree that the Company shall be the * includes but is not limited to communicating with the *) with respect to *. The Shareholders further agree that neither Shareholder will *.

ARTICLE 4. FINANCING OF THE COMPANY

4.1 Types of Financing

4.1.1 General. The Shareholders expect the Company to be self funding. The Shareholders shall not be obliged to make any kind of additional investment (including the Additional Contributions, loan to the Company and guaranteeing a loan of the Company) into the Company upon or after the completion of the Merger contemplated under the Merger Agreement. Nevertheless, the Board of Directors shall be responsible for determining the type of financing required to fund the operations of the Company and will evaluate Capital Contributions from the Shareholders or incurring debt from the Shareholders or from public, private or bank markets, in each case as permitted under this Agreement; the Board of Directors will then decide on the type of funding that is in the best interests of the Company at the time of the decision.

4.1.2 Shareholder Contributions.

(a) If the Board of Directors determines that the Company requires additional funding via a Capital Contribution from the Shareholders to the Company, the Shareholders shall have the right to make such Capital Contributions to the Company pro-rata based on such Shareholder's Percentage Interest (the "**Additional Contributions**") of up to * in aggregate during the four year period following the date of the completion of the Merger contemplated under the Merger Agreement, and up to * in any one year period during such four year period. Request for Additional Contributions shall be made by written notice by the Board of Directors, provided that if any of the Shareholders intends to cause the Board of Directors to approve an Additional Contributions, it shall notify the other Shareholder in writing and any such written notice shall include the amount of required Capital Contribution and the required funding date ("**Required Funding Date**") to be approved by the Board of Directors and shall be sent to the other Shareholder at least ninety (90) calendar days prior to the relevant meeting of the Board of Directors. Such Required Funding Date shall correspond to the end of a Fiscal Month. All Additional Contributions shall be made in New Taiwan Dollars or equivalent in US Dollars. Where the Applicable Law grants employees of the Company any subscription rights and no exception in the Applicable Law is available to the Company, the Shareholders agree to use their best efforts to cause the employees of the Company to waive any rights they may have under the Applicable Law to subscribe to any additional Shares to be issued in connection with any Additional Contributions.

(b) In the event that any Shareholder determines to contribute less than its * such Shareholder shall provide notice of such determination specifying the amount of such * it intends to make, if any *. Such notice shall be provided to the Company and to the other Shareholder as soon as practicable after such determination is made, but in any event not less than *. Any failure or delay in providing such notice shall not affect the right of any Shareholder to refrain from providing such * nor shall it result in any liability for damages. If a Shareholder fails to make the * set forth pursuant to Section 4.1.2(a), then the funding Shareholder may elect, in its discretion and to the fullest extent permitted by Applicable Law, to do any or a combination of the following * without prior written consent of all existing Shareholders prior to such *.

* Additional Contribution * the Board of Directors shall determine the * as of the date immediately prior to the date of the meeting of the Board of Directors approving the * immediately prior to the date of the meeting of the Board of Directors approving *.

**ARTICLE 5.
MANAGEMENT**

5.1 Board of Directors

5.1.1 Powers. Except as otherwise required by any non-waivable provision of the Act or other Applicable Law or expressly provided in this Agreement, all management powers over the business, property and affairs of the Company are exclusively vested in a board of directors (the “**Board of Directors**”), and no Shareholder shall have any right to participate in or exercise control or management power over the business and affairs of the Company or otherwise to bind, act or purport to act on behalf of the Company in any manner. Subject to any non-waivable provision of Applicable Law and the limitations set forth in this Agreement, the Board of Directors shall have all the rights and powers that may be possessed by the Board of Directors under the Act, which shall include, without limitation, the power to incur indebtedness, the power to enter into agreements and commitments of all kinds, the power to manage, acquire and dispose of Company Assets, and all ancillary powers necessary or convenient to the foregoing. Without limiting the general authority granted by the immediately preceding sentence, the majority of the Board of Directors shall have the authority set forth on Schedule D hereto. The Board of Directors may also designate one or more persons to open bank accounts and conduct other banking business on behalf of the Company. The Directors shall devote such time to the business and affairs of the Company as is reasonably necessary for the performance of their duties, but shall not be required to devote full time to the performance of such duties.

5.1.2 Evaluation of General Manager. The Board of Directors will be responsible for supervision and evaluation of the Company’s General Manager on an ongoing basis, including at least an annual review of his or her performance to ensure he or she is acting in accordance with prudent business practices.

5.1.3 Number of Directors; Appointment of Directors. Both parties shall cause the Company to hold an extraordinary general shareholders’ meeting not later than on the * calendar day (or a later day agreed by both parties) after the completion of the Merger contemplated under the Merger Agreement to elect some or all Directors and supervisors of the Company and such members shall have the same term of office as provided below. The Board of Directors shall consist of seven (7) individuals (each such individual, a “**Director**”) and the term of their office shall be three (3) years. Subject to Sections 5.2 and 5.3 below, in the aforesaid extraordinary general shareholders’ meeting and subsequent general shareholders’ meetings of the Company in which the Directors are to be re-elected, four (4) of the representatives appointed by Photronics and three (3) of the representatives appointed by DNP shall be elected as the Directors. If a Director resigns (including by death or retirement) or is removed either by the Shareholder who appointed such Director as provided for under the Act or in accordance with Section 5.2 or 5.3, each newly appointed Director shall hold office for the remaining term of the replaced Director. Each Shareholder having the right to nominate a Director pursuant to this Section 5.1.3 shall have the right, in its sole discretion, to remove such Director at any time, by delivery of written notice to the Company with a copy to each of the other Shareholder and the Director(s) to be removed. In the case of a vacancy in the office of a Director for any reason (including by reason of death, resignation, retirement, expiration of such Director’s term or removal pursuant to the preceding sentence), the vacancy shall be filled by the Shareholder that nominated the Director in question; *provided, however*, that in the case of a vacancy created due to a change in a Shareholder’s Percentage Interest as described in Section 5.2 or 5.3, such vacancy shall be filled in accordance with Section 5.2 or 5.3. Each Shareholder shall notify the other Shareholder and the Company of the name, business address and business telephone, e-mail address and facsimile numbers of each Director that such Shareholder has nominated. Each Shareholder shall promptly notify the other Shareholder and the Company of any change in such Shareholder’s nominated Director or of any change in their Director’s address or other contact information.

5.2 Effect of Reduction in Photonics' Percentage Interest on Photonics Directors

Subject to Section 5.4 below, the number of Directors that Photonics can appoint to or maintain on the Board of Directors shall depend on Photonics Percentage Interest as follows:

Photonics's Percentage Interest	Number of Photonics Directors
> 80%	*
> 50% and \leq 80%	*
\geq 20% and \leq 50%	*
> 0% and < 20%	*

5.3 Effect of Reduction in DNP's Percentage Interest on DNP Directors

Subject to Section 5.4 below, the number of Directors that DNP can appoint to or maintain on the Board of Directors shall depend on DNP Percentage Interest as follows:

DNP's Percentage Interest	Number of DNP Directors
> 80%	*
> 50% and \leq 80%	*
\geq 20% and \leq 50%	*
> 0% and < 20%	*

5.4 Procedure.

If either Shareholder's Percentage Interest should be below any of the threshold levels set forth in Sections 5.2 or 5.3 above more than three (3) months and if such Shareholder (the "**Reducing Shareholder**") then has more designees serving on the Board of Directors than the number to which it is entitled, such Reducing Shareholder shall immediately identify by written notice to the Company with a copy to the other Shareholder (the "**Increasing Shareholder**") the designee or designees on the Board of Directors that will cease serving on the Board of Directors, and each such designee shall thereupon cease to be a Director or member of the Board of Directors. If such Reducing Shareholder fails to make such designation within five (5) Business Days after written demand by the Increasing Shareholder, the Increasing Shareholder may for and on behalf of the Reducing Shareholder and its designee(s) (and the Reducing Shareholder hereby, and shall cause its designee(s) to, irrevocably authorize the Increasing Shareholder to) designate by written notice to the Company with a copy to the Reducing Shareholder one or more (as appropriate) of the Reducing Shareholder's designees on the Board of Directors that will cease serving on the Board of Directors and each such designee shall thereupon cease to be a Director or member of the Board of Directors. Upon the written notice described in either of the immediately preceding two sentences, the Shareholders agree to collaborate to cause the Board of Directors to convene a meeting of the Shareholders as soon as practicable to fill the vacancies created by such removals in accordance with the provisions of Sections 5.2 and 5.3. Similarly, if a Shareholder whose Percentage Interest fell below any threshold level set forth in Section 5.2 or 5.3 subsequently increases its Percentage Interest above any such level, the process shall be reversed.

5.5 Chairman and Vice-Chairman

A Chairman of the Board of Directors (the “**Chairman of the Board**”) shall preside at all meetings of the Board of Directors. The Chairman of the Board shall be selected from and among the Directors appointed by Photronics; *provided, however*, that if the Percentage Interest of Photronics falls below * then the * shall be selected from and among the Directors appointed by * if *by the Board of Directors. If a Shareholder whose Percentage Interest * subsequently increases its Percentage Interest * such Shareholder shall have the right to appoint the *. A Vice-Chairman of the Board of Directors (the “**Vice-Chairman of the Board**”) shall be selected from and among the Directors appointed by DNP * *provided, however*, that in the case where the * in accordance with the foregoing, then the * shall be selected from and among the Directors appointed by * provided that * shall not fall below *.

5.6 Meetings of Shareholders and of the Board of Directors; Quorum

5.6.1 Shareholder Meetings. At any time, and from time to time, the Board of Directors may call meetings of the Shareholders. Special meetings of the Shareholders for any proper purpose or purposes may be called at any time by the Board of Directors. Written notice of any such meeting shall be given to all Shareholders. No less than twenty (20) calendar days’ written notice shall be given for an annual meeting of the Shareholders and no less than ten (10) calendar days’ written notice shall be given for any special meetings of the Shareholders. Each meeting of the Shareholders shall be conducted by the Chairman of the Board of Directors. Where the Chairman of the Board is on leave or cannot exercise his power and authority for any cause, the meeting of the Shareholders shall be conducted by the Vice-Chairman of the Board, or any designee appointed in accordance with the Act. Each Shareholder may authorize any Person by written proxy to act for it or on its behalf on all matters in which the Shareholder is entitled to participate. Each proxy must be signed by a duly authorized officer of the Shareholder. All other provisions governing or otherwise relating to the convening of meetings of the Shareholders shall from time to time be established in the sole discretion of the Board of Directors (acting reasonably). Each of the Shareholders shall have the obligation to attend the meeting of the Shareholders, whether in person or by proxy, for the purpose of the quorum, provided that nothing in the foregoing shall be construed to restrict any Shareholder on how to exercise its voting rights (including abstaining from voting). In the event that any of the Shareholders fails to attend a meeting of the Shareholders due to reasons other than those that are unattributable to such Shareholder or its representative(s) (including, without limitation, Force Majeure, accident and illness) and taking into account that such Shareholder should use its best efforts to issue a proxy for such meeting, resulting in a failure of reaching a quorum, it shall be deemed as a material breach of this Agreement and bad faith of such Shareholder in performing its obligations hereunder.

5.6.2 Board Meetings. The Board of Directors shall hold meetings at least once every Fiscal Quarter. Unless a higher quorum is required by Applicable Law, the presence of four (4) Directors, in each case, in person or by video conference, shall be necessary and sufficient to constitute a quorum for the purpose of taking action by the Board of Directors at any meeting of the Board of Directors. Each Director may authorize any other Director by written proxy to act for or on behalf of such Director on all matters in which such Director is entitled to participate. Each Shareholder shall be responsible for the expenses of the Director(s) appointed by such Shareholder in connection with all meetings of the Board of Directors. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other duties and responsibilities as may be assigned to him or her by the Board of Directors. The Chairman of the Board must include any item submitted by a Shareholder or General Manager for consideration at a meeting of the Board of Directors, may not cut off debate on any matter being considered by the Board of Directors and shall call for a vote on any matter at the request of any Director or General Manager. Each of the Directors shall have the obligation to attend each of the meetings of the Board of Directors, whether in person or by proxy, for the purpose of the quorum, provided that nothing in the foregoing shall be construed to restrict any Director on how to exercise his/her voting rights (including abstaining from voting). In the event that any of the Directors fails to attend two meetings of the Board of Directors consecutively due to reasons other than those that are unattributable to such Director or its proxy (including, without limitation, Force Majeure, accident and illness) and taking into account that such Director should use his/her best efforts to issue a proxy for such meeting, resulting in failure of reaching a quorum, it shall be deemed as a material breach and bad faith of the Shareholder who nominates such Director in performing such Shareholder's obligations hereunder.

5.6.3 Notice; Waiver. Except in the case of emergency as provided under the Act, the regular quarterly meetings of the Board of Directors described in Section 5.6.2 shall in principle be held upon not less than seven (7) Business Days' written notice. Additional meetings of the Board of Directors may be held upon the request of any Director to the Chairman of the Board, upon not less than seven (7) Business Days' written notice (which may be given, to the extent permitted by Applicable Law, via confirmed facsimile, confirmed e-mail or other manner provided for in Section 12.5). No action taken by the Directors at any meeting shall be valid unless the requisite quorum is present.

5.6.4 Voting of Directors. Except as otherwise expressly provided in this Agreement and/or Applicable Law, all actions, determinations or resolutions of the Board of Directors shall require the affirmative vote or consent of a majority of the Board of Directors present at any meeting at which a quorum is present. Each Director shall be entitled to one (1) vote, and Directors shall be entitled to cast their vote through proxies.

5.6.5 Meetings. All meetings of the Board of Directors or the Shareholders shall be conducted in English. Directors and their proxies shall have the right to participate in all meetings of the Board of Directors by means of a video conference or similar communications equipment by means of which all persons participating in the meeting can see and hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

5.6.6 Reliance by Third Parties. For convenience and subject to Applicable Laws, each party agrees that any Person dealing with the Company, Photonics Director, DNP Director, or any Officer may rely upon a certificate signed by any one Photonics Director and one DNP Director as to: (a) the identity of any Director or Officer; (b) the existence or non-existence of any fact or facts which constitute a condition precedent to acts by the Directors or Officers or in any other manner germane to the affairs of the Company; (c) the Persons who are authorized to execute and deliver any instrument or document for or on behalf of the Company; or (d) any act or failure to act by the Company or as to any other matter whatsoever involving the Company, Photonics, DNP, any Director or any Officer.

5.7 Supervisors

The Company shall have two (2) supervisors. Each of Photonics and DNP shall be entitled to designate one (1) representative to be elected as the supervisor.

5.8 Actions Requiring a Supermajority Vote of Shareholders

Notwithstanding the provisions of Section 5.6.4 or any other provisions of this Agreement, the Company may not, and no Shareholder or Director may cause the Company to, take any of the actions specified in Schedule F (or any other action specified in this Agreement as requiring a Supermajority Vote of Shareholders) without obtaining the Supermajority Vote of Shareholders.

5.9 Actions Requiring a Supermajority Vote of Directors

Notwithstanding the provisions of Section 5.6.4 or any other provisions of this Agreement, the Company may not, and no Shareholder or Director may cause the Company to, take any of the actions specified in Schedule G (or any other action specified in this Agreement as requiring a Supermajority Vote of Directors) without obtaining the Supermajority Vote of Directors.

5.10 Compensation of Directors and Supervisors

The Directors and supervisors shall not be entitled to any compensation in their capacities as Directors and supervisors unless otherwise agreed upon in writing by all of the Shareholders.

5.11 Other Activities

Subject to Applicable Law and the provisions of the Transaction Documents, the Shareholders, their respective Affiliates and the Directors may *. Neither the Company nor any Shareholder, Affiliate of a Shareholder, or Director shall *.

5.12 Accounting; Records and Reports

5.12.1 Accounting and Fiscal Year. The books, records and accounts of the Company, including for all applicable tax purposes, will be maintained in accordance with such methods of accounting as shall be reasonably determined by the Board of Directors. The fiscal year of the Company (“**Fiscal Year**”), including each of the fiscal quarters (the “**Fiscal Quarters**”) and each of the fiscal months (“**Fiscal Months**”) thereof, shall correspond to that of Photronics for as long as Photronics and/or an Affiliate of Photronics hold more than fifty percent (50%) of Percentage Interest in the Company in the aggregate.

5.12.2 Books and Records. The Board of Directors shall cause to be kept, at such location as the Board of Directors shall reasonably deem appropriate, full and proper ledgers, other books of account, and records of all receipts and disbursements and other financial activities of the Company in accordance with Photonics' record retention policies for as long as Photonics and/or an Affiliate of Photonics hold more than fifty percent (50%) of Percentage Interest in the Company in the aggregate. The Board of Directors shall also cause to be kept at such location copies of each of the following:

- (a) a current list of the full name and last known address of each Shareholder, and the capital account, number of Shares and Percentage Interest held by each Shareholder;
- (b) a current list of the full name and last known address of each Director;
- (c) the Articles of Incorporation of the Company, including any amendments to the Articles of Incorporation;
- (d) the Company's federal, state and local income tax returns and reports, if any, for the seven (7) most recent Fiscal Years;
- (e) this Agreement and any amendments to this Agreement;
- (f) financial statements of the Company for the five (5) most recent Fiscal Years; and
- (g) minutes of all meetings of the Board of Directors and the Shareholders.

5.12.3 Reports. The Board of Directors shall also cause to be sent to each Shareholder of the Company, the following:

- (a) within forty-five (45) days after the Effective Date, the Company shall provide each Shareholder with an unaudited balance sheet of the Company as of the Effective Date;
- (b) within one hundred eighty (180) days following the end of each Fiscal Year, such information as may be reasonably required by the Shareholders for preparation of their respective federal, state and local income or franchise tax returns;
- (c) a copy of the Company's federal, state and local income tax or information returns for each Fiscal Year, concurrent with the filing of such returns;
- (d) within seventy five (75) days after the end of each Fiscal Year, the Company shall provide each Shareholder with an audited balance sheet, income statement and statement of cash flows for and as of the last day of the Fiscal Year then ended, prepared in accordance with GAAP and audited in accordance with GAAS as well as such other financial information as any Shareholder may reasonably request to enable such Shareholder and its Affiliates to prepare their consolidated quarterly and annual financial statements;

(e) within forty five (45) days after the end of each Fiscal Quarter or Fiscal Year, the Company shall provide each Shareholder with an unaudited balance sheet, income statement and statement of cash flows for and as of the last day of the year or quarter (as appropriate) then ended, prepared in accordance with GAAP, as well as such other financial information as any Shareholder may reasonably request to enable such Shareholder and its Affiliates to prepare their consolidated quarterly and annual financial statements; and

(f) within a reasonable period of time, notice of any material litigation filed against the Company or any written claim by a Governmental Authority of any material violation of any state, federal or foreign law, statute, rule or regulation.

If Japanese generally accepted accounting principles have been amended, both parties agree that; (a) the time limit set forth in this Section 5.12.3 shall be amended accordingly, and to the extent DNP deems reasonably necessary, by the notice from DNP to the Company, and (b) both parties shall cause the Company to use all reasonable efforts to send all necessary financial information as DNP may reasonably request to enable DNP and its Affiliates to prepare their consolidated quarterly and annual financial statements.

5.12.4 Access to Company Books and Records.

(a) To the extent not in violation of Applicable Law, the terms of the Transaction Documents and the Company's confidential obligations (statutory or contractual) to third parties, Shareholders (personally or through an authorized representative) may, for purposes reasonably related to their interests in the Company, during reasonable business hours (i) examine and copy (at their own cost and expense) the books and records of the Company, including the records listed in Section 5.12.2, and (ii) have access to the Company's management, internal and external accountants and attorneys, plans, properties and other assets to conduct investigations regarding the Business and assets of the Company at such Shareholder's sole expense, and the Company shall reasonably cooperate with such Shareholder in such investigations. Any information obtained as a result of this Section 5.12.4 shall be used by a Shareholder solely for purposes reasonably related to such Shareholder's participation in the Company and shall be subject to Section 5.16 of this Agreement.

(b) Any Shareholder's request for documents or request to inspect or copy documents or have access to the Company's management, plans, properties and other assets under this Section 5.12.4 (i) may be made by that Shareholder or that Shareholder's authorized representative and (ii) shall be made in writing to the General Manager and shall state the purpose of such demand. If a Shareholder is not satisfied with the response of the General Manager, the Shareholder may make such request to the Management Advisory Committee and/or the Board of Directors.

5.13 Indemnification and Liability of the Directors

5.13.1 Indemnification. The Company shall indemnify and hold harmless each Director, the General Manager and all other Officers (individually, an “**Indemnitee**”) to the fullest extent permitted by Applicable Law from and against any and all losses, claims, demands, costs, damages, liabilities, whether joint or several, expenses of any nature (including reasonable attorneys’ fees and disbursements), judgments, fines, settlements and other amounts (each an “**Indemnified Loss**”) arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Indemnitee may be involved as a defendant, or threatened to be involved as a defendant (other than all claims, demands, actions, suits or proceedings brought by the Shareholder who nominated such Director, if applicable), relating to the performance or nonperformance of any act concerning the activities of the Company or by reason of the Indemnitee’s status as a Director, General Manager or Officer, as applicable, regardless of whether the Indemnitee retains such status at the time any such Indemnified Loss is paid or incurred, if (a) the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful, and (b) the Indemnitee’s conduct did not constitute an act or omission which involved intentional misconduct or a knowing violation of the law or gross negligence. The termination of an action, suit or proceeding by judgment, order, or settlement shall not, in and of itself, create a presumption or otherwise constitute evidence that the Indemnitee acted in a manner contrary to that specified in clauses (a) or (b) above.

5.13.2 Expenses. Expenses incurred by an Indemnitee in defending any claim, demand, action, suit or proceeding subject to this Section 5.13 shall be advanced by the Company prior to the final disposition of such claim, demand, action, suit, or proceeding.

5.13.3 Company Expenses. Any indemnification provided hereunder shall be satisfied solely out of the Company Assets, as an expense of the Company. No Shareholder shall be subject to liability by reason of these indemnification provisions.

5.13.4 No Other Rights. The provisions of this Section 5.13 are for the benefit of the Indemnitees and shall not be deemed to create any rights for the benefit of any other Person; *provided, however*, that the indemnification rights provided in this Section 5.13 will inure to the benefit of the heirs, legal representatives, successors, assigns and administrators of the Indemnitee.

5.13.5 No Liability. No Indemnitee shall be liable to the Company or to any Shareholder for any losses sustained or liabilities incurred as a result of any act or omission of any Indemnitee if (a) the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful, and (b) the Indemnitee's conduct did not constitute an act or omission which involved intentional misconduct or a knowing violation of the law or gross negligence.

5.13.6 No Fiduciary Duties.

(a) In connection with the determination of any and all matters presented for action to the Shareholders, the Board of Directors or the Management Advisory Committee, as applicable, the Shareholders acknowledge and agree that each Shareholder will be acting on its own behalf and each Representative serving on the Board of Directors or the Management Advisory Committee will be acting on behalf of the Shareholder that appointed such Representative, to the fullest extent permitted by Applicable Law.

(b) Each Shareholder may act, and, to the fullest extent permitted by Applicable Law, will be protected for acting, in its own interest (subject to the express terms of any contract entered into by such Shareholder) without regard to the interest of the other Shareholder, and, subject to Section 5.13.6(c), each Representative may act, and, to the fullest extent permitted by Applicable Law, will be protected for acting, at the direction or control of, or in a manner that such Representative believes is in the best interest of, the Shareholder that appointed the Representative without regard to the interest of the other Shareholder.

(c) Each of the Shareholders hereby waives, and shall cause the Company to waive, on its own behalf and on behalf of each of its subsidiaries, to the fullest extent permitted by Applicable Law, any claim or cause of action against any Shareholder or Director or member of the Management Advisory Committee appointed by a Shareholder based on the determination of any and all matters presented for action to the Shareholders, the Board of Directors or the Management Advisory Committee, as applicable; *provided, however*, the foregoing will not limit any Shareholder's obligation under, or liability for, breach of the express terms of this Agreement, other Transaction Documents or any other agreement that they have entered into with the Company or any of its subsidiaries or the other Shareholder. Each of the Shareholders acknowledges that no Shareholder shall negotiate or enter into or request or otherwise cause the Company to negotiate or enter into any agreement or transaction that would result in such Shareholder or any of its Affiliates receiving any financial consideration or other tangible property incentive, payment or other form of financial consideration or other tangible property consideration from any Governmental Authority or Person based upon the Company's taking an action (including hiring any employees, undertaking any construction or purchasing any equipment) or entering into such agreement or transaction other than as a Shareholder of the Company pursuant to this Agreement, and any Shareholder who receives any such consideration or other tangible property incentive, payment or other form of financial consideration or other tangible property consideration from any Governmental Authority or Person in respect of the Company's activities, shall promptly convey such consideration or other tangible property incentive, payment or other form of financial consideration or other tangible property consideration from any Governmental Authority or Person to the Company as a supplemental Capital Contribution without consideration including any adjustment in the Shares or Economic Interest of, or balance of requested Additional Contribution owed by, such Shareholder.

(d) The term “**Representative**” shall mean, with respect to a Shareholder, the Directors and members of the Management Advisory Committee appointed by such Shareholder.

5.14 Officer

5.14.1 General Manager and Vice General Manager. The Company will have a general manager (the “**General Manager**”) to be selected by Photonics with input from the *; provided, however, that if the Percentage Interest of Photonics falls below * then the * will be selected by * with input from * if * is * or otherwise by the Board of Directors. If a Shareholder whose Percentage Interest * such Shareholder shall have the right to appoint the General Manager again. The Company shall have a vice general manager (the “**Vice General Manager**”) to be selected by DNP with input from the * and Photonics; *provided, however*, that in the case where the General Manager is selected by DNP in accordance with the foregoing, then the Vice General Manager shall be selected by Photonics with input from the Board of Directors and DNP. In the event the * is unable to * for any reason * the * will * but will only do so until the next * at which time the * will be appointed by * as the case may be, in accordance with the foregoing in this Section 5.14.1.

5.14.2 Duties and Powers of the General Manager. The General Manager shall, subject to the control of the Board of Directors, have general supervision, direction and control of the day-to-day affairs of the Company and shall report directly to the Board of Directors. Unless limited by the Board of Directors or this Agreement, he or she shall have the general powers and duties of management usually vested in the office of chief executive officer of corporations and shall have such other powers and duties as may be prescribed by the Board of Directors.

5.14.3 Other Officers; Employment; Removal. The Company may also have a chief financial officer, a secretary and such other officers as determined by the Board of Directors after input from the General Manager and the Vice General Manager, each of whom will be accountable to the General Manager (the General Manager, the Vice General Manager and any other officers elected in accordance with this Section 5.14.3, each, an “**Officer**” and collectively, the “**Officers**”). Subject to Section 5.14.1, the General Manager, the Vice General Manager and any other Officer may be removed at any time upon an affirmative vote of the majority of the Board of Directors and the consent of the Shareholder who appoints such Officer in question.

5.14.4 Duties and Powers of Chief Financial Officer. Any chief financial officer of the Company shall keep and maintain, or cause to be kept and maintained, books and records of accounts of the properties and business transactions of the Company, including accounts of its assets, liabilities, receipts, disbursements, gains, losses and capital. He or she shall disburse the funds of the Company as may be ordered by the Board of Directors and shall render to the Board of Directors at their request an account of all his or her transactions as chief financial officer and of the financial condition of the Company. Authorizations with respect to the Company's depositories, disbursement of funds and related banking matters shall be as set forth in resolutions of the Board of Directors.

5.14.5 Duties and Powers of Vice General Manager. The Vice General Manager shall assist the General Manager and shall have such other powers and duties as may be prescribed by the Board of Directors from time to time after consultation with the General Manager and DNP or Photonics, who is entitled to appoint the Vice General Manager at that time. For the avoidance of doubt, the Vice General Manager, if selected by DNP in accordance with Section 5.14.1 above, shall be counted as one of the Two DNP Appointed Seconded Employees (as defined in Section 6.4 below).

5.14.6 Duties and Powers of Secretary.

(a) Any secretary of the Company shall attend all meetings of the Board of Directors and all meetings of the Shareholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform like duties for any standing committees when requested by such committee.

(b) Any secretary of the Company shall keep, or cause to be kept, at the principal executive office or at the office of the Company's transfer agent or registrar, as determined by resolution of the Board of Directors, a register, or a duplicate register, showing the names of all Shareholders and their addresses, Percentage Interests, the number and date of certificates issued for the same (if any), and the number and date of cancellation of every certificate surrendered for cancellation (if any).

5.14.7 General Provisions Regarding Officers.

(a) The Board of Directors may, from time to time, designate Officers of the Company and delegate to such Officers such authority and duties as the Board of Directors may deem advisable and may assign titles (including, without limitation, president, vice-president and/or treasurer) to any such Officer. Unless the Board of Directors otherwise determines, if the title assigned to an Officer of the Company is one commonly used for Officers of a business corporation, then, subject to the terms of this Agreement, the assignment of such title shall constitute the delegation to such Officer of the authority and duties that are customarily associated with such office. Any number of titles may be held by the same Officer.

(b) Any Officer to whom a delegation is made pursuant to the foregoing shall serve in the capacity delegated unless and until such delegation is revoked by the Board of Directors for any reason or no reason whatsoever, with or without cause, or such Officer resigns.

5.15 Management Advisory Committee

The Shareholders will establish a management advisory committee (the “**Management Advisory Committee**”) relating to the following matters:

- (a) development of *
- (b) advice to the Board of Directors on matters of strategic importance relative to the Company and those matters requiring formal resolution at the board level, including but not limited to *; and
- (c) review and discussion on the relevant matters that require a Supermajority Vote of Shareholders or Directors in accordance with Sections 5.8 and 5.9.

The composition of the Management Advisory Committee shall consist of six (6) members, three (3) members appointed by Photronics and three (3) members appointed by DNP, and such six (6) members may include the General Manager of the Company at the discretion of the appointed Shareholder. The Management Advisory Committee shall convene regular meetings consistent with the number of meetings of the Board of Directors provided however the Management Advisory Committee shall generally meet one to three days in advance of the Board of Directors meeting. The Management Advisory Committee shall discuss the matters listed above. The Management Advisory Committee may at its own discretion put forth resolutions and vote on specific matters to be discussed at the subsequent meeting of the Board of Directors, and may also publish minutes of its meetings and submit such minutes to the Board of Directors, provided however that the Management Advisory Committee shall be an advisory capacity only and shall have no power to vote on or make any decisions with respect to any matters reserved to the Board of Directors; though not obligated to act on any input from the Management Advisory Committee, the Board of Directors will in good faith take inputs raised by the Management Advisory Committee into full consideration.

5.16 Non-Disclosure

The parties acknowledge and agree that Section 9 of the Framework Agreement shall be applied for the proprietary or nonpublic information disclosed by one party to another party in connection with this Agreement.

5.17 Maintenance of Insurance

The Company shall at all times be covered by insurance of the types and in the amounts set forth on Schedule E. Such insurance coverage may be provided through the coverage under one or more insurance policies maintained by the Company or by either Shareholder. A certificate of insurance will be provided by the Company to the Shareholders annually evidencing coverage.

5.18 Related Party Agreements

Photronics and DNP agree that (i) any contract, agreement, amendment, arrangement or understanding entered into after the date hereof between any Company Entity on the one hand, and either Shareholder (or any of their respective Affiliates) on the other hand (the “**Related Party Agreement**”), shall be on an arms-length basis; and (ii) Directors appointed by a Shareholder who or whose Affiliate is a party to a Related Party Agreement shall be deemed having a personal interest in such Related Party Agreement and shall refrain from voting on such Related Party Agreement at the relevant board meeting in accordance with the Act.

ARTICLE 6. OPERATIONS

6.1 Headquarters

The Company’s world headquarters shall be in Taiwan.

6.2 Operations Plan; Annual Budget

The initial business plan of the Company will be a combined business plan including synergies and is attached hereto as Schedule H. From time to time, but in no event less frequently than annually, the Board of Directors may amend or update a business plan of the Company (collectively with the initial business plan referred to as the “**Business Plan**”). The Board of Directors will also be responsible for approving an annual budget (the “**Annual Budget**”) on at least an annual basis at the beginning of each fiscal year.

6.3 DPTT Employees

Unless otherwise agreed by Photronics and DNP, on or before thirty (30) calendar days before the completion of the Merger contemplated under the Merger Agreement, all employees of DPTT (other than Seconded Employees) shall be provided with an offer to become employees of the Company from and after the completion of the Merger contemplated under the Merger Agreement, which contain terms consistent with the following: * are provided in accordance with this Section 6.3, * shall have an opportunity to * within *.

6.4 Company Employees; Seconded Employees

The Company shall employ its own personnel and shall be their exclusive employer. In addition, certain other persons who are employed by a Shareholder or its Affiliates may be assigned by such Shareholder, to work for the Company (“**Seconded Employees**”). * the Company will * for the *. After the * from the Effective Date, if the Company decides to *, the Company *. During the term of this Agreement from the Effective Date, * shall have * will be the Vice General Manager selected * in accordance with Section 5.14.1. The Company will * the * all * for the * from the Effective Date. After the * the Company will * and *. If the Company does not * to * to the * to the * shall be *. * will not be * but rather * of the *. All Seconded Employees will be subject to stringent confidentiality obligations including executing a confidentiality agreement with the Company. *.

6.5 Service Provider Documents

6.5.1 The Company shall have policies applicable to, and ensure that all of its officers, employees and third-party independent contractors, third-party consultants, and other third-party service providers enter into appropriate agreements with respect to, (1) protection of confidential information of the Company, (2) compliance with Applicable Law, and (3) other matters related to the delivery of services to, or employment of such Person by, the Company or its Affiliates. The Company shall have policies applicable to, and ensure that all of its officers and employees enter into appropriate agreements with respect to intellectual property assignment, including invention disclosures, pursuant to which ownership to any intellectual property created in the course of employment with the Company or any of its Affiliates shall be assigned to the Company. The Company shall have policies applicable to, and ensure that all of its third-party independent contractors, third-party consultants, and other third-party service providers that create intellectual property in the course of performing services for the Company, enter into appropriate agreements with the Company with respect to the Company’s ownership of or the Company’s right to use such intellectual property. The forms referred to in this Section 6.5.1 are collectively referred to as the “**Service Provider Documents.**”

6.5.2 Notwithstanding any preceding provisions in this Section 6.5 or elsewhere, no Seconded Employee shall be required to sign any Service Provider Documents, except with respect to acknowledgement of and agreement regarding policies of the Company addressing conduct while performing services at the premises of the Company, such as workplace safety, but excluding matters relating to protection of confidential information of the Company and intellectual property assignment, which issues have been addressed in special Service Provider Documents. The Company shall be responsible for providing such Service Provider Documents, prepared by the Company for each Seconded Employees to the appropriate Seconded Employees, following up to make sure they are signed and for properly storing such forms; and each Shareholder shall cooperate with the Company to require their Seconded Employees to sign such special Service Provider Document when requested to do so by the Company.

6.6 Compensation and Benefits

The Company shall have compensation and benefits programs (including incentive compensation programs) for the employees of the Company * excluding, for this purpose, * at its locations * as determined by the Board of Directors or the General Manager, as applicable, and, to the extent required by law or this Agreement, approved by the Board of Directors.

ARTICLE 7. DISPOSITION AND TRANSFERS OF INTERESTS

7.1 Holding of Shares

For so long as Photronics or DNP, directly or indirectly, owns Shares in the Company, Photronics or DNP, as applicable, must own and hold such Shares either (a) by itself or (b) through one or more wholly owned (including indirect wholly owned) subsidiaries.

7.2 Transfer Moratorium

7.2.1 Other than as specifically provided in this Section 7.2, no Shareholder may * of its Shares to any other * directly or indirectly, * its * in any * respectively, in each case other than * or (ii) in a * in connection with a * in connection with a * in compliance with the terms of Section 7.4 of this Agreement. For the avoidance of doubt, the parties agree that * is not subject to the restrictions under this Section 7.2.1, *. The parties agree that the * shall be *. In the event of any *as permitted under this Section 7.2, the parties thereto shall agree to *.

7.2.2 Transfer Notice. If any Shareholder proposes to Transfer any of its Shares, whether directly or indirectly (the “**Selling Shareholder**”), such Selling Shareholder shall promptly provide written notice (the “**Transfer Notice**”) to the other Shareholder (the “**Non-Selling Shareholder**”) describing in reasonable detail the proposed * including, without limitation *. The Transfer Notice may be updated from time to time by the * by a further written notice to the * shall also receive any updates to the * and shall have the right to obtain * it reasonably requests from time to time in connection with the proposed Transfer.

7.2.3 Right of First Refusal. The Non-Selling Shareholder shall have a right to * by giving a written response notice to the *.

7.2.4 Co-Sale Right. In the event that the Non-Selling Shareholder does not * shall have the right to *.

7.2.5 The sale of all Response Shares and, if applicable, remaining Shares subject to the Transfer Notice, and full payment therefor, shall be completed within thirty (30) days after the anticipated closing date specified in the Transfer Notice (or as updated pursuant to Section 7.2.2 above). In the event that such purchase and sale is not completed within such thirty (30) day period, the Selling Shareholder shall not thereafter sell any Shares without first offering such Shares to the Non-Selling Shareholder in accordance with this Section 7.2.

7.2.6 In the event that the Non-Selling Shareholder does not exercise any right under Section 7.2.3 or 7.2.4 above, the Selling Shareholder may Transfer any of its Shares subject to the Transfer Notice at the same price and upon the terms and conditions specified in the Transfer Notice, provided that the proposed Transfer shall be completed within thirty (30) days after the anticipated closing date specified in the Transfer Notice (or as updated pursuant to Section 7.2.2 above).

7.2.7 The restrictions set forth in this Section 7.2 shall not apply to any Transfers by a Selling Shareholder to one or more of its wholly owned (including indirectly wholly owned) subsidiaries as permitted under Section 7.1.

7.2.8 Notwithstanding anything to the contrary set forth herein, no Transfer shall take place between a Shareholder and any competitor as identified on Schedule J.

7.3 Purchase and Sale of Remaining Interest

7.3.1 If the Percentage Interest of a Shareholder (the “**Minority Shareholder**”) is * and remains at or below * for more than * the other Shareholder or a wholly owned subsidiary thereof (such other Shareholder or Affiliate thereof, the “**Majority Shareholder**”) shall have the * at a * subject to the terms and conditions set forth below. The Majority Shareholder may exercise this * by delivering a written notice of its intent to exercise to the Minority Shareholder. In addition, the Minority Shareholder shall have the option * subject to the terms and conditions set forth below. The Minority Shareholder may exercise * by delivering a written notice of its intent to exercise to the Majority Shareholder.

7.3.2 The closing of the purchase and sale of the Minority Shareholder's remaining Interest (the "**Minority Closing**") shall take place * in which all prior * have been obtained * Minority Closing *. Such Minority Closing shall take *. At the Minority Closing * after receipt of such notice of put option from the Minority Shareholder.

7.3.3 Upon the Minority Closing, the Majority Shareholder shall pay to the Minority Shareholder a sum *.

7.4 Change in Control

7.4.1 The parties will provide at least sixty (60) days but no more than one hundred eighty (180) days notice (the “Change in Control Notice”) *.

7.4.2 If Change in Control occurs to *.

7.4.3 Upon the Change in Control Closing, *.

7.5 Purchase and Sale Agreement

In the event of any purchase and sale of Shares under Section 7.3 or 7.4, the parties thereto shall enter into a commercially reasonable agreement to implement such purchase and sale. The parties thereto shall also make the necessary amendments to this Agreement.

ARTICLE 8. [INTENTIONALLY DELETED]

ARTICLE 9. TERM AND TERMINATION OF THIS AGREEMENT

9.1 Term of this Agreement

9.1.1 This Agreement shall enter into force as of the Effective Date, and remain in force throughout the duration of the Company if not terminated earlier as provided for in Section 9.1.2 or 9.2.1.

9.1.2 In the event that one of the Parties ceases to be Shareholder of the Company for any reason, this Agreement is automatically terminated.

9.2 Termination and Cross-termination

9.2.1 Notwithstanding Section 9.1, this Agreement may be terminated by either party at any time, upon notice given to the other party:

- (a) in the event of a material * of this Agreement by such other party, which such other party *;
- (b) in the event of the *;

- (c) in the event of the *
- (d) in the event of such other party *.

9.2.2 The parties agree that:

- (a) the termination of this Agreement shall not (unless otherwise specified in the Transaction Documents concerned) produce the automatic cross-termination of any of the Transaction Documents;
- (b) the termination of any of the Transaction Documents shall not produce the automatic cross-termination of this Agreement;
- (c) the party who terminates this Agreement in accordance with Section 9.2.1 above shall have the right to terminate any or all of the Transaction Documents, to which it is a party without any liability;
- (d) the termination of this Agreement shall not affect the respective rights and obligations of the parties having accrued prior thereto, under this Agreement; and
- (e) the termination rights, remedies and provisions arising from Applicable Laws shall, to the extent not waived or excluded hereby, cumulate with those specified under this Section 9.2.1.

9.3 Right of Terminating Party

The parties agree that the party who terminates this Agreement in accordance with Section 9.2.1 (the “**Terminating Party**”) shall have the right:

- (a) to claim against the other party *
- (b) by giving the notice to the other party *.

ARTICLE 10.
DISSOLUTION, LIQUIDATION, AND TERMINATION OF THE COMPANY

10.1 Limitations

The Company may be dissolved, liquidated, and terminated only pursuant to the provisions of this Article 10, and the parties hereto do hereby irrevocably waive, to the extent permitted by Applicable Law, any and all other rights they may have to cause a dissolution, liquidation or termination of the Company or a sale or partition of any or all of the Company Assets in connection with such dissolution or liquidation.

10.2 Exclusive Causes

Notwithstanding the Act, the following and only the following events shall cause the Company to be dissolved, liquidated, and terminated (each a "**Liquidating Event**"), unless otherwise set forth in this Agreement:

- (a) *
- (b) *
- (c) *

- (d) the occurrence of any other event that *
- (e) the election by either Shareholder to * of the Company *
- (f) the election by a Shareholder to * pursuant to Section 7.4.

To the fullest extent permitted by law, * other than as provided in this Section 10.2 shall be a dissolution in contravention of this Agreement..

10.3 Effect of Dissolution

The dissolution of the Company shall be effective on the day on which the event occurs giving rise to the dissolution (or, if a corporate action of the Company is required by the Act, on the day such corporate action is duly taken), but the Company shall not terminate until it has been wound up and its assets have been distributed as provided in Section 10.5.1 or 11.1 of this Agreement. Notwithstanding the dissolution of the Company, prior to the termination of the Company, the business of the Company and the affairs of the Shareholders, as such, shall continue to be governed by this Agreement.

10.4 Loss of the Company

In the event that the accumulated losses of the Company * immediately after the completion of the Merger contemplated under the Merger Agreement, the amount of which is expected to be * the Shareholders shall discuss in good faith * If the Shareholders agree on the *, the Shareholders shall cooperate to carry out such measure(s). If the Shareholders do not * a Shareholder whose * are less than * may request, by giving a written notice * within * after the expiration of the * as applicable, the other party to agree to * via a * after receipt of such written notice. In the event that the other party * does not agree to * for any reason * to * to the * of such * set forth in Sections 7.3.2 and 7.3.3.

10.5 Liquidation

10.5.1 Upon dissolution of the Company, the Board of Directors (or other Person(s) designated by a decree of court) shall act as the “**Liquidators**” of the Company. The Liquidators shall liquidate the Company Assets, and shall apply and distribute the proceeds thereof as follows unless otherwise provided by the Applicable Law:

(a) first, to (i) the payment of the obligations of the Company to * and other payments to Persons other than Shareholders or their Affiliates * whether the whereabouts of the creditor is known or unknown, which the Board of Directors may consider necessary;

* thereafter, amounts due to either *

*

10.5.2 Notwithstanding Section 10.5.1 of this Agreement, in the event that the Board of Directors determines that an * the Board of Directors, in order to avoid such * except those necessary to satisfy the * or, subject to Section 11.4, * (in accordance with the Applicable Law).

10.6 Dissolution

Where the Requesting Shareholder is entitled to give the * and the * thereafter desires to * the Company and notifies the * of the same within * from the * the Requesting Shareholder shall agree to the * proposal to * the Company in accordance with Section 10.5 and shall take all relevant actions to achieve such purpose.

**ARTICLE 11.
DISTRIBUTIONS**

11.1 Use of Cash

Subject to applicable legal and contractual restrictions and to Section 11.2 and Article 10, Company cash will be treated as follows (in the following order of priority):

- (a) *First*, cash will be *
- (b) *Second*, subject to the approval of the Board of Directors any excess cash *.

11.2 Distributions Upon Liquidation

Distributions made in conjunction with the final liquidation of the Company shall be applied or distributed as provided in Article 10 hereof.

11.3 Withholding

The Company may withhold amounts in respect of allocations or distributions if it is required to do so by any Applicable Law, and each Shareholder hereby authorizes the Company to withhold from or pay on behalf of or with respect to such Shareholder such amount of federal, state, local or foreign taxes that the chief finance officer of the Company determines the Company is required to withhold or pay with respect to any amount distributable or allocable to such Shareholder pursuant to this Agreement, *provided* that the Company shall provide a Shareholder with ten (10) Business Days advance written notice of the amount of any withholding to be made in respect of allocations or distributions to such Shareholder (or any Affiliate of such Shareholder) which notice shall demonstrate the calculation thereof. Any amounts withheld pursuant to this Section 11.3 shall be treated as having been distributed to such Shareholder. Each Shareholder will from time to time provide such other forms or documents as may reasonably be required in order to establish the status of such Shareholder for purposes of the tax laws of any applicable jurisdiction. Each Shareholder agrees to indemnify and hold harmless the Company from any liability imposed on the Company for any action taken by the Company in reliance upon such representation of tax withholding status. A Shareholder's obligations hereunder shall survive the dissolution, liquidation or winding up of the Company. If a Governmental Authority asserts in writing to any Person that the Company failed to withhold Tax at the time and/or in the amounts required by Applicable Laws in respect of a Shareholder and/or its Affiliates, then such Shareholder and/or its Affiliates, as applicable, shall promptly upon receipt of a copy of such writing accompanied by a written notice from the Company specifying that a payment is required pursuant to this Section 11.3 pay to such Governmental Authority an amount in full satisfaction of the amount of Taxes so asserted by such Governmental Authority. If such Shareholder and its Affiliates do not promptly pay such amount to such Governmental Authority, then, unless such Shareholder provides satisfactory written evidence of settlement in full of the matter asserted by the Governmental Authority, the Company shall withhold such amount from the next distribution(s) to such Shareholder, shall promptly pay such withheld amounts over to such Governmental Authority in payment of such asserted liability for Taxes and shall treat the amounts so withheld and paid over as actually distributed to such Shareholder.

11.4 Distributions in Kind

Subject to Section 11.1, no right is given to any Shareholder to demand or receive any distribution of property other than cash as provided in this Agreement. Upon a vote of the Board of Directors and a * the Board of Directors may determine (subject to the approval of the * to make a * and such Company Assets shall be * in such fashion as to ensure that the * (as determined by the Board of Directors and approved by the * is distributed, and any items of gain or loss resulting from such distribution are allocated, in accordance with this Article 11 and Applicable Laws .

11.5 Limitations on Distributions

Notwithstanding any provision to the contrary contained in this Agreement, neither the Company nor the Board of Directors, on behalf of the Company, shall be required to or shall knowingly make a distribution to any Shareholder or the holder of any Economic Interest on account of its Shares in the Company (as applicable) in violation of the Act or other Applicable Law.

ARTICLE 12. MISCELLANEOUS

12.1 Amendments

Any provision of this Agreement may be amended if, and only if, such amendment is in writing and is duly executed by each Shareholder, provided however this Agreement will be amended to allow Photonics to implement an Accounting Amendment in accordance with Section 1.6,. Upon the making of any amendment to this Agreement in accordance with the previous sentence, the Board of Directors shall prepare and file such documents and certificates as may be required under the Act and under any other Applicable Law.

12.2 No Waiver

Any provision of this Agreement may be waived if, and only if, such waiver is in writing and is duly executed by the party against whom the waiver is to be enforced. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial waiver or exercise thereof preclude the enforcement of any other right, power or privilege nor deemed to extend to any prior or subsequent default, breach or occurrence or affect, in any way, any rights arising by such prior or subsequent default, breach or occurrence.

12.3 Entire Agreement

This Agreement, together with the Schedules and other documents referred to herein and therein, constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and supersede any and all prior oral and written, and all contemporaneous oral, agreements or understandings pertaining thereto including the Memorandum of Understanding dated April 2, 2013 between Photonics and DNP. There are no agreements, understandings, restrictions, warranties or representations relating to such subject matter among the parties other than those set forth herein and in the Schedules and other documents referred to herein and therein.

12.4 Further Assurances

Each of the parties hereto does hereby covenant and agree on behalf of itself, its successors and its assigns, without further consideration, to prepare, execute, acknowledge, file, record, publish, and deliver such other instruments, documents and statements, and to take such other action as may be required by law or reasonably necessary or advisable to effectively carry out the purposes of this Agreement.

12.5 Notices

Unless otherwise provided herein, all notices, requests, instructions or consents required or permitted under this Agreement shall be in writing and will be deemed given: (a) when delivered personally; (b) when sent by confirmed facsimile and followed up by delivery by overnight carrier under Clause (d) below; (c) ten (10) Business Days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (d) three (3) Business Days after deposit with an internationally recognized commercial overnight carrier specifying next-day delivery, with written verification of receipt. All communications will be sent to the addresses, email account or facsimile number listed on Schedule C (or to such other address, email account or facsimile number as may be designated by a party giving written notice to the other parties pursuant to this Section 12.5).

12.6 Governing Law

All questions concerning the construction, interpretation and validity of this Agreement and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement will be governed by and construed in accordance with the laws of Taiwan (without reference to any choice or conflicts of laws rules or principles that would require the application of the laws of any other jurisdiction).

12.7 Construction; Interpretation

12.7.1 Certain Terms. The words “hereof,” “herein,” “hereto,” “hereunder” and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement. The term “including” or “includes” is not limited and means “including, or includes, without limitation.”

12.7.2 Section References; Titles and Subtitles. Unless otherwise noted, all references to Sections and Schedules herein are to Sections and Schedules of this Agreement. The titles, captions and headings of this Agreement are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

12.7.3 Reference to Persons, Agreements, Statutes. Unless otherwise expressly provided herein, (i) references to a Person include its successors and permitted assigns, (ii) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments, restatements and other modifications thereto or supplements thereof and (iii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such statute or regulation.

12.7.4 Presumptions. No party, nor its counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions of this Agreement, and all provisions of this Agreement shall be construed in accordance with their fair meaning, and not strictly for or against any party.

12.8 Rights and Remedies Cumulative

The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

12.9 No Assignment; Binding Effect

Except as otherwise expressly provided herein, no party may assign, delegate or otherwise transfer any of its rights or obligations hereunder to any third party, whether by assignment, transfer, Change in Control or other means, without the prior written consent of each other party. Any attempted assignment in violation of the foregoing shall be null and void. Subject to the foregoing, this Agreement shall be binding on and inure to the benefit of the Shareholders, their heirs, executors, administrators, successors and all other Persons hereafter holding, having or receiving an interest in the Company.

12.10 Severability

If any provision in this Agreement will be found or be held to be invalid or unenforceable, then the meaning of said provision will be construed, to the extent feasible, so as to render the provision enforceable, and if no feasible interpretation would save such provision, it will be severed from the remainder of this Agreement which will remain in full force and effect unless the severed provision is essential and material to the rights or benefits received by any party. In such event, the parties will use their respective best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly reflects the parties’ intent in entering into this Agreement.

12.11 Counterparts

This Agreement may be executed in counterparts, each of which so executed will be deemed to be an original and such counterparts together will constitute one and the same agreement. Execution and delivery of this Agreement by exchange of facsimile copies or PDF file bearing the facsimile signature of a party shall constitute a valid and binding execution and delivery of this Agreement by such party.

12.12 Dispute Resolution; Arbitration

The parties hereby agree that any and all claims, disputes or controversies of whatever nature, arising out of, in connection with, or in relation to the interpretation, performance, enforcement, breach, termination or validity of this Agreement, shall be first raised in writing to the * of each of the parties for * at resolution in good faith among such *. If within thirty * of first raising the issue to the * the parties are * then the parties hereby agree that * shall be resolved by *. Each party shall bear its own expenses incurred in connection with * shall render its final award within * subject to extension by the * upon substantial justification shown of extraordinary circumstances, following conclusion of the *. Any discovery in connection with such *. * will state the factual and legal basis for the award. To the extent not amended or overturned by appeal to a court of competent jurisdiction pursuant to the *, the decision of the * in any such proceeding will be * and not subject to * may be entered upon such an * but entry of such judgment will not be required to make such award effective. The parties agree that the *. Each of the parties hereto agrees that an * award in any such action may be enforced in other jurisdictions by *. The parties agree that the * is the * manner in which the parties may resolve disputes arising out of or in connection with this Agreement; *. The parties agree that all * proceeding described in this Section 12.12 shall be conducted * speaking * and that the number of *.

12.13 Third-Party Beneficiaries

None of the provisions of this Agreement shall be for the benefit of or be enforceable by any creditor of the Company or by any third-party creditor of any Shareholder. This Agreement is not intended to confer any rights or remedies hereunder upon, and shall not be enforceable by, any Person other than the parties hereto, their respective successors and permitted assigns and, solely with respect to the provision of Section 5.13, each Indemnitee and each other indemnified Person addressed therein.

12.14 Specific Performance

The parties agree that irreparable damage will result if this Agreement is not performed in accordance with its terms, and the parties agree that any damages available at law for a breach of this Agreement would not be an adequate remedy. Therefore, the provisions hereof and the obligations of the parties hereunder shall be enforceable in a court or other tribunal with jurisdiction, by a decree of specific performance, and appropriate injunctive relief may be applied for and granted in connection therewith. Such remedies and all other remedies provided for in this Agreement shall, however, be cumulative and not exclusive and shall be in addition to any other remedies that a party may have under this Agreement in accordance with Applicable Laws.

12.15 Consequential Damages

No party shall be liable to any other party under any legal theory for indirect, special, incidental, consequential or punitive damages, or any damages for loss of profits, revenue or business or damage to reputation or goodwill, even if such party has been advised of the possibility of such damages (it being understood that consequential damages arising from the breach of the confidentiality restrictions set forth in Section 5.16 shall not be considered to fall within any such category of damages).

12.16 Fees and Expenses

Except as otherwise expressly provided in this Agreement and to the extent that the Company pay fees and expenses of the Shareholders, each party hereto shall bear its own fees and expenses incurred in connection with this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby, including the legal, accounting and due diligence fees, costs and expenses incurred by such party.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

SHAREHOLDERS

PHOTRONICS, INC.

By: _____
Name: *
Title: *

DAI NIPPON PRINTING CO., LTD.

By: _____
Name: *
Title: *

List of Transaction Documents

SCHEDULE A-1

Framework Agreement

Outsourcing Agreement

License Agreement by and between Photonics and the Company

License Agreement by and between DNP and the Company

SCHEDULE A-2

Merger Agreement

SCHEDULE B

*

SCHEDULE C

Shareholders and Percentage Interest

(as of completion of Merger)

Addresses for Notices Purposes

Photronics, Inc.
15 Secor Road
Brookfield, CT 06804
Attn: General Counsel

*
*

Dai Nippon Printing Company, Ltd
1-1, Ichigaya Kagacho 1-chome
Shinjuku-ku, Tokyo, Japan
Attn: General Manager of Fine Electronics Operations

*
*

SCHEDULE D

Majority Board Control Items

*

SCHEDULE E

Insurance Policies At Closing

1. **Property Insurance:** Coverage for “all risk” property insurance, insuring against physical damage on a replacement basis for assets, and insuring against resultant business interruption from insured physical damage on an actual-loss sustained basis. The property insurance limit must equal full replacement value of all physical property and one year business interruption insurance.
 2. **Property Insurance for Fixed Assets during installation (unique to Taiwan):** Coverage for repair or replacement of capital equipment from the JV dock until installed
 2. **Transit Insurance (Cargo Insurance):** Coverage for repair or replacement of capital equipment purchased by the JV during transit up to the invoiced amount for the equipment.
 3. **Liability Insurance:**
 - Commercial general liability insurance, including but not limited to contractual liability, personal injury, completed operations, product liability and host liquor liability, coverage for bodily injury and property damage liability, with a limit of not less than \$1 million for each loss occurrence and not less than \$2 million in annual aggregate coverage.
 - Automobile liability coverage for bodily injury and property damage liability with a limit of not less than \$1 million for each loss occurrence and not less than \$1 million in annual aggregate coverage, for owned, hired, and non-owned automobiles.
-

- Umbrella insurance – Company will be included in Photronics Inc. global policy; current amount of \$20 million per occurrence or in the aggregate.

3. **Workers Compensation & Employers Liability:** As required by the Country of Taiwan
 4. **Directors & Officers Liability Coverage:** the Company's Board of Directors will be included in Photronics Inc. global policy.
 5. **Fiduciary Liability Coverage:** Company will be included in Photronics Inc. global policy.
 6. **Employers Practices Liability Coverage:** Company will be included in Photronics Inc. global policy.
 7. **Crime Coverage:** Company will be included in Photronics Inc. global policy.
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SCHEDULE F

*

SCHEDULE G

*

SCHEDULE H

Initial Business Plan

SCHEDULE I

*

SCHEDULE J

*

OUTSOURCING AGREEMENT

This **OUTSOURCING AGREEMENT** (this “**Agreement**”) is made and entered into as of the 20th day of November, 2013, by and among Photronics, Inc., a Connecticut corporation (“**Photronics**”), Dai Nippon Printing Co., Ltd., a Japanese corporation (“**DNP**”), and Photronics Semiconductor Mask Corp. (the “**Company**”), a company limited by shares organized and formed under the Company Act of the Republic of China. Each of Photronics and DNP is hereinafter referred to as a “**Supplier**” and collectively as the “**Suppliers**” and each of the Suppliers and the Company is hereinafter referred to as a “**Party**” and collectively as the “**Parties.**”

ARTICLE 1. BACKGROUND

Photronics and DNP wish to participate in a joint venture either directly or indirectly through their respective Affiliates as Shareholders in the Company, and to carry on the Business (as defined below) through the Company. The Parties are engaged, among other things, in the design, development, fabrication and sale of advanced photomasks (the “**Business**”). In connection with the formation of the joint venture, Photronics and DNP have entered into a Joint Venture Operating Agreement (the “**JV Operating Agreement**”) dated as of the 20th day of November, 2013. In connection with the JV Operating Agreement and in order to support the business objective of the Company, including but not limited in order to allow the Company access to products it may be unable to manufacture on its own and also to provide backup capacity to the Company in the event the Company operations are disrupted or the Company has a capacity shortfall, the Company desires to outsource or issue to the Suppliers, and the Suppliers agree to accept, certain purchase orders of the Company in connection with its Business pursuant to the terms and conditions set forth herein.

ARTICLE 2. INTERPRETATION

2.1 Defined Terms

Unless otherwise defined in this Agreement, terms defined in the JV Operating Agreement shall have the same meanings when used in this Agreement.

2.2 Incorporation by Reference

The following Articles and Sections of the JV Operating Agreement shall be incorporated by reference into and form an integral part of this Agreement, *mutatis mutandis*: Section 5.16 (Non-Disclosure) and Section 12 (Miscellaneous).

ARTICLE 3. PURCHASE ORDERS

3.1 Outsource and Issuance of Purchase Orders

The Company may at its own discretion * or issue Purchase Orders to * on the terms and conditions of this Agreement. The Parties agree that they may add additional * to this Agreement through additional Purchase Orders signed by the Company and the relevant *.

3.2 Purchase Orders

* will make good faith efforts to accept all Purchase Orders from the Company for * that comply with this Agreement including adhering to all relevant specifications of * as set forth in the Purchase Order entered into between the Company and the * shall notify the Company of acceptance or rejection of a Purchase Order within * of receipt of a Purchase Order (“**Product PO Confirmation**”). Failure of * to accept or reject a Purchase Order within * shall constitute acceptance of such Purchase Order. The * for the * will be as set forth in the applicable Purchase Order (“**Product Lead Time**”). Each Purchase Order shall include the following: (a) the Company’s Purchase Order *; (b) identification of the quantity and type of the Product ordered by *; (c) the * of each Product ordered per Schedule 2 attached hereto; (d) the requested delivery date (subject to the applicable *); (e) any shipping instructions, including preferred carrier and shipping destination; and (f) the specifications for the Product.

3.3 Purchase Order Terms

All * orders agreed to between the Company and a * shall be governed by this Agreement unless otherwise agreed by the Company and the * in writing; the Parties agree that the * submitted by the Company to any of the * will mirror the terms and conditions of the * with respect to * for the Product and the * requirement submitted to the Company by the *. Those terms and conditions of the * may be discussed and agreed between the Company and any of the * prior to issuance of such * to any of the *.

3.4 Rescheduling and Cancellation

The Company may not adjust or cancel or reschedule any portion of an * unless the * fails to fulfill any material term of such accepted *. * shall at all times use prudent material planning practices, including by way of example, reducing manufacturing and lead-times for *. The Company forecast for each * will be provided on a weekly basis covering a rolling * month period. The Company will provide the * with such * which will be updated * and * which will be updated * and will be used for planning purposes only. If a * ability to * any * is constrained for any reason, such * shall immediately notify the Company of such * for the purpose of resolving the same.

3.5 End of Life

Each of the * may terminate its obligations to * a particular Product under this Agreement by giving written notice of the * of such Product to the Company at least * before the effective date of such termination (a “**Product EOL Notice**”), provided that (a) the relevant *, and the Company shall *, such Product ordered pursuant to this Agreement until the effective date of such termination and including any accepted * outstanding on the effective date of termination, (b) the relevant * its obligations to its other * with respect to such Product. When the Company becomes aware that any of its * any type of the Products, the Company shall promptly notify the * thereof. Notwithstanding the above, if the Company has a * and the * (i) has confirmed in writing its intention to support the performance of such * by the Company through the * hereunder and (ii) are actually providing Product in support of such *, neither * can, to the extent of its confirmation, terminate its obligation * until such * is terminated.

3.6 Certain Claims

Notwithstanding any other provisions in this Agreement, either * may * of any Product after * receipt of a * or the * that is deemed credible by written opinion of the relevant * outside counsel, provided that the relevant * also discontinues * with respect to such Product; provided further that (i) * shall give the Company at least * prior written notice of its intent to discontinue sales of such Product, and (ii) at the Company's request, if the Company will continue to * using the Product, * will provide the Company with all reasonable information and assistance necessary, and any necessary * to the * in accordance with the terms and conditions to be agreed by the relevant * and the Company, to enable the Company to *.

Any such granted * shall terminate and provided information shall be destroyed or returned in the event the relevant * resumes providing the * to the Company. The Company shall defend, indemnify and hold harmless the relevant * from and against any claims, expenses and costs (including but not limited to attorney and other professional fees and expenses), settlement of third party claims (if negotiated and approved by the Company), damages and liability arising from or related to * of any third party solely with respect to the Company's * specified in this Section 3.6 or * by or on behalf of the Company under the * granted in this Section 3.6.

3.7 Priority for New Products

During the development by either of the * as set forth in the Company's * as defined and attached in the JV Operating Agreement, the * who develops * shall provide the Company sufficient opportunity to test such * and determine whether to purchase such * under the terms and conditions including the timing agreed between such * and the Company, provided however the Company will not be obligated to * for * made by any of the * in order to continue to be *. This Section 3.7 shall not applied to any products developed by the * for or with any * where such * is subject to non-disclosure obligations.

3.8 Qualification

* will make all reasonable efforts to * the Company for the *, and the Company with * will make all reasonable efforts to * but only for the purpose of being an * for the Company for the *.

Furthermore, * will make all reasonable efforts to * the Company for * so that the Company will be able to manufacture the products for *.

**ARTICLE 4.
PURCHASE ORDER ALLOCATION**

Notwithstanding any other provisions in this Agreement, the Parties agree that the outsourcing or issuance of any Purchase Orders hereunder by the Company to any of the * shall be at the Company's discretion pursuant to the best interest of the Company taking into account the preference of the Company's *; provided however that the Company will attempt to *. The Parties will review * on a * basis. If at the end of each * the value of * is higher than that of the *, the Company will attempt to * orders for the previous * until such * has received orders with value approximately equal to the other *. Notwithstanding the above, each of the Parties agrees and acknowledges that if a * cannot provide * because of * or * to meet * of the Company, then the Company will be free to seek the Product *. Additionally it is understood by the parties that any outsourcing * whether existing on the date hereof or entered into or existing after the date hereof will not * and any *.

**ARTICLE 5.
PRODUCT PRICES AND PAYMENT**

5.1 Prices

The purchase price for the Product shall be as set forth in Schedule 2.

5.2 Invoices; Payments

* shall issue invoices to the Company for any amounts payable to * pursuant to this Agreement upon * of the applicable Products to the Company. Payments for Products delivered in accordance with Purchase Orders, and any other to be made by the Company * hereunder, shall be made in the Applicable Currency within * from the shipment of the applicable Products delivered.

5.3 Taxes

All amounts payable for Product sold by * to the Company hereunder are exclusive of any taxes. The Company shall be responsible for and shall pay any applicable sales, use, excise or similar taxes, including value added taxes and customs duties due on the importation of Products and arising from purchases made by the Company under this Agreement, excluding any taxes based on * income and any applicable withholding taxes. All such taxes shall be determined based upon the final shipment designation of the items identified on the invoice.

ARTICLE 6. DELIVERY

6.1 Risk of Loss and Title

Delivery of all Products shall be made pursuant to the Delivery Term. Risk of loss for the Products and title to the Products shall pass to the Company in accordance with the Delivery Term.

6.2 Delivery

* shall deliver the * in accordance with the Delivery Term, shipping instructions in the Purchase Order issued by the Company with regard to the requested delivery date (subject to the Product Lead Time), ship-to address, and carrier. If the Company does not provide shipping instructions, * will select the carrier on a commercially reasonable basis. * shall be responsible for * in accordance with the Delivery Term.

ARTICLE 7. LIMITED WARRANTIES

7.1 Suppliers Limited Warranty

Each of the * warrants that the Products shall * agreed by the * and the Company in writing that is applicable to such Products for the Warranty Period. This warranty does not apply to any Product failures resulting from misuse, storage in or exposure to environmental conditions inconsistent with those specified in the applicable specifications or documentation, modification of the Product by anyone other *. If a Product fails to comply with the foregoing warranty, the * shall, at its option, either * such Product, or, in the event the foregoing options are not commercially practicable, * any amounts * for the applicable Product. Without limiting the remedies specified in Article 9 and Section 10.2, this Section 7.1 states the exclusive remedy of the * of a Product to conform to the warranty provisions set forth in this Section 7.1.

7.2 Disclaimer

EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE 7, THE PARTIES MAKE NO WARRANTIES OR REPRESENTATIONS TO THE OTHER PARTIES AND EACH PARTY HEREBY DISCLAIMS ANY AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE.

**ARTICLE 8.
TERM AND TERMINATION**

8.1 Term

This Agreement shall become effective on the completion of the merger contemplated under the Merger Agreement and shall continue to be in full force and effect for *.

8.2 Termination for Cause

A Party shall have the right to terminate its obligations under this Agreement if the other Party materially breaches this Agreement and fails to cure such breach within thirty (30) days after its receipt of written notice of the breach specifying such default.

8.3 Survival

Article 7 (for the duration of the applicable warranty period), Article 8, Article 9 and Article 10 shall survive any termination or expiration of this Agreement.

**ARTICLE 9.
INDEMNIFICATION**

9.1 Indemnification by Suppliers

Each of the * shall, with respect to Products supplied by such * the Company from and against any * Product by any party other than the *, (ii) the combination or use of the Product with other products, processes, methods, materials or devices except as approved by the *, or (iii) the fault of the Company.

9.2 Indemnification by Company

Other than claims for which the * are obligated to indemnify the Company under Section 9.1, the Company shall *. The foregoing indemnity does not cover claims that solely arise from (i) the modification of the Product by any party other than the Company, or (ii) the combination or use of the Product with other products, processes, methods, materials or devices except as approved by the Company.

9.3 Procedure

The Party seeking indemnification hereunder (the “**Indemnified Party**”) agrees to promptly inform the other Party in writing of such claim and furnish a copy of each communication, notice or other action relating to the claim and the alleged infringement. The Indemnified Party shall permit the other Party (the “**Indemnifying Party**”) to have sole control over the defense and negotiations for a settlement or compromise, provided that the Indemnifying Party may not settle or compromise a claim in a manner that imposes or purports to impose any liability or obligations on the Indemnified Party without obtaining the Indemnified Party’s prior written consent. The Indemnified Party agrees to give all reasonable authority, information and assistance necessary to defend or settle such suit or proceeding at the Indemnifying Party’s reasonable request and at the Indemnifying Party’s expense.

ARTICLE 10. LIABILITY AND REMEDY

10.1 Limited Liability

EXCEPT FOR LIABILITY ARISING FROM BREACHES OF A PARTY’S CONFIDENTIALITY OBLIGATIONS CONTAINED IN THE NON-DISCLOSURE CLAUSE IN SECTION 9 OF THE FRAMEWORK AGREEMENT, BREACHES OF LICENSE GRANTS CONTAINED HEREIN, AND EXCEPT FOR AMOUNTS PAYABLE TO THIRD PARTIES TO FULFILL INDEMNITY OBLIGATIONS DESCRIBED IN ARTICLE 9, (A) IN NO EVENT SHALL ANY PARTY HAVE ANY LIABILITY TO THE OTHERS, OR TO ANY PARTY CLAIMING THROUGH OR UNDER THE OTHER, FOR ANY LOST PROFITS, ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OF ANY KIND IN ANY WAY ARISING OUT OF OR RELATED TO THIS AGREEMENT, HOWEVER CAUSED AND UNDER ANY THEORY OF LIABILITY, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; AND (B) IN NO EVENT SHALL A PARTY’S CUMULATIVE LIABILITY ARISING OUT OF THIS AGREEMENT EXCEED THE AMOUNTS ACTUALLY PAID, PAYABLE, RECEIVED OR RECEIVABLE BY SUCH PARTY FOR THE PRODUCTS CONCERNED THEREWITH HEREUNDER PURSUANT TO THIS AGREEMENT DURING THE TWELVE (12) MONTHS PRIOR TO THE OCCURRENCE OF THE INITIAL EVENT FOR WHICH A PARTY RECOVERS DAMAGES HEREUNDER. THESE LIMITATIONS SHALL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY REMEDY. THE PARTIES ACKNOWLEDGE AND AGREE THAT THIS ARTICLE 10 IS AN ESSENTIAL ELEMENT OF THE BARGAIN AND ABSENT THIS ARTICLE 10 THE ECONOMIC AND OTHER TERMS OF THIS AGREEMENT WOULD BE SUBSTANTIALLY DIFFERENT.

10.2 Remedies

Notwithstanding anything stated to the contrary in this Agreement, the Parties acknowledge that any breach of * of this Agreement and/or the non-disclosure clause in Section 9 of the Framework Agreement by a Party would cause irreparable harm to the other Parties, and that the damages arising from any such breach would be difficult or impossible to ascertain. As such, the Parties agree that a Party shall be entitled to injunctive relief and other equitable remedies in the event of any breach or threatened breach of Section 3.5 of this Agreement and/or the non-disclosure clause in Section 9 of the Framework Agreement by another Party. Such injunctive or other equitable relief shall be in addition to, and not in lieu of, any other remedies that may be available to that Party. The Parties shall be entitled reasonable attorney fees and costs of enforcement of this Agreement.

ARTICLE 11. OTHER ARRANGEMENT

*

(Signature Page Follows)

PHOTRONICS, INC.

By: _____
Name: Constantine Macricostas
Title: Chairman and Chief Executive Officer

DAI NIPPON PRINTING CO., LTD.

By: _____
Name: Koichi Takanami
Title: Executive Vice President

Photronics Semiconductor Mask Corp.

By: _____
Name: _____
Title: _____

Schedule 1

Definitions

Capitalized words and phrases used and not otherwise defined elsewhere in this Agreement shall have the following meanings:

*

Product Prices

*

LICENSE AGREEMENT

This LICENSE AGREEMENT ("Agreement") is entered into, as of this ____ day of _____, 2013 by and between **Photronics, Inc.**, a corporation organized under the laws of the State of Connecticut, U.S.A. with its principal place of business at 15 Secor Road, Brookfield, Connecticut, U.S.A. ("Photronics") and **Photronics Semiconductor Mask Corporation**, a corporation organized under the laws of the Republic of China (hereinafter "ROC" or "Taiwan"), with its registered office at 1F, No. 2, Lising Road, Hsinchu City, Hsinchu Science Park, Taiwan, R.O.C ("Company"). Each of Photronics and the Company is hereafter referred to as a "Party" and collectively the "Parties".

RECITALS

WHEREAS, in order to integrate resources, reduce operating costs and expand the economic scale of each of **DNP Photomask Technology Taiwan Co. Ltd.** ("DPTT") and **Photronics Semiconductor Mask Corp.** ("PSMC") which is the predecessor of the Company, DPTT agreed to enter into a Merger Agreement ("Merger Agreement") with the Company as the surviving company;

WHEREAS, after the merger of DPTT into the Company, the Company will become a joint venture entity directly or indirectly owned by Photronics and **Dai Nippon Printing Co., Ltd.**, a corporation organized under the laws of Japan, with its principal place of business at 1-1-1, Ichigaya-Kagacho, Shinjuku-ku, Tokyo 162-8001, Japan ("DNP") as its shareholders;;

WHEREAS, Photronics who owns certain patents, patent applications, Know-How and invention disclosures with respect to the Licensed Products (defined below) desires to enter into this Agreement, pursuant to which Photronics agrees to grant a fully paid-up, non-exclusive, non-sublicensable, non-transferable and non-assignable license to the Company under such patents, patent applications, Know-How and invention disclosures subject to the terms and conditions herein;

*

WHEREAS, the Company wishes to continue using such license to make, use, distribute or otherwise dispose of Photomasks (as defined below) ;

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and intending to be legally bound, the Parties hereby agree as follows:

ARTICLE I. DEFINITIONS

Section 1.1. Certain Defined Terms. The following terms shall have the meanings set forth below:

“Affiliate” means, with respect to any Person (as hereinafter defined), any other Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, such Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of equity interests in such Person, by contract or otherwise; and the terms “controlling” and “controlled” have correlative meanings to the foregoing.

“Agreement” has the meaning set forth in the introductory paragraph hereof.

“Business Day” means any day other than a Saturday, Sunday or any other day on which banks are authorized or required by law or other governmental action to close in Japan, Taiwan and the United States of America.

“Control”, “Controlled” or “Controlling”, when used in reference to Know-how or Patent Rights, means the legal authority or right of a Party hereto (or any of its Affiliates) to grant a license or sublicense of Know-how or Patent Rights to the other Party, or to otherwise disclose proprietary or trade secret information to such other Party, without breaching the terms of any agreement with a third party, or misappropriating the proprietary or trade secret information of a third party.

“Effective Date” means the completion date of the merger contemplated under the Merger Agreement .

“Governmental Authority” means any nation, state, territory, province, county, city or other unit or subdivision thereof or any entity, authority, agency, department, board, commission, instrumentality, court or other judicial body authorized on behalf of any of the foregoing to exercise legislative, judicial, regulatory or administrative functions of or pertaining to government, and any governmental or non-governmental self-regulatory organization.

“Know-how” means any and all technical, scientific, trade, quality assurance, quality control, financial and business information, know-how, trade secrets, materials, manuals, flow sheets, software, including without limitation all methods, protocol, results, analyses, conclusions and other information, data, discoveries, inventions, improvements, processes, regulatory documentation, information and submissions and formulae, whether patentable or unpatentable, provided, however, those which are of general public knowledge and/or those subject to the Patent Rights shall be excluded.

“Improvements” shall mean all enhancements, modifications, and improvements to the Licensed Patents and Licensed Know-how including , but not limited to, enhancements, modifications, and improvements in the form of equipment and devices, software, methods and methodology whether or not patented or patentable.

“License” has the meaning set forth in Section 2.1 herein.

“Licensed Know-how” means *.

“Licensed Patents” means *.

“Licensed Products” means *.

“Order” means any judicial, administrative or arbitral judgment, order, award, writ, decree, injunction, lawsuit, proceeding or stipulation of any Governmental Authority.

“Party” and “Parties” have the meaning set forth in the introductory paragraph hereof.

“Patent Rights” means *.

“Person” means any natural person, corporation, company, limited liability company, partnership (limited or general), joint venture, association, trust, unincorporated organization or other entity.

“Photomasks” means *.

.

“Term” means the period commencing upon the completion of the merger contemplated under the Merger Agreement and concluding upon termination of this Agreement pursuant to Article VII herein.

“Territory” means *.

Section 1.2. Rules of Construction and Interpretation.

(a) The definitions of the terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. The word “any” shall mean “any and all” unless otherwise clearly indicated by context. Where either Party’s consent is required hereunder, except as otherwise specified herein, such Party’s consent may be granted or withheld in such Party’s sole discretion.

(b) Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (ii) any reference to any laws herein shall be construed as referring to such laws as from time to time enacted, repealed or amended, (iii) any reference herein to any person shall be construed to include the person’s successors and assigns, (iv) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, and (v) all references herein to Articles, Sections or Exhibits, unless otherwise specifically provided, shall be construed to refer to Articles, Sections and Exhibits of this Agreement.

**ARTICLE II.
GRANT OF LICENSE**

* License. In consideration for good and valuable consideration, (i) Photronics hereby agrees to grant, and the Company hereby accepts, a fully paid-up, non-exclusive, non-sublicensable, non-transferable and non-assignable right and license *.

Section 2.2. Technical Documents. Photronics shall furnish the Company with the technical documents *.

Section 2.3. If the Company wishes to obtain a license for any Improvements and developments relating to the Licensed Know-how or Licensed Patents which Photronics obtains or comes into possession of during the Term of this Agreement in order to *.

Section 2.4. Subcontracting. If the Company wishes *.

Section 2.5. Further License to Third Parties. The Company acknowledges that Photonics has the right to *.

Section 2.6. Marking. In connection with the Company's exercise of its rights under the License during the Term hereof, the Company shall comply with applicable patent marking laws with respect to the Licensed Patents, and as otherwise reasonably instructed by Photonics.

Section 2.7. Restrictions. The Company hereby agrees that the Licensed Know-how that is licensed by Photonics hereunder shall remain solely

.*

* No Analysis. Without written permission from Photonics, no compositional, structural or reverse analysis shall be made of any *.

**ARTICLE III.
ROYALTIES**

Section 3.1. The Parties acknowledge and agree *.

**ARTICLE IV.
CONFIDENTIALITY**

Section 4.1. The Company agrees that during the Term hereof and thereafter, it shall keep the Licensed Know-how strictly confidential by employing appropriate measures and shall not, without prior written consent of Photonics, (i) disclose, sell, assign, or divulge such Licensed Know-how in any manner to anyone, with the exception of disclosure on a strictly need-to-know basis to its employees, and (ii) use the Licensed Know-how for any purpose other than this Agreement.

Section 4.2. Upon expiration or termination of this Agreement, the Company shall forthwith return or destroy in an appropriate manner, as requested by Photonics, all documents and electronic data (including all copies, summaries, excerpts thereof) containing, or derived or produced partly or wholly from the Licensed Know-how.

Section 4.3. The Company agrees to take all appropriate measures to comply with Article 4.1 above, including but not limited to the following: (i) the Company shall procure the personnel of the Company who have access to the Licensed Know-how under this Agreement to execute a confidentiality agreement in which the terms and conditions are identical to those of Section 4.1 above;

Section 4.4. The Company agrees that in the event the Company *.

**ARTICLE V.
REPRESENTATIONS, WARRANTIES AND LIMITATION OF LIABILITY**

Section 5.1 Title and Contest. Except for any technology owned by or licensed by *.

Section 5.2 Disclaimer. EXCEPT FOR THE EXPRESS LIMITED WARRANTY SET FORTH IN SECTION 5.1 ABOVE, THE LICENSED KNOW-HOW AND LICENSED PATENTS ARE PROVIDED "AS-IS" AND WITHOUT WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE. PHOTRONICS SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES OF NONINFRINGEMENT, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE LICENSED KNOW-HOW AND LICENSED PATENTS LICENSED BY PHOTRONICS HEREUNDER.

Section 5.3 Non-contravention. Each Party represents and warrants that the execution of this Agreement and the grant of the License hereunder will not conflict with, or result in any breach of or constitute a default under any contract by which that Party is bound, or violate or conflict with any Order.

Section 5.4 No Challenge. The Company agrees that at no time shall it challenge directly or indirectly or assist anyone else in challenging directly or indirectly the validity and/or enforceability of any claim of any of the Licensed Patents at any time.

Section 5.5 Use of Licensed Patents; No Permitted Sublicensing. The Company represents and warrants that it shall only use the Licensed Know-how and Licensed Patents for its own account, and the Company is not permitted hereunder to sublicense the Licensed Know-how and Licensed Patents for use by any other third party or Person.

Section 5.6 Limitation of Liability. IN NO EVENT WILL PHOTRONICS HAVE ANY LIABILITY FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, WHETHER FOR BREACH OF CONTRACT, TORT OR OTHERWISE, ARISING OUT OF OR RELATED TO THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO, LOSS OF ANTICIPATED PROFITS, LOSS OF DATA, OR LOSS OF USE, EVEN IF PHOTRONICS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE CUMULATIVE LIABILITY OF PHOTRONICS FOR DAMAGES HEREUNDER WILL BE SUBJECT TO THE INDEMNIFICATION BASKET AND CAP ON LIABILITY AS SET FORTH IN THE FRAMEWORK AGREEMENT.

ARTICLE VI.
PROSECUTION AND MAINTENANCE AND ENFORCEMENT

Section 6.1. Prosecution and Maintenance. PHOTRONICS shall have sole responsibility and discretion with respect to prosecution, issuance and maintenance of the Licensed Patents.

Section 6.2. Enforcement. During the Term, the Company shall promptly provide written notice to PHOTRONICS of any infringement of any Licensed Patents of which it becomes aware, including in such notice a reasonable level of detail regarding such infringement.

Section 6.3. Cost of Action. Unless the Parties otherwise agree, the total cost of any such action commenced by PHOTRONICS, shall be borne by PHOTRONICS (but excluding fees and expenses charged by separate counsel, if any, engaged by the Company). Except as the Parties may otherwise agree in writing, any damages or settlement payments resulting from any such action commenced as set forth above, whether in an out-of-court settlement or through legal adjudication of such action, and at any time, shall be retained by PHOTRONICS.

Section 6.4. Cooperation. In any infringement action that PHOTRONICS may institute pursuant to this Article 6 during the Term of this Agreement, the Company hereto shall, at the request of PHOTRONICS and at PHOTRONICS'S sole cost, cooperate reasonably in the prosecution of such action.

ARTICLE VII.
TERM; TERMINATION

Section 7.1. Term. The term of this Agreement shall commence on the Effective Date and, shall continue unless terminated in accordance with the provisions of Section 7.2. .

Section 7.2. Termination.

(a) PHOTRONICS shall have the right to forthwith terminate this Agreement in the event of: (i) the voluntary or involuntary filing of a petition, order or other decree in bankruptcy by or against the Company, or the commencement of any proceedings, under court supervision or otherwise, for the liquidation of, reorganization of, or composition, extension, arrangement or readjustment of the obligations of the Company, or filing of any petition therefore; (ii) breach of Section 4.1 of this Agreement; (iii) the Company, directly or indirectly, commences or attempts to commence any legal proceeding (including, without limitation, any lawsuit in court, administrative proceeding, and petition, claim, filing or other action for administrative act) to contest or dispute, or cause or assist others in any legal proceeding to contest or dispute, the title, patentability, or validity of any Licensed Patent or any claim therein or ; (iv) any share in the Company is *.

* Subject to Section 7.2(a), PHOTRONICS shall have the right to terminate this Agreement by *;

Subject to Section 7.2 (a), upon the termination under this Section 7.2(b), the Company will have *.

**ARTICLE VIII.
MISCELLANEOUS**

Section 8.1. Publicity. Except as otherwise required by law, legal process or stock exchange rules, neither Party shall issue any press release or make any public announcement or disclosure related to the Agreement or the transactions contemplated hereunder without the prior agreement of the other Party, including with respect to the content of such release, announcement or disclosure (and, with respect in any legally required announcement, Photronics and the Company shall use all reasonable efforts to consult and agree with each other with respect to the content of any such required press release or other publicity).

Section 8.2. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given and effective (a) when delivered, if delivered in person, (b) when transmitted by telecopy (with confirmation of transmission received), (c) three (3) Business Days after mailing, if mailed by certified or registered mail (return receipt requested and obtained) or (d) one (1) Business Day after transmitted, if transmitted by a nationally recognized overnight courier to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company

[]
Photronics, Inc.
15 Secor Rd.
Brookfield, CT 06804 USA
Attention: Richelle Burr
Facsimile: (203)775-5601

With a copy (which shall not constitute notice) to:

If to Photonics

Photonics, Inc.
15 Secor Rd.
Brookfield, CT 06804 USA
Attention: Richelle Burr
Facsimile: (203)775-5601

and/or to such other respective addresses and/or addressees as may be designated by notice given in accordance with the provisions of this Section 8.2.

Section 8.3. Expenses. Except as otherwise expressly set forth in this Agreement, each Party hereto shall bear all fees and expenses incurred by such Party in connection with, relating to or arising out of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and thereby, including financial advisors', attorneys', accountants' and other professional fees and expenses.

Section 8.4. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous agreements, arrangements or understandings between them relating to the subject matter hereof. For the avoidance of doubt, the Technology License Agreement shall be superseded and replaced by this Agreement upon the completion of the merger contemplated under the Merger Agreement in accordance with Section 2.1 above. Each exhibit hereto shall be considered incorporated into this Agreement.

Section 8.5. Non-Waiver. The failure in any one or more instances of a Party to insist upon performance of any of the terms, covenants or conditions of this Agreement, to exercise any right or privilege in this Agreement conferred, or the waiver by said Party of any breach of any of the terms, covenants or conditions of this Agreement, shall not be construed as a subsequent waiver of any such terms, covenants, conditions, rights or privileges, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving Party.

Section 8.6. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

Section 8.7. Binding Effect; Benefit. This Agreement shall inure to the benefit of and be binding upon the Parties, and their successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties, and their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, including third party beneficiary rights.

Section 8.8. Assignability. The Company shall not assign, pledge or otherwise dispose of its rights or delegate its obligations under this Agreement in whole or in part without the prior written consent of PHOTRONICS. .

Section 8.9. Amendments. This Agreement shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of the Parties.

Section 8.10. Headings. The headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

Section 8.11. Governmental Reporting. Anything to the contrary in this Agreement notwithstanding, nothing in this Agreement shall be construed to mean that a Party or other Person must make or file, or cooperate in the making or filing of, any return or report to any Governmental Authority in any manner that such Person or such Party reasonably believes or reasonably is advised is not in accordance with applicable laws.

Section 8.12. Survival. The terms and conditions of Article I (to the extent necessary to give effect to this Section 8.12), Article III, Article IV, Article V and Sections 7.3, 8.2, 8.4, 8.5, 8.6, 8.7, 8.10, 8.12,8.14, 8.15, 8.16 and 8.17 of this Agreement shall survive any termination hereof.

Section 8.13. Relationship of Parties. Neither Party has any express or implied authority to assume or create any obligations on behalf of the other or to bind the other to any contract, agreement or undertaking with any third party.

Section 8.14. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of Taiwan without reference to the choice of law principles thereof.

Section 8.15. Arbitration. In the event of any dispute, controversy or claim arising out of or in connection with this Agreement (each, a "Dispute"), the Parties shall use their reasonable efforts to resolve such Dispute within a period of ninety (90) days commencing from either Party's receipt of a notice from the other Party stating the existence of a Dispute. In the event any such Dispute is not resolved, either Party may refer such Dispute to arbitration in Taipei, Taiwan before one (1) arbitrator appointed in accordance with the ROC Arbitration Law and the Arbitration Rules of the ROC Arbitration Association. The arbitration proceeding shall be conducted in English. The award thereof shall be final and binding upon the Parties hereto. Judgment upon such award may be entered in any court having jurisdiction thereof.

Section 8.16. Equitable Relief. The Company acknowledges and agrees that damages alone would be insufficient to compensate Photonics for a breach by the Company of this Agreement and that irreparable harm would result from a breach of this Agreement. The Company hereby consents to the entering of an order for injunctive relief to prevent a breach or further breach, and the entering of an order for specific performance to compel performance of any obligations under this Agreement.

Section 8.17. Language. The official language of this Agreement exclusively shall be, and all communications and agreements between the Parties exclusively shall be made in, the English language. The Parties hereto waive any rights they may have under any other law to have this Agreement written in another language, and any translation of this Agreement will be solely for the convenience of the Parties.

Section 8.18. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, intending to be legally bound, the Parties have executed this Agreement as of the Effective Date.

Photonics, Inc.

Photonics Semiconductor Mask Corporation

By: _____

By: _____

Name:

Name:

Title:

Title:

EXHIBIT A

LICENSED KNOW-HOW

EXHIBIT B

LICENSED PATENTS

EXHIBIT C

*

LICENSE AGREEMENT

This LICENSE AGREEMENT (“Agreement”) is entered into, as of this 20th day of November, 2013, by and between Dai Nippon Printing Co., Ltd., a corporation organized under the laws of Japan, with its principal place of business at 1-1-1, Ichigaya-Kagacho, Shinjuku-ku, Tokyo 162-8001, Japan (“DNP”) and Photronics Semiconductor Mask Corporation, a corporation organized under the laws of the Republic of China (hereinafter “ROC” or “Taiwan”), with its registered office at 1F, No. 2, Lising Road, Hsinchu City, Hsinchu Science Park, Taiwan, R.O.C (“Company”). Each of DNP and the Company is hereafter referred to as a “Party” and collectively the “Parties”.

RECITALS

WHEREAS, in order to integrate resources, reduce operating costs and expand the economic scale of each of DNP Photomask Technology Taiwan Co. Ltd. (DPTT”) and Photronics Semiconductor Mask Corp. which is the predecessor of the Company, DPTT agreed to enter into a Merger Agreement (“Merger Agreement”) with the Company as the surviving company;

WHEREAS, after the merger of DPTT into the Company, the Company will (a) become a joint venture entity directly or indirectly owned by Photronics, Inc., a corporation organized under the laws of the State of Connecticut, U.S.A. with its principal place of business at 15 Secor Road, Brookfield, Connecticut, U.S.A. (“Photronics”) and DNP as its shareholders; and (b) assume all rights and obligations of DPTT by operation of the Business Mergers and Acquisitions Act of Taiwan, including, amongst others, the rights and obligations under the technology license agreement entered into by and between DNP and DPTT as of June 23, 2008, as amended as of June 23, 2011 and an agreed date prior to the Effective Date (collectively, the “Technology License Agreement”);

WHEREAS, in connection with the merger of DPTT into the Company, Photronics and DNP have entered into a Joint Venture Operating Agreement (“JV Operating Agreement”) dated as of 20th day of November, 2013 and Joint Venture Framework Agreement (“JV Framework Agreement”) dated as of 20th day of November, 2013.

WHEREAS, DNP who owns certain patents, patent applications, know how and invention disclosures with respect to the Licensed Products (defined below) desires to enter into this Agreement, pursuant to which DNP agrees to continue * subject to the terms and conditions herein;

WHEREAS, the Company wishes to continue using such license to make, use, distribute or otherwise dispose of Photomasks (as defined below) ;

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and intending to be legally bound, the Parties hereby agree as follows:

**ARTICLE I.
DEFINITIONS**

Section 1.1. Certain Defined Terms. The following terms shall have the meanings set forth below:

“Affiliate” means, with respect to any Person (as hereinafter defined), any other Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, such Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of equity interests in such Person, by contract or otherwise; and the terms “controlling” and “controlled” have correlative meanings to the foregoing.

“Agreement” has the meaning set forth in the introductory paragraph hereof.

“Business Day” means any day other than a Saturday, Sunday or any other day on which banks are authorized or required by law or other governmental action to close in Japan, Taiwan and the United States of America.

“Control”, “Controlled” or “Controlling”, when used in reference to Know-how or Patent Rights, means the legal authority or right of a Party hereto (or any of its Affiliates) *, without breaching the terms of any agreement with a third party, or misappropriating the proprietary or trade secret information of a third party.

“Effective Date” means the completion date of the merger contemplated under the Merger Agreement.

“Governmental Authority” means any nation, state, territory, province, county, city or other unit or subdivision thereof or any entity, authority, agency, department, board, commission, instrumentality, court or other judicial body authorized on behalf of any of the foregoing to exercise legislative, judicial, regulatory or administrative functions of or pertaining to government, and any governmental or non-governmental self-regulatory organization.

“Know-how” means any and all *, provided, however, those which are of general public knowledge and/or those subject to the Patent Rights shall be excluded .

“Improvements” shall mean all * whether or not patented or patentable.

“License” has the meaning set forth in Section 2.1 herein.

“Licensed Know-how” means the Know-how set forth *.

“Licensed Patents” means the Patent Rights set forth on Exhibit B attached hereto that are * set forth on Exhibit B.

“Licensed Products” means *.

“Order” means any judicial, administrative or arbitral judgment, order, award, writ, decree, injunction, lawsuit, proceeding or stipulation of any Governmental Authority.

“Party” and “Parties” have the meaning set forth in the introductory paragraph hereof.

“Patent Rights” means patents and *.

“Person” means any natural person, corporation, company, limited liability company, partnership (limited or general), joint venture, association, trust, unincorporated organization or other entity.

“Photomasks” means photomasks, *.

“Term” means the period commencing upon the completion of the merger contemplated under the Merger Agreement and concluding upon termination of this Agreement pursuant to Article VII herein.

“Territory” means *.

Section 1.2. Rules of Construction and Interpretation.

(a) The definitions of the terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. The word “any” shall mean “any and all” unless otherwise clearly indicated by context. Where either Party’s consent is required hereunder, except as otherwise specified herein, such Party’s consent may be granted or withheld in such Party’s sole discretion.

(b) Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (ii) any reference to any laws herein shall be construed as referring to such laws as from time to time enacted, repealed or amended, (iii) any reference herein to any person shall be construed to include the person’s successors and assigns, (iv) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, and (v) all references herein to Articles, Sections or Exhibits, unless otherwise specifically provided, shall be construed to refer to Articles, Sections and Exhibits of this Agreement.

**ARTICLE II.
GRANT OF LICENSE**

Section 2.1. License. In consideration for the royalty payments that have been made pursuant to the Technology License Agreement and other good and valuable consideration, (i) DNP hereby agrees to continue granting, and the Company hereby accepts, a * in accordance with the terms and conditions hereof, effective from the completion of the merger contemplated under the Merger Agreement; and (ii) the parties to the agreement agree that the Technology License Agreement shall be superseded and replaced by this Agreement upon the completion of the merger contemplated under the Merger Agreement.

Section 2.2. Technical Documents. DNP shall furnish the Company with the technical documents containing the Licensed Know-how by the method separately agreed between the Parties.

*. Improvements. If the Company wishes to obtain a license for any Improvements and developments relating to the Licensed Know-how or Licensed Patents which DNP obtains or comes into possession of during the Term of this Agreement in order to *.

Section 2.4. Subcontracting. If the Company wishes to subcontract *. The Company shall enter into a * so as to impose upon them the same obligations as the Company shall assume under this Agreement. The breach of the obligations hereunder by any Subcontractors (other than DNP) shall be deemed as the breach by the Company, and the Company shall be fully responsible for the breach by any Subcontractors (other than DNP).

Section 2.5. Further License to Third Parties. The Company acknowledges that DNP has the right to grant or not grant other licenses to the *.

Section 2.6. Marking. In connection with the Company's exercise of its rights under the License during the Term hereof, the Company shall comply with applicable patent marking laws with respect to the Licensed Patents, and as otherwise reasonably instructed by DNP.

Section 2.7. Restrictions. The Company hereby agrees that the Licensed Know-how that is licensed by DNP hereunder shall remain *. Nothing in the foregoing should restrict the Company from developing its own technology, provided that such development shall not be in breach of any obligations of the Company hereunder.

Section 2.8. No Analysis. Without written permission from DNP, *. If such permission is granted, the results of any analysis will promptly be disclosed only to DNP, and will only be used for the permitted purpose.

**ARTICLE III.
ROYALTIES**

Section 3.1. The Parties acknowledge and agree that the royalties in consideration for the *.

**ARTICLE IV.
CONFIDENTIALITY**

Section 4.1. The Company agrees that during the Term hereof and thereafter, it shall keep the Licensed Know-how strictly confidential by employing appropriate measures and shall not, without prior written consent of DNP, *.

Section 4.2. Upon expiration or termination of this Agreement, the Company shall forthwith return or destroy in an appropriate manner, as requested by DNP, all documents and electronic data (including all copies, summaries, excerpts thereof) containing, or derived or produced partly or wholly from the Licensed Know-how.

* The Company agrees to take all appropriate measures to comply with Article 4.1 above, including but not limited to the following: *.

Section 4.4. The Company agrees that in the event the Company has been conclusively proven to have *.

**ARTICLE V.
REPRESENTATIONS, WARRANTIES AND LIMITATION OF LIABILITY**

Section 5.1. Title and Contest. DNP represents and warrants *.

Section 5.2. Disclaimer. EXCEPT FOR THE EXPRESS LIMITED WARRANTY SET FORTH IN SECTION 5.1 ABOVE, THE LICENSED KNOW-HOW AND LICENSED PATENTS ARE PROVIDED “AS-IS” AND WITHOUT WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE. DNP SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES OF NONINFRINGEMENT, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE LICENSED KNOW-HOW AND LICENSED PATENTS LICENSED BY DNP HEREUNDER.

Section 5.3. Non-contravention. Each Party represents and warrants that the execution of this Agreement and the grant of the License hereunder will not conflict with, or result in any breach of or constitute a default under any contract by which that Party is bound, or violate or conflict with any Order.

Section 5.4. No Challenge. The Company agrees that at no time shall it challenge directly or indirectly or assist anyone else in challenging directly or indirectly the validity and/or enforceability of any claim of any of the Licensed Patents at any time.

Section 5.5. Use of Licensed Patents; No Permitted Sublicensing. The Company represents and warrants that it shall only *.

Section 5.6. Limitation of Liability. IN NO EVENT WILL DNP HAVE ANY LIABILITY FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, WHETHER FOR BREACH OF CONTRACT, TORT OR OTHERWISE, ARISING OUT OF OR RELATED TO THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO, LOSS OF ANTICIPATED PROFITS, LOSS OF DATA, OR LOSS OF USE, EVEN IF DNP HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE CUMULATIVE LIABILITY OF DNP FOR DAMAGES HEREUNDER WILL BE SUBJECT TO THE INDEMNIFICATION BASKET AND CAP ON LIABILITY AS SET FORTH IN THE JV FRAMEWORK AGREEMENT.

Section 5.7 Additional Information. *.

ARTICLE VI.
PROSECUTION AND MAINTENANCE AND ENFORCEMENT

Section 6.1. Prosecution and Maintenance. DNP shall have sole responsibility and discretion with respect to prosecution, issuance and maintenance of the Licensed Patents.

Section 6.2. Enforcement. During the Term, the Company shall promptly provide written notice to DNP of any infringement of any Licensed Patents of which it becomes aware, including in such notice a reasonable level of detail regarding such infringement.

Section 6.3. Cost of Action. Unless the Parties otherwise agree, the total cost of any such action commenced by DNP, shall be borne by DNP (but excluding fees and expenses charged by separate counsel, if any, engaged by the Company). Except as the Parties may otherwise agree in writing, any damages or settlement payments resulting from any such action commenced as set forth above, whether in an out-of-court settlement or through legal adjudication of such action, and at any time, shall be retained by DNP.

Section 6.4. Cooperation. In any infringement action that DNP may institute pursuant to this Article 6 during the Term of this Agreement, the Company hereto shall, at the request of DNP and at DNP's sole cost, cooperate reasonably in the prosecution of such action.

**ARTICLE VII.
TERM; TERMINATION**

Section 7.1. Term. The term of this Agreement shall commence on the Effective Date and, shall continue unless terminated in accordance with the provisions of Section 7.2.

Section 7.2. Termination.

- (a) DNP shall have the right to forthwith terminate this Agreement in the event of: *.
- (b) Subject to Section 7.2(a), *.

Subject to Section 7.2 (a), upon the termination under this Section 7.2(b), the Company will have *.

MISCELLANEOUS

Section 7.3. Publicity. Except as otherwise required by law, legal process or stock exchange rules, neither Party shall issue any press release or make any public announcement or disclosure related to the Agreement or the transactions contemplated hereunder without the prior agreement of the other Party, including with respect to the content of such release, announcement or disclosure (and, with respect in any legally required announcement, DNP and the Company shall use all reasonable efforts to consult and agree with each other with respect to the content of any such required press release or other publicity).

Section 7.4. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given and effective (a) when delivered, if delivered in person, (b) when transmitted by telecopy (with confirmation of transmission received), (c) three (3) Business Days after mailing, if mailed by certified or registered mail (return receipt requested and obtained) or (d) one (1) Business Day after transmitted, if transmitted by a nationally recognized overnight courier to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company

Photronics Semiconductor Mask Corporation
1F, No. 2, Lising Road, Hsinchu City, Hsinchu Science Park,
Taiwan, R.O.C
Attention: *
Facsimile: *

With a copy (which shall not constitute notice) to:

Photronics, Inc.
15 Secor Rd.
Brookfield, CT 06804 USA
Attention: Richelle Burr
Facsimile: *

If to DNP

Dai Nippon Printing Co., Ltd.
1-1-1, Ichigaya-Kagacho, Shinjuku-ku, Tokyo 162-8001, Japan
Telephone: +81-3-5225-8833
Fax: *
Attention: *

With a copy (which shall not constitute notice) to:

Lee and Li, Attorneys-at-Law
7F, 201 Tun Hua No. Road
Taipei, Taiwan 10508, the Republic of China
Telephone: +886-2-27153300 ext. 2707/2157
Fax: 886-2-25149841
Attention[]Arthur Li/James Huang
Email: arthurli@leeandli.com/jameshuang@leeandli.com

and/or to such other respective addresses and/or addressees as may be designated by notice given in accordance with the provisions of this Section 8.2.

Section 7.5. Expenses. Except as otherwise expressly set forth in this Agreement, each Party hereto shall bear all fees and expenses incurred by such Party in connection with, relating to or arising out of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and thereby, including financial advisors', attorneys', accountants' and other professional fees and expenses.

Section 7.6. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes any previous agreements, arrangements or understandings between them relating to the subject matter hereof. For the avoidance of doubt, the Technology License Agreement shall be superseded and replaced by this Agreement upon the completion of the merger contemplated under the Merger Agreement in accordance with Section 2.1 above. Each exhibit hereto shall be considered incorporated into this Agreement.

Section 7.7. Non-Waiver. The failure in any one or more instances of a Party to insist upon performance of any of the terms, covenants or conditions of this Agreement, to exercise any right or privilege in this Agreement conferred, or the waiver by said Party of any breach of any of the terms, covenants or conditions of this Agreement, shall not be construed as a subsequent waiver of any such terms, covenants, conditions, rights or privileges, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving Party.

Section 7.8. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

Section 7.9. Binding Effect; Benefit. This Agreement shall inure to the benefit of and be binding upon the Parties, and their successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties, and their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, including third party beneficiary rights.

Section 7.10. Assignability. The Company shall not assign, pledge or otherwise dispose of its rights or delegate its obligations under this Agreement in whole or in part without the prior written consent of DNP.

Section 7.11. Amendments. This Agreement shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of the Parties.

Section 7.12. Headings. The headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

Section 7.13. Governmental Reporting. Anything to the contrary in this Agreement notwithstanding, nothing in this Agreement shall be construed to mean that a Party or other Person must make or file, or cooperate in the making or filing of, any return or report to any Governmental Authority in any manner that such Person or such Party reasonably believes or reasonably is advised is not in accordance with applicable laws.

Section 7.14. Survival. The terms and conditions of Article I (to the extent necessary to give effect to this Section 8.12), Section 2.7, 2.8, Article III, Article IV, Article V and Sections 7.2, 8.2, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.10, 8.12, 8.14, 8.15, 8.16 and 8.17 of this Agreement shall survive any termination hereof.

Section 7.15. Relationship of Parties. Neither Party has any express or implied authority to assume or create any obligations on behalf of the other or to bind the other to any contract, agreement or undertaking with any third party.

Section 7.16. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of Taiwan without reference to the choice of law principles thereof.

Section 7.17. Arbitration. In the event of any dispute, controversy or claim arising out of or in connection with this Agreement (each, a “Dispute”), the Parties shall use their reasonable efforts to resolve such Dispute within a period of ninety (90) days commencing from either Party’s receipt of a notice from the other Party stating the existence of a Dispute. In the event any such Dispute is not resolved, either Party may refer such Dispute to arbitration in Taipei, Taiwan before one (1) arbitrator appointed in accordance with the ROC Arbitration Law and the Arbitration Rules of the ROC Arbitration Association. The arbitration proceeding shall be conducted in English. The award thereof shall be final and binding upon the Parties hereto. Judgment upon such award may be entered in any court having jurisdiction thereof.

Section 7.18. Equitable Relief. The Company acknowledges and agrees that damages alone would be insufficient to compensate DNP for a breach by the Company of this Agreement and that irreparable harm would result from a breach of this Agreement. The Company hereby consents to the entering of an order for injunctive relief to prevent a breach or further breach, and the entering of an order for specific performance to compel performance of any obligations under this Agreement.

Section 7.19. Language. The official language of this Agreement exclusively shall be, and all communications and agreements between the Parties exclusively shall be made in, the English language. The Parties hereto waive any rights they may have under any other law to have this Agreement written in another language, and any translation of this Agreement will be solely for the convenience of the Parties.

Section 7.20. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, intending to be legally bound, the Parties have executed this Agreement as of the Effective Date.

Dai Nippon Printing Co., Ltd.

By: _____

Name: Koichi Takanami

Title: Executive Vice President

Photronics Semiconductor Mask Corporation

By: _____

Name: Frank Lee

Title: President

License Agreement (DNP – PSMC) Signature Page

*

EXHIBIT B

LICENSED PATENTS

*

MARGIN AGREEMENT

This **MARGIN AGREEMENT** (this “**Agreement**”) is made and entered into as of the 20th day of November, 2013, by and among Photronics, Inc., a Connecticut corporation (“**Photronics**”), Dai Nippon Printing Co., Ltd., a Japanese corporation (“**DNP**”), and Photronics Semiconductor Mask Corp. (the “**Company**”), a company limited by shares organized and formed under the Company Act of the Republic of China. Photronics, DNP and the Company are sometimes individually referred to herein as a “**Party**” and collectively as the “**Parties**.”

ARTICLE 1.

BACKGROUND

Photronics and DNP wish to participate in a joint venture either directly or indirectly through their respective Affiliates as Shareholders in the Company, and to carry on the Business (as defined below) through the Company. The Parties are engaged, among other things, in the design, development, fabrication and sale of advanced integrated circuit photomasks (the “**Business**”). In connection with the formation of the joint venture, Photronics and DNP have entered into a Joint Venture Operating Agreement (the “**JV Operating Agreement**”) dated as of the 20th day of November, 2013. In connection with the JV Operating Agreement, the Parties have agreed to allocate the certain net sales on certain sales of the Business pursuant to the terms and conditions set forth herein.

ARTICLE 2.

INTERPRETATION

2.1 Defined Terms

Unless otherwise defined in this Agreement, terms defined in the JV Operating Agreement shall have the same meanings when used in this Agreement.

For purposes of this Agreement the following capitalized words shall have the following meanings:

“**Effective Date**” means the date of the completion of the merger contemplated under the Merger Agreement.

“**JV Territory**” means the territory *.

“**Modeled Capacity**” means the projected Company * of the Products (as defined in Schedule B) under *.

“**Stabilization Period**” means the shipment by the Company of *.

Incorporation by Reference

Section 5.16 (Non-Disclosure) and Article 12 (Miscellaneous) of the JV Operating Agreement is hereby incorporated by reference into and form an integral part of this Agreement, *mutatis mutandis*.

ARTICLE 3.

ALLOCATION OF NET SALES

3.1 Allocation of Net Sales During the Initial Allocation Period

Commencing on the Effective Date and continuing for the period ending on the * anniversary of the Effective Date (such period, the “**Initial Allocation Period**”), DNP hereby agrees to accept and the Company hereby agrees to pay to DNP an amount equal to: *.

3.2 Payments

The Company shall make all payments required hereunder 180 days from the shipment of the applicable Products delivered. All payments under this Section 3.2 shall be made in U.S. Dollars or other currency agreed by DNP and the Company, by wire transfer to the account identified by DNP, from time-to-time.

3.3 Outsourcing Agreement

Any Products manufactured by DNP * for sale in the * for which net sales is allocated * shall apply toward the * Photonics and DNP set forth in the Outsourcing Agreement dated as of the date hereof (the “**Outsourcing Agreement**”), among Photonics, DNP and the Company.

ARTICLE 4.

OPERATIONS

4.1 EBM 8000 Priority

In order to support the transfer of the * from * to the Company, the Company will allocate * EBM 8000 photomask writer and the support equipment that the Company deems necessary, appropriate or advisable to * Products in * that * manufactures Products in * provided however that * will not affect capacity on the EBM 8000.

4.2 Transfer of the Products to the Company

DNP hereby agrees that DNP shall * specific resources required * for the manufacture of the * until the end of the Stabilization Period.

4.3 Tool Acceptance

In the event that the tool acceptance for the EBM 8000 photomask writer has not been completed within * from the arrival thereof at the Company, after such * period and until the tool acceptance thereof is completed, * will be first offered the *, but if * chooses not to * shall provide Photronics * prior written notice, then Photronics will * at the * and *; provided however that DNP may choose *.

4.4 Sustained Capacity

After the Stabilization Period, the Company will make *. However, after the Stabilization Period and prior to the *, if demand for the Products exceeds * meet the production demand, then such * will be covered under the *, and will not be subject to *; provided however that * will be * the opportunity to *, but if * such Products, *. Notwithstanding the above, after the Stabilization Period and *, in case the * for the Modeled Capacity is not considered * will be first offered the opportunity to * in accordance with Section 3.1 hereof, but if * shall provide * prior written notice, then * by the Company and *; provided however that *.

4.5 Reports

The Company shall provide regular operating reports to Photronics and DNP, which reports shall include, without limitation, the capacity utilization of the facility for Products.

ARTICLE 5.

TERM AND TERMINATION

5.1 Term

This Agreement shall become effective on the Effective Date and shall continue to be in full force and effect until the end of the Initial Allocation Period.

5.2 Termination for Cause

A Party shall have the right to terminate its obligations under this Agreement if the other Party materially breaches this Agreement and fails to cure such breach within thirty (30) days after its receipt of written notice of the breach specifying such default.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement as of the day and year first above written.

PHOTRONICS, INC.

By: _____

Name: Constantine Macricostas

Title: Chairman and Chief Executive Officer

DAI NIPPON PRINTING CO., LTD.

By: _____

Name: Koichi Takanami

Title: Executive Vice President

PHOTRONICS SEMICONDUCTOR MASK CORP.

By: _____

Name: _____

Title: _____

*

- Schedule B

Modeled Capacity

*

*

*

*



MERGER AGREEMENT

BETWEEN

PHOTRONICS SEMICONDUCTOR MASK CORP.

AND

DNP PHOTOMASK TECHNOLOGY TAIWAN CO. LTD.

November 20, 2013

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[•]

MERGER AGREEMENT

THIS MERGER AGREEMENT is made and entered into as of this 20 day of November 2013 (“**Signing Date**”) by and between:

- (1) Photronics Semiconductor Mask Corp., a company organized and existing under the laws of the Republic of China (“**R.O.C.**”), with its registered office at 1F, No. 2, Lising Road, Hsinchu City, Hsinchu Science Park, Taiwan, R.O.C. (“**Party A**”); and
- (2) DNP Photomask Technology Taiwan Co. Ltd., a company organized and existing under the laws of the R.O.C., with its registered office at No. 6, Lising 7th Rd., East District, Hsinchu City, Hsinchu Science Park, Taiwan, R.O.C. (“**Party B**”).

(Party A and Party B are hereinafter individually a “**Party**” and collectively the “**Parties**”).

WHEREAS, in order to integrate resources, reduce operating costs, and expand the economic scale of Party A, the Parties would like to execute this Agreement and pursue a merger with each other with consideration payable in Party A’s new shares.

WHEREAS, Photronics, Inc., a company incorporated under the laws of the State of Connecticut with its corporate headquarters located at 15 Secor Road, Brookfield, Connecticut, U.S.A. (“**Photronics**”), which owns 100% shares of Party A directly or indirectly, and Dai Nippon Printing Co., Ltd., a company incorporated under the laws of Japan with its corporate headquarters located at 1-1, Ichigaya Kagacho 1-chome, Shinjuku-ku, Tokyo, Japan (“**DNP**”), which owns 100% shares of Party B directly, have entered into (i) a Joint Venture Framework Agreement (the “**Framework Agreement**”) and (ii) in connection with the closing of the merger transaction contemplated hereunder a Joint Venture Operating Agreement (the “**Operating Agreement**”) related to the operation of the Surviving Company (as defined in Article 1.1 below).

NOW THEREFORE, in consideration of the foregoing and of the representations, covenants and agreements contained herein, the Parties hereby agree as follows:

ARTICLE I

MERGER

1.1 Method of Merger

Subject to the terms and conditions hereof, the Parties agree to the merger of Party B with and into Party A (the “**Merger**”) pursuant to Article 18 of the Business Mergers and Acquisitions Act in Taiwan (the “**M&A Act**”), whereby Party A shall be the surviving company (the “**Surviving Company**”). The Chinese and English names of the Surviving Company shall be [] and Photronics DNP Mask Corporation, respectively.

1.2 Capital Stock

- (a) Capital Stock of Party A. Subject to change resulted from PSMC's Permitted Capital Reduction (as defined below), as of the date of execution hereof, Party A has an authorized capital of NT\$3,500,000,000 and a paid-in capital of NT\$2,183,070,000 divided into 218,307,000 shares of common stock with a par value of NT\$10 per share which are 100% owned directly or indirectly by Photonics.
- (b) Capital Stock of Party B. Subject to change resulted from DPTT's Permitted Capital Increase (as defined below), as of the date of execution hereof, Party B has an authorized capital of NT\$5,210,117,000 and a paid-in capital of NT\$5,170,618,000 divided into 5,170,618 shares of common stock with a par value of NT\$1,000 per share, which are 100% owned by DNP.
- (c) Capital Stock of Surviving Company. Immediately after the Closing (as defined in Article 1.5 below) of the Merger, the amount of authorized capital and that of paid-in capital of the Surviving Company shall be as set forth in Schedule II hereof.

1.3 Merger Consideration

The consideration for the Merger shall be payable in Party A's new shares. The Parties agree that upon the Closing, Party A shall, subject to Article 1.4 hereof, issue the amount of common shares as set forth in Schedule II hereof (which shall amount to 49.99% of the Surviving Company's total issued and outstanding shares immediately after the Closing) of Party A to DNP, which is Party B's sole shareholder, as the consideration for the Merger (the "**Merger Consideration**"). DNP's shareholding in Party B as recorded on the shareholder roster of Party B as of the date of Closing shall be delivered to and then cancelled by Party A upon the Closing.

Each share held in the treasury of Party B, if any, shall, by virtue of the Merger and without any action on the part of the holder thereof, be cancelled without payment of any consideration, as of the date of the Closing.

1.4 Adjustment of Merger Consideration

After this Agreement has been approved by the resolution of both Parties' board of directors meeting and shareholders meeting (whose function will be carried out by the board of directors in accordance with the Company Act of R.O.C. if the relevant Party is wholly owned by a corporate entity), as applicable, in the event of the following, the shareholders or board of directors shall have authorized their respective board of directors pursuant to applicable law to negotiate and agree with each other on the adjustment of the Merger Consideration for and on behalf of the respective Party within ten (10) business days after the occurrence of such event in accordance with applicable laws and this Article 1.4, and the foregoing adjustment is not required to be further approved by the shareholders meeting of the Parties:

- (a) The occurrence of any event which will have a material impact on the financial circumstances of Party A or Party B, including but not limited to, the disposal by Party A or Party B of any of its material assets;
- (b) The occurrence of any event which will have a material impact on the rights of shareholders or price of shares of Party A or Party B, such as a major disaster (natural or otherwise), major revolution in technologies, or any act of war or terrorist activity;
- (c) Party A's or Party B's repurchase of treasury shares;
- (d) Adjustment of the Merger Consideration is necessary due to change of regulation, order by relevant authorities or administrative guideline;
- (e) The occurrence of any other major events affecting the business or operation of Party A or Party B; or
 - (f) The occurrence of any other major events that requires the adjustment of the Merger Consideration (including but not limited to either Party's material breach of its covenants in Article III or its representations or warranties in Article IV).

For avoidance of doubt, no adjustment is required for PSMC's Permitted Capital Reduction and DPTT's Permitted Capital Increase.

1.5 Merger Effective Date

Subject to the satisfaction or waiver of the conditions precedents set forth in Article II below and the terms of this Agreement, the closing of the Merger ("**Closing**") shall take place on the date that is set and determined by the board of directors of each of the Parties but shall be no later than five (5) business days, or such other date that shall be mutually agreed upon by the board of directors of each Party in writing, after all of the conditions set forth in Article II have been satisfied or waived.

1.6 Delivery of Share Certificates and Payment of Merger Consideration

Matters regarding (i) the delivery of share certificates representing the shares of Party B by its shareholder to Party A; and (ii) and the delivery of the share certificates representing the Merger Consideration by Party A to Party B's shareholder shall be reasonably decided by Party A and Party B before the date of Closing.

1.7 Articles of Incorporation, Directors and Supervisors of Surviving Company

(i) Upon the Closing, the Articles of Incorporation of the Surviving Company shall have been duly amended to the one attached hereto as Exhibit A; and (ii) Party A shall, within fifteen (15) calendar days after the Closing, convene a shareholders' meeting to elect new directors and supervisors of the Surviving Company in accordance with the Operating Agreement.

1.8 Assumption of Rights and Obligations

Upon the Closing, any and all assets, liabilities and rights and obligations of Party B as of the date of Closing shall continue and be assumed by the Surviving Company.

1.9 Transfer of Employees

Unless otherwise agreed by the Parties, on or before thirty (30) calendar days before the date of Closing, all * of * (other than the persons who are employed by * to work for *, hereinafter "Seconded Employees") shall be * from and after the Closing, which contain terms consistent with the following: *. Before the offers to employees of Party * are provided in accordance with this Section 1.9, * shall have an opportunity to review the detailed terms and conditions of the offers to be provided to all of * (other than the Seconded Employees), so that * can confirm if such terms and conditions are made consistent with this Section. Other than the employees who expressly deny acceptance of the offer in writing within ten (10) calendar days upon receipt of the offer, all the employees of * (other than the Seconded Employees) including their tenure at * as of the date of Closing shall be transferred to, and assumed by, the Surviving Company upon the Closing.

ARTICLE II

CONDITIONS PRECEDENT

2.1 Mutual Conditions to Closing.

The obligations of the Parties to consummate the Merger at the Closing shall be subject to the satisfaction of the following on or prior to the Closing:

- (a) The board of directors and shareholders meeting approvals (if required by applicable laws) for the Merger by each Party shall have been obtained, not revoked and shall remain in full force and effect;
 - (b) All prior approvals and consents required for the consummation of the Merger or in connection with the authorization, execution and performance of this Agreement from the relevant authorities (the "**Regulatory Approvals**") and/or any other third party approvals (other than any approvals and consents where the failure to obtain such approvals and consents, either in any individual case or in the aggregate, would not have a material adverse effect on the Merger contemplated hereby) as listed in Schedule I shall have been duly obtained, made or given and shall be in full force and effect and shall not impose material restrictions or other material burdens on the Parties or the Surviving Company with respect to the Merger or the matters contemplated in the Transaction Agreements (as defined in the Framework Agreement);
-

- (c) There shall not (i) be in effect any law, regulation, ruling or governmental order of any governmental authority which makes illegal, prevents or restricts the consummation of the Merger or other transactions contemplated by any other Transaction Agreement, the performance by the applicable Parties of their respective obligations under this Agreement or any other Transaction Agreement, or impairs the ability of the Surviving Company to own or conduct the business of Party A and Party B as previously conducted, whether directly or indirectly, (ii) have been commenced or threatened any action or proceeding by any governmental authority which seeks to prevent the Merger or the performance by the applicable Parties of their respective obligations under this Agreement or any other Transaction Agreement; and
- (d) The Framework Agreement, the Operating Agreement and all other Transaction Agreements shall have been executed and delivered.

2.2 Additional Conditions to the Obligations of Party A

The obligation of Party A to consummate the Merger shall be subject to the satisfaction of the following conditions (in addition to those specified in Article 2.1) on or prior to the Closing (unless and to the extent waived, wholly or in part, by Party A):

- (a) Party B shall have performed and complied with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing, *including Article 3.4 provided that a failure to obtain any third party consent that is not listed in Schedule I (Approvals) prior to the Closing should not be deemed a breach or non-performance of Article 3.5 for the purpose of this Article 2.2(a)*;
 - (b) No events or circumstances which result in an event that is materially adverse to the business, properties or assets, including contracts, customer and supplier relationships ("**Material Adverse Change**") of Party B shall have occurred since the date hereof;
 - (c) All of the representations and warranties in Article IV given by Party B shall be true, accurate and not misleading in all material respects as of the date of Closing;
 - (d) Party A shall have received at the Closing a certificate issued by an executive officer of Party B, dated as of the date of Closing, in form and substance substantially as set forth in Exhibit B attached hereto;
 - (e) DNP is not in any material breach, noncompliance or other default of any provision of the Framework Agreement;
 - (f) No government order has been issued, or other government action has been taken, to prohibit Party A from completing the capital reduction in the amount set forth in Schedule II prior to the Closing for the purpose of adjustment of Party A's evaluation for the Merger, after which capital reduction its paid-in capital should become the amount as set forth in Schedule II with a par value of NT\$10 per share, which are 100% owned directly or indirectly by Photronics as of the date of Closing ("**PSMC's Permitted Capital Reduction**"), and Party B has not taken any action to prohibit the completion of PSMC's Permitted Capital Reduction prior to the Closing; and
-

- (g) Party B has, after obtaining all required corporate or governmental approvals, duly and legally completed capital increase in the amount set forth in Schedule II for the purpose of repaying its existing loans as of the Signing Date (the “**Existing Loans**”), after which capital increase its paid-in capital should become the amount as set forth in Schedule II with a par value of NT* per share, which are 100% owned by DNP, as of the date of Closing (“**DPTT’s Permitted Capital Increase**”), and Party B has * in full and provided Party A copies of * evidencing the * thereof.

2.3 **Additional Conditions to the Obligations of Party B**

The obligation of Party B to consummate the Merger shall be subject to the satisfaction of the following conditions (in addition to those specified in Article 2.1) on or prior to the Closing (unless and to the extent waived, wholly or in part, by Party B):

- (a) Party A shall have performed and complied with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing, *including Article 3.4* provided that a failure to obtain any third party consent that is not listed in Schedule I (Approvals) prior to the Closing should not be deemed a breach or non-performance of Article 3.5 for the purpose of this Article 2.3(a);
- (b) No Material Adverse Change of Party A shall have occurred since the date hereof;
- (c) All of the representations and warranties in Article IV given by Party A shall be true, accurate and not misleading in all material respects as of the date of the Closing;
- (d) Party B shall have received at the Closing a certificate issued by an executive officer of Party A, on behalf of Party A and dated as of the date of the Closing, in form and substance substantially as set forth in Exhibit C attached hereto;
- (e) Photonics is not in any material breach, noncompliance or other default of any provision of the Framework Agreement;
- (f) No government order has been issued, or other government action has been taken, to prohibit Party B from completing the DPTT’s Permitted Capital Increase prior to the Closing, and Party A has not taken any action to prohibit the completion of DPTT’s Permitted Capital Increase prior to the Closing; and
-

- (g) Party A has, after obtaining all required corporate or governmental approvals, duly and legally completed PSMC's Permitted Capital Reduction

ARTICLE III

COVENANTS

Unless otherwise provided herein, during the period from the Signing Date until the Closing, Party A hereby covenants and agrees with Party B the following with respect to Party A, and Party B hereby covenants and agrees with Party A the following with respect to Party B:

3.1 Covenants with Respect to this Agreement

Neither Party A nor Party B shall take any action that would make any representation or warranty of it contained herein untrue or incorrect or have the effect of preventing, impeding, or in any material respect, interfering with or adversely affecting the performance by it of its obligations under this Agreement or any other Transaction Agreement.

3.2 Issuance of shares

Except for the DPTT's Permitted Capital Increase, neither Party A nor Party B shall conduct any cash capital increase, issuance of bonus shares, stock options, or other equity based securities.

3.3 Conduct of Business of Party A or Party B with Respect to this Agreement

- (a) the business of Party A and Party B shall be conducted in substantially the same manner as heretofore conducted and only in the ordinary course of business, and each of Party A and Party B shall use their reasonable best efforts to preserve the business organization of Party A or Party B, and to maintain the existing relations with customers, creditors, business partners and others having business dealings with Party A or Party B.
 - (b) neither Party A nor Party B shall pass any resolution for its winding up, bankruptcy, re-organization or dissolution or liquidation or apply for the appointment of a receiver, manager or judicial manager or like officer;
 - (c) neither Party A nor Party B shall take any of the following actions without the prior written consent of the other Party except for the DPTT's Permitted Capital Increase and PSMC's Permitted Capital Reduction:
 - (i) unless otherwise permitted under Article 1.7 hereof, amend its articles of incorporation or make any material change in any policy on corporate governance, internal control, accounting or the like;
-

- (ii) issue, sell, transfer, dispose of or create encumbrances over any shares, securities, or options kind;
- (iii) make a capital reduction or split or combine any of its capital stock or securities;
- (iv) redeem, purchase or otherwise acquire directly or indirectly any of its capital stock or securities;
- (v) enter into any business outside the existing scope of business, change the scope of the existing business or cease carrying on business;
- (vi) sell or otherwise dispose of all or substantially all of its assets to any third party or contract to do so;
- (vii) change its auditors;
- (viii) change its financial year-end or tax accounting year-end;
- (ix) except in the ordinary course of its business, acquire assets in excess * in the aggregate;
- (x) create or establish any subsidiary, acquire any interest in any other person or entity or enter into any joint venture, business alliance or partnership;
- (xi) except in the ordinary course of its business, make any borrowings, incur any indebtedness or enter into any financial commitments, guarantees or provision of any kind of security;
- (xii) enter into any M&A transaction (such as merger, spin-off, business transfer/assumption and share exchange) other than the Merger contemplated hereunder; or
- (xiii) make any distribution to its shareholder(s), employees and/or directors/supervisors.

Notwithstanding anything to the contrary set forth herein, the Parties agree that DPTT's * prior to the closing of the Business Combination as referred to in Article III of the License Agreement is not subject to the restrictions under this Section 3.3.

3.4 Access to Information

During the period from the Signing Date until the Closing, upon reasonable notice and to the extent permitted by applicable laws and regulations, either Party shall afford the other Party and its representatives reasonable access, during normal business hours, to additional financial and operating data and other information of Party A or Party B as the other Party may reasonably request. Each Party shall permit the other Party and its advisers to perform an audit of the financial accounts of Party A or Party B at such time as may reasonably be requested prior to the Closing.

3.5 Regulatory and Other Authorizations; Notices and Consents

Each Party will at the other Party's request cooperate with and assist the other Party in obtaining all Regulatory Approvals and all consents and approvals that the other Party may be required to obtain in connection with the consummation of the Merger. Each Party shall use their respective reasonable best efforts to obtain, prior to the date of consummation of the Merger, all consents to the performance by it of its obligations under this Agreement and the consummation of the Merger that may be required under each material contract to which it is a party (the "**Required Contractual Consents**"). All Required Contractual Consents shall be in writing and executed counterparts thereof shall be delivered to the other Party at or prior to the Closing.

3.6 Notification to Creditors.

As soon as practical after the approval of the Merger by a resolution adopted at each Party's board of directors meeting and shareholders meeting, as applicable, each of Party A and Party B shall (i) make an announcement and notify its creditors of the Merger; and (ii) designate a thirty (30)-day period for the creditors to object to the Merger. In the event any creditor objects to the Merger within said thirty (30)-day period, Party A or Party B, as applicable, shall (i) settle the account(s) payable to the objecting creditor; (ii) deposit a security bond or establish a trust specifically for the purpose of settling the account(s) payable to the objecting creditor; or (iii) prove to the objecting creditor that the Merger will not have any adverse impact on the rights of the objecting creditor.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Each of Party A and Party B represents and warrants to the other that the following are true and accurate, as of the date of execution hereof and as of the date of Closing, respectively:

- (a) Legal Establishment and Existence. It is a corporation duly organized and validly existing under the laws of the R.O.C., and has obtained all necessary licenses, approvals, permits and other certification required for operating its existing business activities;
 - (b) Full Power and Valid Authorization. It has full legal capacity and power and is duly and validly authorized to execute and perform this Agreement;
 - (c) Validity of the Agreement. Its execution and performance of this Agreement is not in violation of the following: (i) any provisions of applicable laws and regulations; (ii) its articles of incorporation and other applicable internal rules; (iii) any rulings, orders or dispositions of the court or relevant authorities; and (iv) any contracts, agreements, representations, undertakings, warranties, binding arrangements or any other legal or contractual obligations, except with respect to clause (i) and (iv) where the failure of such violation would not, individually or in the aggregate, have a Material Adverse Change; and
 - (d) Enforceability. This Agreement constitutes the legally valid and binding obligations of it, enforceable against it in accordance with the terms and conditions of this Agreement, except to the extent that enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally and by general principles of equity.
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ARTICLE V

EXPENSES AND TAXES

5.1 Expenses

Regardless of whether or not the Merger is consummated, each Party shall pay its own costs, fees and expenses arising from the Merger and in connection with this Agreement, including without limitation, the costs, fees and expenses of its counsels, accountants, and any other advisors and/or experts.

5.2 Tax

Any and all taxes of each of the Parties arising herefrom or in connection herewith and the execution and performance hereof or for any other reason shall be borne such Party in accordance with applicable laws and regulations and nothing herein shall be construed to express or imply that the Parties shall be jointly liable for any of such obligations.

ARTICLE VI

MISCELLANEOUS

6.1 Amendments and Modification

Subject to applicable laws and regulations, this Agreement may be amended, modified and supplemented only by written agreement between the Parties.

6.2 Assignment

This Agreement is not intended to confer upon any person other than the Parties any rights hereunder. Neither this Agreement nor any of the rights, interests or obligations of either Party hereunder shall be assigned by either Party hereto (whether by operation of law or otherwise) without the prior written consent of the other Party. Any purported assignment hereof without required consent shall be null and void. Subject to the preceding provision, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns.

6.3 Severability

In the event that any of the provisions contained herein is rendered invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any of the other provisions hereof, which shall nevertheless remain in full force and effect, and this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein.

6.4 Notices

Any notice required or permitted to be given under this Agreement shall be in writing and be (i) personally delivered, (ii) transmitted by telecopier (with confirmation by mail, postage prepaid, registered or certified, return receipt requested, or by airmail in the event of mailing for delivery outside of the country in which mailed), or (iii) delivered by an overnight courier, to the other Party as follows, as elected by the Party giving such notice:

To Party A: Photronics, Inc.
Attention: General Counsel
Address: 15 Secor Road
Brookfield, CT 06804
Fax No. *

To Party B: DNP Photomask Technology Taiwan Co. Ltd.
Attention: *
Address: No. 6, Lising 7th Rd., East District, Hsinchu City, Hsinchu Science Park, Taiwan, R.O.C.
Fax No. *

Except as otherwise specified herein, any and all notices and other communications shall be deemed to have been duly served on the date of receipt thereof. Either Party may change its address for purposes hereof by a written notice as aforesaid to the other Party.

6.5 Governing Law

This Agreement shall be construed, interpreted and governed by the laws of the R.O.C.

6.6 Governing Language

This Agreement is executed in English.

6.7 Arbitration

In the event of any dispute, controversy or claim arising out of or in connection with this Agreement (each, a “*Dispute*”), the Parties shall use their reasonable efforts to resolve such Dispute within a period of ninety (90) days commencing from either Party’s receipt of a notice from the other Party stating the existence of a Dispute . In the event any such Dispute is not so resolved, either Party may refer such Dispute to the Arbitration Association of the R.O.C. in Taipei, Taiwan for arbitration in accordance with the Arbitration Act of the R.O.C. and the Rules of the Arbitration Association of the R.O.C.

6.8 Counterparts

This Agreement shall be executed in two counterparts, which shall be deemed one and the same agreement and take effect upon execution thereof by the Parties hereto and delivery of one thereof to the other Party.

6.9 Termination

- (a) This Agreement constitutes binding obligations of each of the Parties and shall take effect as of the Signing Date until it has been terminated in accordance with this Article 6.9.
- (b) Prior to the Closing, this Agreement shall terminate upon the earliest occurrence of one of the following events:
 - (i) the written consent of the Parties;
 - (ii) by written notice delivered by the non-defaulting Party to the Party in default, in the event of any material breach, noncompliance or other default of any provision of this Agreement or any other Transaction Agreement, which, if capable of cure, is not cured within thirty (30) calendar days after receipt by such defaulting Party of a written notice, which shall specify such default, from the non-defaulting Party;
 - (iii) by written notice from either Party to the other Party hereto, in the event that any of the Regulatory Approvals has been disapproved by the relevant competent authority by a final decision that is unable to be changed by re-application or supplemental filing or any required third party consent listed in Schedule I has been rejected;
 - (iv) by written notice from either Party to the other Party hereto, in the event that the Closing does not occur on or prior to * (or such later date agreed by the Parties in writing); and
 - (v) upon any termination of the Framework Agreement.
- (c) After this Agreement has been terminated, both Parties shall adopt necessary actions to cease to proceed the Merger and either Party may request the other Party to return any and all documents, information, files, articles, plans, trade secrets, and other tangible data obtained in connection with the Merger within seven (7) business days after such termination.

6.10 Indemnification

Article 12 of the Framework Agreement shall apply mutatis mutandis to this Agreement.

6.11 Confidentiality

Before Closing, unless otherwise provided for under applicable law, regulations, or this Agreement, and except for disclosure made to shareholders and affiliates of either Party, the Parties agree that any documents, information, files, articles, plans, trade secrets, and other tangible or intangible data obtained from the other Party before the Closing for the purpose of the Merger shall be kept in strict confidence.

The forgoing confidentiality obligation shall survive the termination, rescindment, cancellation, or loss of effectiveness of this Agreement.

IN WITNESS WHEREOF, the Parties have executed or caused this Agreement to be duly executed as of the date first written above.

- The remaining is left blank intentionally -

Photonics Semiconductor Mask Corp.

By:

Title:

Address:

DNP Photomask Technology Taiwan Co. Ltd.

By:

Title:

Address:

EXHIBIT A

ARTICLES OF INCORPORATION OF SURVIVING COMPANY

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EXHIBIT B

FORM OF OFFICER CERTIFICATE TO BE ISSUED BY PARTY B

*

EXHIBIT C

FORM OF OFFICER CERTIFICATE TO BE ISSUED BY PARTY A

*

Schedule I

Approvals

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Schedule II

Capital and Consideration

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EXHIBIT 31.1

I, Peter Kirlin, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Photonics, 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.

/s/ PETER KIRLIN

Peter Kirlin
Chief Executive Officer
July 7, 2015

EXHIBIT 31.2

I, Sean T. Smith, certify that:

I have reviewed this Annual Report on Form 10-K/A of Photonics, Inc.

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.

/s/ SEAN T. SMITH

Sean T. Smith
Chief Financial Officer
July 7, 2015
