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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended November 2, 2008

OR

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

Commission file number 0-15451

PHOTRONICS, INC.
(Exact name of registrant as specified in its charter)

Connecticut	**06-0854886**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification Number)*

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

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

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

Securities registered pursuant to Section 12(g) of the 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 o No x

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

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 x No o

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. x

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

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

As of April 27 2008, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the shares of the registrant common stock held by non-affiliates was approximately $422,607,705 (based upon the closing price of $10.76 per share as reported by the Nasdaq National Market on that date).

As of December 31, 2008, 42,078,718 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for the 2009 Annual Meeting of Shareholders to be held in April 2009	Incorporated into Part III of this Form 10-K

Forward-Looking Information

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

PART I

ITEM 1. BUSINESS

General

Photronics, Inc. ("Company") is a Connecticut corporation, organized in 1969. Its principal executive offices are located at 15 Secor Road, Brookfield, Connecticut 06804, telephone (203) 775-9000. Photronics, Inc. and its subsidiaries are collectively referred to herein as "Photronics" or the "Company". The Company's website is located at http://www.photronics.com. The Company makes available, free of charge through its website, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such materials are electronically filed or furnished to the Securities and Exchange Commission. The information contained or incorporated in the Company's website is not part of these documents.

Photronics, Inc. and its subsidiaries (the "Company" or "Photronics") is one of the world's leading manufacturers of photomasks, which are high precision photographic quartz plates containing microscopic images of electronic circuits. Photomasks are a key element in the manufacture of semiconductors and flat panel displays ("FPDs"), and are used as masters to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits ("IC") and a variety of FPDs and, to a lesser extent, other types of electrical and optical components. The Company currently operates principally from ten manufacturing facilities; two of which are located in Europe, two in Taiwan, one each in Korea, Singapore, and China; and three in the United States, including a state-of-the-art nanofab facility ("U.S. Nanofab") in Boise, Idaho, which commenced production during the second quarter of fiscal 2008. In the fourth quarter of fiscal 2008, the Company announced its intention to streamline its European operations and close its photomask manufacturing facility in Manchester, United Kingdom, which ceased production in January 2009.

Manufacturing Technology

The Company manufactures photomasks, which are used as masters to transfer circuit patterns onto semiconductor wafers and flat panel substrates. The Company's photomasks are manufactured in accordance with circuit designs provided on a confidential basis by its customers. The typical manufacturing process for a photomask involves the receipt and conversion of circuit design data to manufacturing pattern data. A lithography system then exposes the circuit pattern onto the photomask blank. The exposed areas are developed and etched to produce that pattern on the photomask. The photomask is inspected for defects and conformity to the customer design data, any defects are repaired, any required pellicles (protective translucent cellulose membranes) are applied and, after final inspection, the photomask is shipped to the customer.

The Company currently supports customers across the full spectrum of IC production and large area technologies by manufacturing photomasks using electron beam or optical-based technologies. Electron beam and laser-based systems are the predominant technologies used for photomask manufacturing. These technologies are capable of producing the finer line resolution, tighter overlay and larger die size for the larger and more complex circuits currently being designed. Electron beam and laser generated photomasks can be used with the most advanced processing techniques to produce the most advanced semiconductor devices intended for use in an array of products. These include devices used for microprocessors, memory, telecommunications and related applications. The Company currently owns a number of high-end and mature electron beam and laser-based systems. The production of photomasks by the optical method is less expensive and less precise than those manufactured on high-end electron beam systems.

The first several layers of photomasks are sometimes required to be delivered by the Company within 24 hours from the time it receives customers' design data. The ability to manufacture high quality photomasks within short time periods is dependent upon efficient manufacturing methods, high yield and high equipment reliability. The Company works to meet these requirements by making significant investments in manufacturing and data processing systems and utilizing statistical process control methods to optimize the manufacturing process and reduce cycle times.

Quality control is an integral part of the photomask manufacturing process. Photomasks are manufactured in temperature, humidity, and particulate controlled clean rooms because of the high level of precision, quality and yields required. Each photomask is inspected several times during the manufacturing process to ensure compliance with customer specifications. The Company continues to make substantial investments in equipment to inspect and repair photomasks to ensure that customer specifications are met. After inspection and any necessary repair, the Company utilizes proprietary processes to clean the photomasks prior to shipment.

The vast majority of photomask units produced for the semiconductor industry employ geometries of 90 nanometer or larger for ICs, and Generation 7 technologies or lower for FPDs. At these geometries, the Company can produce full lines of photomasks and there is no significant technology employed by the Company's competitors that is not available to the Company. Semiconductor fabrication also occurs below the 90 nanometer range for IC photomask technology and Generation 7 and above for FPD photomask technology. The Company is currently capable of producing a selective range of photomasks at these smaller geometries. However, as is typical of industries in the midst of technological change, some of the Company's competitors may be able to achieve higher manufacturing yields than the Company when producing these smaller geometry photomasks, in part because these competitors may have completed more cycles of learning than the Company in this area, and, in part, because of the Company's need to replicate production of these complex photomasks at its many locations worldwide. The Company believes that these cases are few and are not material to its business.

Sales and Marketing

The market for photomasks primarily consists of domestic and international semiconductor and FPD manufacturers and designers, including a limited number of manufacturers who have the capability to manufacture photomasks. Generally, the Company and each of its customers engage in a qualification and correlation process before the Company becomes an approved supplier. Thereafter, the Company typically negotiates pricing parameters for a customer's orders based on the customer's specifications. Some prices may remain in effect for an extended period. In some instances, the Company enters into sales arrangements, based on the understanding that, as long as the Company's performance is competitive, the Company will receive a specified percentage of that customer's photomask requirements.

The Company conducts its sales and marketing activities primarily through a staff of full-time sales personnel and customer service representatives who work closely with the Company's management and technical personnel. In addition to the sales personnel at the Company's manufacturing facilities, the Company has sales offices throughout the United States, Europe and Asia.

The Company supports international customers through both its domestic and international facilities. The Company considers its presence in international markets important to attracting new customers, providing global solutions to its existing customers, and serving customers that utilize manufacturing foundries outside of the United States, principally in Asia. For the amount of net sales and long-lived assets attributable to each of the Company's geographic areas of operations (see Note 16 to the Company's consolidated financial statements).

Customers

The Company primarily sells its products to leading semiconductor and FPD manufacturers. The Company's largest customers during the fiscal year ended November 2, 2008 ("fiscal 2008"), included the following:

AU Optronics Corp.	MStar Semiconductor, Inc.
Fairchild Semiconductor Intl., Inc.	National Semiconductor Corporation
Freescale Semiconductor, Inc.	Novatek Microelectronics Corp., Ltd.
HannStar Display Corp.	NXP Semiconductors
IM Flash Technologies, LLC	Samsung Electronics Co., Ltd.
Integrated Device Technology, Inc.	Skyworks Solutions, Inc.
Jazz Semiconductor, Inc.	ST Microelectronics, Inc.
LG Philips LCD Co., Ltd.	Systems on Silicon Mfg. Co., Pte. Ltd.
Magnachip Semiconductor	Texas Instruments Incorporated
Micron Technology, Inc.	United Microelectronics Corp.

During fiscal 2008, the Company sold its products and services to approximately 600 customers. Samsung Electronics Co., Ltd. accounted for approximately 25% of the Company's net sales in fiscal 2008, 2007 and 2006. This included sales of both IC and FPD photomasks. The Company's five largest customers, in the aggregate, accounted for approximately 44% in fiscal 2008, 43% in fiscal 2007 and 46% in fiscal 2006, of net sales. A significant decrease in the amount of sales to any of these customers could have a material adverse effect on the financial performance and business prospects of the Company.

Seasonality

The Company's quarterly revenues can be affected by the seasonal purchasing of its customers. The Company is typically impacted during its first fiscal quarter by the North American and European holiday periods, as some customers reduce their effective workdays and orders during this period. Additionally, the Company can be impacted during its first or second quarter by the Asian New Year holiday period which also may reduce customer orders. For fiscal 2009, the Asian New Year holiday will be in the Company's first fiscal quarter, in contrast to fiscal 2008 when it occurred in the Company's second fiscal quarter. At times, the Company's first quarter revenues have been down sequentially by as much as 10%. During the past three years, the second quarter resulted in increased sequential revenues of 3% to 7%.

Research and Development

The Company conducts its primary research and development activities at the MP Mask Technology Center, LLC ("MP Mask") joint venture operation located in Boise, Idaho, and in site-specific research and development programs at various locations around the world, primarily at its research and development center at PK, Ltd. ("PKL") located in Korea. The MP Mask research and development programs, coupled with site specific research and development initiatives, are designed to advance the Company's leadership in technology and manufacturing efficiency. The Company also conducts research and development activities to support advanced product integration including, but not limited to, numerical modeling and simulation of photomask processes, fabrication and delivery of product prototypes for next generation customer needs, and development of software tools and workflows necessary for the effective integration of the most advanced mask-based optical lithography solutions. Currently, research and development photomask activities are focused on 65, 45 and 32 nanometer node IC technology and Generation 8 and higher FPD technology. The Company believes these core competencies will continue to be a critical part of semiconductor manufacturing as optical lithography continues to scale device capabilities at and below 90 nanometer. The Company has incurred research and development expenses of $17.5 million, $17.3 million and $27.3 million in fiscal 2008, 2007 and 2006, respectively. The Company believes that it owns or controls valuable proprietary information necessary for its business as presently conducted. This

includes trade secrets as well as patents. Recently, the Company has either applied for or been granted patents pertaining to its manufacturing processes. The Company believes that its intellectual property is and will continue to be important to the Company's technical leadership in the field of photomasks.

Patents and Trademarks

The Company has over 40 patents with ownership interest in the United States. The subject matter of these patents generally relates to the manufacture of photomasks themselves and the use of photomasks to manufacture other products. The expiration dates of these patents range from 2011 to 2027. Additionally, pursuant to the technology license agreement with Micron, the Company has access to certain technology of Micron and MP Mask. The Company also has a number of trademarks and trademark registrations in the United States and in other countries.

While the Company believes that its intellectual property is, and will continue to be, important to the Company's technical leadership in the field of photomasks, the Company's operations are not dependent on any one individual patent. The Company protects its intellectual property rights regarding products and manufacturing processes through patents and trade secrets. The Company also relies on non-disclosure agreements with employees and vendors to protect its intellectual property and proprietary processes.

Materials, Supplies and Equipment

Raw materials used by the Company generally include high precision quartz plates (including large area plates), which are used as photomask blanks, primarily obtained from Japanese and Korean suppliers; pellicles and electronic grade chemicals, which are used in the manufacturing process; and compacts, which are durable plastic containers in which photomasks are shipped. These materials are generally sourced from several suppliers and although the Company is not dependent on any one supplier for most of its raw materials, glass blanks used for the production of certain high-end photomasks are only available from one supplier. The Company believes that its utilization of a select group of strategic suppliers enables it to access the most technologically advanced materials available. On an ongoing basis, the Company continues to consider additional supply sources.

The Company relies on a limited number of equipment suppliers to develop and supply the equipment used in the photomask manufacturing process. Although the Company has been able to obtain equipment on a timely basis, the inability to obtain equipment when required could adversely affect the Company's business and results of operations. The Company also relies on these and additional suppliers to develop future generations of manufacturing systems to support the Company's requirements.

Backlog

The first several levels of a set of photomasks for a circuit pattern are often required to be shipped within 24 hours of receiving a customer's designs. Because of the short period between order and shipment dates (typically from 1 day to 2 weeks) for a significant amount of the Company's sales, the dollar amount of current backlog is not considered to be a reliable indicator of future sales volume.

International Operations

International sales were approximately 77%, 75% and 73% of the Company's sales in fiscal 2008, 2007 and 2006, respectively. The Company believes that maintaining significant international operations requires it to have, among other things, a local presence in the markets in which it operates. This requires a significant investment in financial, management, operational, and other resources.

Operations outside the United States are subject to inherent risks, including fluctuations in exchange rates, political and economic conditions in various countries, unexpected changes in regulatory requirements, tariffs and other trade barriers, difficulties in staffing and managing international operations, longer accounts receivable collection cycles and potentially adverse tax consequences. These factors may have a material adverse effect on the Company's ability to generate sales outside the United States and to deploy resources where they can be used to their greatest advantage, and consequently may adversely affect its financial conditions and results of operations.

Note 16 of the notes to the Company's consolidated financial statements reports net sales and long-lived assets by geographic region.

Competition

The photomask industry is highly competitive and most of the Company's customers utilize multiple photomask suppliers. The Company's ability to compete depends primarily upon its consistency of product quality and timeliness of delivery, as well as pricing, technical capability and service. The Company also believes that proximity to customers is an important factor in certain markets where cycle time from order to delivery is critical. Certain competitors have substantially greater financial, technical, sales, marketing and other resources than the Company. The Company believes that consistency of product quality, timeliness of delivery, and price are the principal factors considered by customers in selecting their photomask suppliers. The Company's inability to meet these requirements could adversely affect its sales. The Company believes that it is able to compete effectively because of its dedication to customer service, its investment in state-of-the-art photomask equipment and facilities, and its experienced technical employees.

The Company estimates that for the types of photomasks it manufactures (IC and FPD) the size of the total market (captive and merchant) is approximately $3.5 billion. Competitors include Compugraphics, Inc., Dai Nippon Printing Co., Ltd., Hoya Corporation, SK-Electronics Co. Ltd., Taiwan Mask Corporation, Toppan Printing Co., Ltd. and Toppan Chungwha Electronics. The Company also competes with semiconductor manufacturers' captive photomask manufacturing operations that supply photomasks for internal use and, in some instances, also for external customers and foundries. The Company expects to face continued competition which in the past has led to pressure to reduce prices. The Company believes the pressure to reduce prices has contributed to the decrease in the number of independent manufacturers, and that expects such pressure to continue in the future.

Employees

As of November 2, 2008, the Company and its majority-owned subsidiaries had approximately 1,440 employees. The Company believes it offers competitive compensation and other benefits and that its employee relations are good. Except for certain employees in the United Kingdom, none of the Company's employees are represented by a union.

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

The Company is dependent on the semiconductor industry which as a whole is volatile and could have a negative material impact on its business.

The Company sells substantially all of its photomasks to semiconductor designers, manufacturers and foundries, as well as to other high performance electronics manufacturers. The Company believes that the demand for photomasks depends primarily on design activity rather than sales volume from products using photomask technology. Consequently, an increase in semiconductor sales does not necessarily result in a corresponding increase in photomask sales. In addition, the reduced use of customized ICs, a reduction in design complexity, other changes in the technology or methods of manufacturing or designing semiconductors or a slowdown in the introduction of new semiconductor designs could reduce demand for photomasks even if there is increased demand for semiconductors. Further, advances in design and production methods for semiconductors and other high performance electronics could reduce the demand for photomasks. Historically, the semiconductor industry has been volatile, with sharp periodic downturns and slowdowns. These downturns have been characterized by, among other things, diminished product demand, excess production capacity and accelerated erosion of selling prices. The semiconductor industry began to experience a downturn in fiscal 2008, which the Company believes could continue through fiscal 2009, which had an adverse impact on its 2008 operating results.

The Company's sales of photomasks for use in fabricating high performance electronic products such as FPDs increased in fiscal 2008 as compared to fiscal 2007. The Company's results may suffer if the FPD photomask market does not grow or if the Company is unable to serve this market successfully. As is the case with semiconductor photomask demand, the Company believes that demand for photomasks for FPDs depends primarily on design activity and, to a lesser extent upon an increase in the number of production facilities used to manufacture FPDs. As a result, an increase in FPD sales will not necessarily lead to a corresponding increase in photomask sales. The technology for fabricating FPDs continues to develop in order to increase the size and improve the resolution of FPDs. A slowdown in the development of new technologies for fabricating FPDs could reduce the demand for related photomasks even if demand for FPDs increases.

The Company's quarterly operating results fluctuate significantly and may continue to do so in the future which could adversely impact the Company's business.

The Company has experienced fluctuations in its quarterly operating results and anticipates that such fluctuations will continue and could intensify in the future. Fluctuations in operating results may result in volatility in the prices of the Company's securities, particularly its common stock and securities linked to the value of the Company's common stock. Operating results may fluctuate as a result of many factors, including size and timing of orders and shipments, loss of significant customers, product mix, technological change, fluctuations in manufacturing yields, competition and general economic conditions. The Company operates in a high fixed cost environment and to the extent its revenues and asset utilization increase or decrease, operating margins will be positively or negatively impacted. The Company's customers generally order photomasks on an as-needed basis, and substantially all of the Company's net sales in any quarter are dependent on orders received during that quarter. Since the Company operates with little backlog and the rate of new orders may vary significantly from month-to-month, the Company's capital expenditures and expense levels are based primarily on sales forecasts. Consequently, if anticipated sales in any quarter do not occur when expected, capital expenditures and expense levels could be disproportionately high, and the Company's operating results would be adversely affected. Due to the foregoing factors, the Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance. In addition, in future quarters the Company's operating results could be below the expectations of public market analysts and investors, which, in turn, could materially adversely affect the market prices of the Company's common stock.

The Company's industry is subject to rapid technological change and the Company might fail to remain competitive, which could have a material adverse effect on the Company's business and results of operations.

The photomask industry has been, and is expected to continue to be characterized by technological change and evolving industry standards. In order to remain competitive, the Company will be required to continually anticipate, respond to and utilize changing technologies of increasing complexity in both traditional and emerging markets that it serves. In particular, the Company believes that, as semiconductor geometries continue to become smaller and FPDs become larger with improved performance, it will be required to manufacture increasingly complex photomasks. Additionally, demand for photomasks has been, and could in the future be, adversely affected by changes in methods of fabricating semiconductors and high performance electronics (that could affect the type or quantity of photomasks utilized), such as changes in semiconductor demand that favor field programmable gate arrays and other semiconductor designs that replace application-specific ICs. Additionally, increased market acceptance of alternative methods of IC designs onto semiconductor wafers, such as direct-write lithography, could reduce or eliminate the need for photomasks entirely in the production of semiconductors. Through fiscal 2008, direct-write lithography has not been proven to be a commercially viable alternative to photomasks, as it is considered too slow for high volume semiconductor wafer production. However, should direct-write or any other alternative methods of transferring IC designs to semiconductor wafers without the use of photomasks achieve market acceptance, the Company's business and results of operations would be materially adversely affected. If the Company is unable to anticipate, respond to or utilize these or other changing technologies, due to resource, technological or other constraints, its business and results of operations could be materially adversely affected.

Further, should sales volumes decrease based upon the flow of design releases from the Company's customers, the Company may have excess or underutilized production capacity that could significantly impact operating margins, or result in write-offs from asset impairments.

The Company's operations will continue to require substantial capital, which it may be unable to obtain.

The manufacture of photomasks requires substantial investments in high-end manufacturing capability at existing and new facilities. The Company expects that it will be required to continue to make substantial capital expenditures to meet the technological demands of its customers and to position it for future growth. The Company's capital expenditure payments for fiscal 2009 are expected to be in the range of $40 million to $50 million, of which $24 million was accrued as of November 2, 2008. Further, the Company's credit facility has a limitation on capital expenditure payments. The Company cannot provide assurance that it will be able to obtain the additional capital required in connection with its operations on reasonable terms, if at all, or that any such expenditure will not have a material adverse effect on its business and results of operations.

The Company's agreements with Micron have several risks; should either company not comply or execute under these agreements it could significantly disrupt the Company's business and technology activities which could have a material effect on the Company's operations or cash flows.

On May 5, 2006, Photronics and Micron entered into a joint venture known as MP Mask. The joint venture develops and produces photomasks for leading-edge and advanced next generation semiconductors. As part of the formation of the joint venture, Micron contributed its existing photomask technology center located at its Boise, Idaho, headquarters to MP Mask and Photronics paid Micron $135.0 million in exchange for a 49.99% interest in MP Mask, a license for photomask technology of Micron and certain supply agreements. The Company invested an additional $2.6 million in 2008 and $3.5 million in 2007 in MP Mask for capital expenditure and working capital purposes, and received a distribution from MP Mask of $5.0 million in 2008.

In the first quarter of fiscal 2008, a capital lease agreement commenced with Micron for the U.S. Nanofab for $61.7 million principal amount. Photronics' total investment to date in the purchase and equipping of its U.S. Nanofab is approximately $186 million. The U.S. Nanofab began production in the Company's second fiscal quarter.

Failure by Photronics or Micron to comply or execute under any of these agreements, to capitalize on the use of existing technology or to further develop technology could result in a significant disruption to the Company's business and technology activities, and could adversely affect the Company's operations and cash flows.

The Company has been dependent on sales to a limited number of large customers; the loss of any of these customers or any reduction in orders from these customers could have a material adverse effect on its sales and results of operations.

Historically, the Company has sold a significant proportion of photomasks to a limited number of IC and FPD manufacturers. During fiscal 2008, one customer, Samsung Electronics Co., Ltd., accounted for approximately 25% of the Company's net sales. The Company's five largest customers, in the aggregate, accounted for 44% of net sales in fiscal 2008, 43% in fiscal 2007, and 46% in fiscal 2006. None of the Company's customers has entered into a long-term agreement with the Company requiring them to purchase the Company's products. The loss of a significant customer or any reduction or delay in orders from any significant customer, including reductions or delays due to customer departures from recent buying patterns, or market, economic, or competitive conditions in the semiconductor or FPD industries, could have a material adverse effect on the Company's financial performance and business prospects. The continuing consolidation of semiconductor manufacturers and economic downturn in the semiconductor industry may increase the likelihood of losing a significant customer and have an adverse effect on the Company's financial performance and business prospects.

The Company depends on a small number of suppliers for equipment and raw materials and, if the Company's suppliers do not deliver their products to them, the Company may be unable to deliver its products to its customers, which could adversely affect its business and results of operations.

The Company relies on a limited number of photomask equipment manufacturers to develop and supply the equipment it uses. These equipment manufacturers currently require lead times of up to 12 months between the order and the delivery of certain photomask imaging and inspection equipment. The failure of such manufacturers to develop or deliver such equipment on a timely basis could have a material adverse effect on the Company's business and results of operations. Further, the Company relies on equipment manufacturers to develop future generations of manufacturing equipment to meet its requirements. In addition, the manufacturing equipment necessary to produce advanced photomasks could become prohibitively expensive.

The Company uses high precision quartz photomask blanks, pellicles, and electronic grade chemicals in its manufacturing processes. There are a limited number of suppliers of these raw materials, and for production of certain high-end photomasks there is only one available supplier, and the Company has no long-term contract for the supply of these raw materials. Any delays or quality problems in connection with significant raw materials, particularly photomask blanks, could cause delays in shipments of photomasks, which could have a material adverse effect on the Company's business and results of operations. The fluctuation of foreign currency exchange rates with respect to prices of equipment and raw materials used in manufacturing also could have a material adverse effect on the Company's business and results of operations, although they have not been material to date.

The Company faces risks associated with complex manufacturing processes, including the use of sophisticated equipment and manufacturing processes with complex technologies; should the Company be unable to effectively utilize such processes and technologies it could have a material adverse effect on its business and results of operations.

The Company's complex manufacturing processes require the use of expensive and technologically sophisticated equipment and materials, and are continuously modified in an effort to improve manufacturing yields and product quality. Minute impurities, defects or other difficulties in the manufacturing process can lower manufacturing yields and make products unmarketable. Moreover, manufacturing leading-edge photomasks is more complex and time consuming than manufacturing less advanced photomasks, and may lead to delays in the manufacturing of all levels of photomasks. The Company has, on occasion, experienced manufacturing difficulties and capacity limitations that have delayed the Company's ability to deliver products within the time frames contracted for by its customers. The Company cannot provide assurance that it will not experience these or other manufacturing difficulties, or be subject to increased costs or production capacity constraints in the future, any of which could result in a loss of customers or could otherwise have a material adverse effect on its business and results of operations.

In the first quarter of fiscal 2008, a capital lease agreement commenced with Micron for the U.S. Nanofab. The Company cannot provide assurance that this facility will ramp up to anticipated production levels or that it will not experience any production or other difficulties.

Covenants in the Company's debt agreements limit its ability to obtain financing and obligate it to repay debt.

The Company's ability to comply with the financial and other covenants in its debt agreements may be affected by economic or business conditions or other events. As of November 2, 2008, the Company had a revolving credit facility with $122.5 million outstanding, and foreign loans with $30.5 million outstanding, that were subject to various financial and other covenants, which were last amended on December 12, 2008. The financial covenants include, among others, the Senior Leverage Ratio, Total Leverage Ratio, Minimum Fixed Charge Ratio and minimum quarterly EBITDA levels. Existing covenant restrictions limit the Company's ability to obtain additional debt financing and should the Company be unable to meet one or more of these covenants the bank may require the Company to repay its outstanding balances prior to the expiration date of the agreements. The Company cannot assure that additional sources of financing would be available to the Company to pay off the Company's long-term borrowings to avoid default.

On October 31, 2008, the Company's credit agreement was amended to change the minimum senior leverage ratio covenant, as defined, and to extend the date that the Company was required to obtain at least $75 million in permanent long-term capital from November 2, 2008 to December 5, 2008. The credit agreement was further amended on December 5, 2008 to extend the date to obtain at least $75 million in permanent long-term capital to December

12, 2008, at which date the credit agreement was last amended and, among other items, eliminated the requirement to obtain such permanent long-term capital.

Should the Company default on any of its long-term borrowings, a cross default would occur on its other long-term borrowings, unless amended or waived.

The Company's prior and future acquisitions may entail certain operational and financial risks.

The Company has made significant acquisitions throughout its history. Acquisitions have focused on increasing its manufacturing presence in Asia, including its acquisition of Photronics Semiconductor Mask Corporation ("PSMC"), a Taiwanese photomask manufacturer, in 2000 and PKL, a Korean photomask manufacturer, in 2001 and increasing the technology base through the MP Mask joint venture between Photronics and Micron in 2006. The Company may make additional acquisitions in the future. Acquisitions place significant demands on the Company's administrative, operational and financial personnel and systems. Managing acquired operations entails numerous operational and financial risks, including difficulties in the assimilation of acquired operations, diversion of management's attention from other business concerns, managing assets in multiple geographic regions, amortization of acquired intangible assets and potential loss of key employees of acquired operations. Sales of acquired operations also may decline following an acquisition, particularly if there is an overlap of customers served by the Company and the acquired operation, and these customers transition to another vendor in order to ensure a second source of supply. Furthermore, the Company may be required to utilize its cash reserves and/or issue new securities for future acquisitions, which could have a dilutive effect on its earnings per share.

The Company may incur unforeseen charges related to its intended restructuring of its European infrastructure or, it may fail to realize projected benefits related to the restructure.

In the fourth quarter of fiscal 2008, the Company announced its intention to streamline its European operations by ceasing the manufacture of photomasks at its facility in Manchester, United Kingdom. The Company expects this action to lower its operating costs and increase its manufacturing efficiencies. However, the Company cannot assure that this action will not result in unforeseen costs, disruptions in its operations, or other negative events that could result in the Company failing to realize the projected benefits of the restructure.

The Company operates in a highly competitive industry; should the Company be unable to meet its customers requirements for product quality, timelines of delivery or technical capabilities, it could adversely affect its sales.

The photomask industry is highly competitive, and most of the Company's customers utilize more than one photomask supplier. The Company's competitors include Compugraphics, Inc., Dai Nippon Printing Co., Ltd., Hoya Corporation, Taiwan Mask Corporation, Toppan Printing Co., Ltd. and Toppan Chungwha Electronics. The Company also competes with semiconductor manufacturers' captive photomask manufacturing operations. The Company expects to face continued competition from these and other suppliers in the future. Many of the Company's competitors have substantially greater financial, technical, sales, marketing and other resources than it does. Also, when producing smaller geometry photomasks, some of the Company's competitors may be able to more rapidly develop, produce, and achieve higher manufacturing yields than the Company. The Company believes that consistency of product quality and timeliness of delivery, as well as price, technical capability, and service, are the principal factors considered by customers in selecting their photomask suppliers. The Company's inability to meet these requirements could adversely affect its sales which

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could have a material adverse effect on its business and results of operations. In the past, competition led to pressure to reduce prices which, the Company believes, contributed to the decrease in the number of independent manufacturers. This pressure to reduce prices may continue in the future. In addition, certain semiconductor manufacturers possess their own captive facilities for manufacturing photomasks, some of which market their photomask manufacturing services to outside customers as well as to their internal organizations.

The Company's substantial international operations are subject to additional risks.

International sales accounted for approximately 77% of the Company's net sales for fiscal 2008, 75% in fiscal 2007, and 73% in fiscal 2006. The Company believes that maintaining significant international operations requires it to have, among other things, a local presence in the markets in which it operates. This requires a significant investment of financial, managerial, operational, and other resources. Since 1996, the Company has significantly expanded its operations in international markets by acquiring existing businesses in Europe, establishing manufacturing operations in Singapore, acquiring majority equity interests in photomask manufacturing operations in Korea and Taiwan and building a new manufacturing facility for FPD photomasks in Taiwan and a new photomask manufacturing facility in Shanghai, China. As the served market continues to shift to Asia, the Company will continue to assess its manufacturing base and may close or open new facilities to adapt to these market conditions.

Operations outside the United States are subject to inherent risks, including fluctuations in exchange rates, political and economic conditions in various countries, unexpected changes in regulatory requirements, tariffs and other trade barriers, difficulties in staffing and managing international operations, longer accounts receivable payment cycles and potentially adverse tax consequences. These factors may have a material adverse effect on the Company's ability to generate sales outside the United States and, consequently, on its business and results of operations.

Changes in foreign currency exchange rates could materially adversely affect the Company's business, results of operations, or financial condition.

The Company's financial statements are prepared in accordance with U.S. GAAP and are reported in U.S. dollars. The Company's international operations have transactions and balances denominated in currencies other than the U.S. dollar, primarily the Korean won, New Taiwan dollar, Chinese renminbi, Japanese yen, Singapore dollar, euro and British pound. In fiscal 2008, the Company recorded a net gain of $3.8 million in its statement of operations from changes in foreign currency rates, while its net assets were reduced by $62.2 million as a result of the translation of foreign currency financial statements to U.S. dollars. In the event of significant foreign currency fluctuations, the Company's results of operations, financial condition or cash flows may be adversely affected.

The Company's business depends on management and technical personnel, who are in great demand, and its inability to attract and retain qualified employees could adversely affect the Company's business and results of operations.

The Company's success, in part, depends upon key managerial, engineering and technical personnel, as well as its ability to continue to attract and retain additional personnel. The loss of certain key personnel could have a material adverse effect upon the Company's business and results of operations. There can be no assurance that the Company can retain its key managerial, engineering and technical employees, or that it can attract similar additional employees in the future. The Company believes that it provides competitive compensation and incentive packages to its employees.

The Company may be unable to enforce or defend its ownership and use of proprietary technology, and the utilization of unprotected Company developed technology by its competitors could adversely affect the Company's business, results of operations and financial position.

The Company believes that the success of its business depends more on its proprietary technology, information and processes and know-how than on its patents or trademarks. Much of its proprietary information and technology relating to manufacturing processes is not patented and may not be patentable. The Company cannot offer assurance that:

* it will be able to adequately protect its technology;

* competitors will not independently develop similar technology; or

* international intellectual property laws will adequately protect its intellectual property rights.

The Company may become the subject of infringement claims or legal proceedings by third parties with respect to current or future products or processes. Any such claims or litigation, with or without merit, to enforce or protect its intellectual property rights or to defend itself against claimed infringement of the rights of others could result in substantial costs, diversion of resources and product shipment delays or could force the Company to enter into royalty or license agreements rather than dispute the merits of these claims. Any of the foregoing could have a material adverse effect on the Company's business, results of operations and financial position.

The Company may be unprepared for changes to environmental laws and regulations and may have liabilities arising from environmental matters.

The Company is subject to numerous environmental laws and regulations that impose various environmental controls on, among other things, the discharge of pollutants into the air and water and the handling, use, storage, disposal and clean-up of solid and hazardous wastes. Changes in these laws and regulations may have a material adverse effect on the Company's financial position and results of operations. Any failure by the Company to adequately comply with these laws and regulations could subject it to significant future liabilities.

In addition, these laws and regulations may impose clean-up liabilities on current and former owners and operators of real property without regard to fault and these liabilities may be joint and several with other parties. In the past, the Company has been involved in remediation activities relating to its properties. The Company believes, based upon current information, that environmental liabilities relating to these activities or other matters are not material to its financial statements. However, there can be no assurances that the Company will not incur any material environmental liabilities in the future.

The Company's production facilities could be damaged or disrupted by a natural disaster or labor strike, either of which could adversely affect its financial position, results of operations and cash flows.

The Company's facilities in Taiwan are located in a seismically active area. In addition, a major catastrophe such as an earthquake or other natural disaster, labor strikes, or work stoppage at any of the Company's manufacturing facilities could result in a prolonged interruption of its business. Any disruption resulting from these events could cause significant delays in shipments of the Company's products and the loss of sales and customers, which could have a material adverse effect on the Company's financial position and results of operations, and cash flows.

The Company's sales can be impacted by the health and stability of the general economy, which could adversely affect its operations and cash flows.

Unfavorable changes in general economic conditions, including Asia, such as a recession or economic slowdown in the U.S. or other countries in which the Company does business, may have the effect of reducing the demand for photomasks. For example, an economic downturn may lead to a decrease in demand for end products whose manufacturing process involves the use of photomasks, which may result in a reduction in new product design and development by semiconductor manufacturers, which could adversely affect the Company's operations and cash flows.

Changes in the Company's credit rating could adversely affect its financial position.

The Company's credit rating can be materially influenced by acquisitions, dispositions, other investment decisions, and the results of its operations in the near-term. Should the Company's credit rating be downgraded, its cost and ability to raise needed working and investment capital could adversely affect its results of operations and cash flows.

Additional taxes could adversely effect the Company's financial results.

The Company's tax filings are subjected to audit by tax authorities in the various jurisdictions in which it does business. These audits may result in assessments of additional taxes that are subsequently resolved with the authorities or through the courts. Currently, the Company believes there are no outstanding assessments whose resolution would result in a material adverse financial result. However, the Company cannot offer assurances that unasserted or potential future assessments would not have a material adverse effect on its financial condition or results of operations.

The Company's business could be adversely impacted by global or regional catastrophic events.

The Company's business could be adversely affected by terrorist acts, the outbreak or escalation of wars, major natural disasters; or widespread outbreaks of infectious diseases. Such events in the geographic regions in which the Company does business could have material adverse impacts on its sales volume, cost of raw materials, earnings, cash flows and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. DESCRIPTION OF PROPERTY

The following table presents certain information about the Company's photomask manufacturing facilities:

Location	Type of Interest	
Allen, Texas	Owned	
Boise, Idaho	Leased	
Brookfield, Connecticut (Building #1)	Owned	
Brookfield, Connecticut (Building #2)	Owned	
Bridgend, South Wales	Leased	
Cheonan, Korea	Owned	
Dresden, Germany	Leased	
Hsinchu, Taiwan	Leased	
Manchester, England	Owned	(1)
Shanghai, China	Owned	(2)
Singapore	Leased	
Taichung, Taiwan	Owned	(2)

(1) Production at the Manchester, United Kingdom manufacturing facility ceased in January 2009.

(2) The Company owns its manufacturing facilities in Shanghai and Taichung, however, it leases the related land.

The Company believes that its existing manufacturing facilities are suitable and adequate for its present purposes. The Company also leases various sales offices. The Company's administrative headquarters are located in Brookfield, Connecticut in a building that it owns.

ITEM 3. LEGAL PROCEEDINGS

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

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal 2008.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDERS' MATTERS

The Common Stock of the Company is traded on the NASDAQ Stock Market, Inc. ("NASDAQ") under the symbol PLAB. The table below shows the range of high and low sale prices per share for each quarter for fiscal year 2008 and 2007, as reported on the NASDAQ.

	High	Low
Fiscal Year Ended November 2, 2008:		
Quarter Ended January 27, 2008	$13.10	$8.91
Quarter Ended April 27, 2008	12.87	8.44
Quarter Ended July 27, 2008	11.16	4.40
Quarter Ended November 2, 2008	4.74	0.39
Fiscal Year Ended October 28, 2007:		
Quarter Ended January 28, 2007	$16.97	$13.68
Quarter Ended April 29, 2007	16.88	15.00
Quarter Ended July 29, 2007	15.96	14.14
Quarter Ended October 28, 2007	14.54	10.38

On December 31, 2008, the closing sale price for the Common Stock as reported by NASDAQ was $1.95. Based on information available to the Company, the Company believes it has approximately 9,500 shareholders.

The Company has not paid any cash dividends to date and, for the foreseeable future, anticipates that earnings will continue to be retained for use in its business. Further, the Company's revolving credit facility ("credit facility") precludes it from paying cash dividends.

The information regarding the Company's equity compensation required to be disclosed by Item 201(d) of Regulation S-K is incorporated by reference from the Company's 2009 definitive Proxy Statement into Item 12 of Part III of this report.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is derived from the Company's audited consolidated financial statements. The data should be read in conjunction with the audited consolidated financial statements and notes thereto and other financial information included elsewhere in this Form 10-K (in thousands, except per share amounts):

	Year Ended				
	November 2, 2008	October 28, 2007	October 29, 2006	October 30, 2005	October 31, 2004
OPERATING DATA:					
Net sales	$422,548	$421,479	$454,875	$440,770	$395,539
Cost and expenses:					
Cost of sales	(349,841)	(321,958)	(307,851)	(295,649)	(260,232)
Selling, general and administrative	(55,167)	(61,507)	(62,215)	(54,295)	(53,487)
Research and development	(17,475)	(17,300)	(27,337)	(32,152)	(30,520)
Impairment of goodwill	(138,534) (a)	-	-	-	-
Impairment of long-lived assets	(66,874) (b)	-	-	-	-
Consolidation, restructuring and related charges	(510) (c)	-	(15,639) (d)	-	-
Gain on sale of facility	-	2,254	-	-	-
Operating income (loss)	(205,853)	22,968	41,833	58,674	51,300
Other income (expense):					
Interest expense	(11,878)	(5,928)	(11,916)	(10,885)	(14,723)
Investment and other income, net	5,562	6,844	15,469	7,556 (e)	4,468 (f)
Income (loss) before income tax benefit (provision) and minority interest	(212,169)	23,884	45,386	55,345	41,045
Income tax benefit (provision)	2,778	3,178	(10,462)	(10,058)	(5,761)
Minority interest in income of consolidated subsidiaries	(1,374)	(2,539)	(5,592)	(6,634)	(10,818)
Net income (loss)	$(210,765) (a) (b) (c)	$ 24,523	$ 29,332 (d)	$ 38,653 (e)	$ 24,466 (f)
Earnings (loss) per share:					
Basic	$(5.06) (a) (b) (c)	$0.59	$0.71 (d)	$1.09 (e)	$0.75 (f)
Diluted	$(5.06) (a) (b) (c)	$0.56	$0.66 (d)	$0.95 (e)	$0.68 (f)
Weighted average number of common shares outstanding:					
Basic	41,658	41,539	41,369	35,519	32,564
Diluted	41,658	51,282	51,072	45,256	42,339

BALANCE SHEET DATA:

	As of				
	November 2, 2008	October 28, 2007	October 29, 2006	October 30, 2005	October 31, 2004
Working capital	$66,419	$96,606	$127,691	$300,557	$240,401
Property, plant and equipment, net	436,528	531,578	443,637	412,429	396,461
Total assets	758,007	1,059,780	1,045,683	945,729	858,210
Long-term debt	202,979	191,253	170,288	238,949	315,888
Shareholders' equity	382,782	654,284	614,282	561,875	349,473

(a) Includes impairment of goodwill charge of $138.5 million ($137.3 million net of tax).

(b) Includes impairment charge of $66.9 million for certain long-lived assets in Asia and Europe ($60.9 million net of tax).

(c) Includes consolidation and restructuring charges of $0.5 million ($0.4 million net of tax) in connection with the closure of the Company's Manchester, United Kingdom manufacturing facility.

(d) Includes consolidation and restructuring charges of $15.6 million net of tax in connection with the closure of the Company's Austin, Texas manufacturing and research and development facility.

(e) Includes early extinguishment charge of $1.7 million in connection with the early redemption of $64.4 million of the Company's 4.75% convertible notes.

(f) Includes early extinguishment charge of $1.2 million in connection with the early redemption of $48.5 million of the Company's 4.75% convertible notes.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations for the Years Ended November 2, 2008, October 28, 2007 and October 29, 2006

Overview

The Company sells substantially all of its photomasks to semiconductor designers and manufacturers, and manufacturers of FPDs. Photomask technology is also being applied to the fabrication of other higher performance electronic products such as photonics, micro-electronic mechanical systems and certain nanotechnology applications. Thus, the Company's selling cycle is tightly interwoven with the development and release of new semiconductor designs and flat panel applications, particularly as it relates to the semiconductor industry's migration to more advanced design methodologies and fabrication processes. The Company believes that the demand for photomasks primarily depends on design activity rather than sales volumes from products produced using photomask technologies. Consequently, an increase in semiconductor or FPD sales does not necessarily result in a corresponding increase in photomask sales. In addition, the reduced use of customized ICs, reductions in design complexity, other changes in the technology or methods of manufacturing semiconductors, or a slowdown in the introduction of new semiconductor or FPD designs could reduce demand for photomasks even if demand for semiconductors and FPDs increases. Advances in semiconductor and photomask design and semiconductor production methods could reduce the demand for photomasks. Historically, the semiconductor industry has been volatile, with sharp periodic downturns and slowdowns. These downturns have been characterized by, among other things, diminished product demand, excess production capacity and accelerated erosion of selling prices. The semiconductor industry began to experience a downturn in fiscal 2008, which the Company believes could continue through fiscal 2009, which had an adverse impact on its 2008 operating results.

The global semiconductor industry is driven by end markets which have been closely tied to consumer driven applications of high performance semiconductor devices including, but not limited to, communications and mobile computing solutions. The Company is typically required to fulfill its customer orders within a short period of time, sometimes within 24 hours. This results in the Company having a minimal level of back-log orders, typically one to two weeks. The Company cannot predict the timing of the industry's transition to volume production of next generation technology nodes or the timing of up and down cycles with precise accuracy, but believes that such transitions and cycles will continue into the future, beneficially and adversely affecting its business, financial condition and operating results in the near term. The Company's ability to remain successful in these environments is based upon achieving its goals of being a service and technology leader, an efficient solutions supplier, and a company able to continually reinvest in its global infrastructure.

The effects of the worsening global economy and the tightening credit market are also making it increasingly difficult for the Company to obtain external sources of financing to fund its operations. The Company faces challenges in the current and near term that require it to continue to make significant improvements in its competitiveness. The Company continues to evaluate financing alternatives, delay capital expenditures and evaluate further cost reduction initiatives.

The Company is focused on improving its competiveness by advancing its technology and reducing costs. In addition, the Company increased its high-end manufacturing capability in 2008 with the commencement of production at its state-of-the-art nanofab facility ("U.S. Nanofab") in Boise, Idaho. To reduce costs, in the first quarter of fiscal 2009 the Company implemented a restructure initiative in Europe to reduce manufacturing and overhead costs, and reduce its workforce.

As of December 2008, state-of-the-art production for semiconductor masks is considered to be 45 nanometer and lower for ICs, and Generation 8 and above process technologies for FPDs, while 65 nanometer has moved into volume production. 90 nanometer and above geometries and Generation 7 and below process technologies for FPDs constitute the majority of designs being fabricated in volume today. The Company expects there to be an increase in 65 nanometer designs moving to wafer fabrication throughout fiscal 2009 and believes it is well positioned to service an increasing volume of this business through investments in manufacturing processes and technology in the global regions where its customers are located.

The photomask industry has been, and is expected to continue to be, characterized by technological change and evolving industry standards. In order to remain competitive, the Company will be required to continually anticipate, respond to, and utilize changing technologies. In particular, the Company believes that, as semiconductor geometries continue to become smaller, it will be required to manufacture even more complex optically-enhanced reticles, including optical proximity correction and phase-shift photomasks. Additionally, demand for photomasks has been, and could in the future be, adversely affected by changes in methods of semiconductor manufacturing (which could affect the type or quantity of photomasks utilized), such as changes in semiconductor demand that favor field-programmable gate arrays and other semiconductor designs that replace application-specific ICs. Through fiscal 2008, the Company has not experienced a significant loss of revenue as a result of alternative semiconductor design methodologies. Additionally, increased market acceptance of alternative methods of transferring circuit designs onto semiconductor wafers, such as direct-write lithography, could reduce or eliminate the need for photomasks. Through fiscal 2008, direct-write lithography has not been proven to be a commercially viable alternative to

photomasks, as it is considered too slow for high volume semiconductor wafer production. However, should direct-write or any other alternative methods of transferring IC designs to semiconductor wafers be done without the use of photomasks, the Company's business and results of operations would be materially adversely affected. If the Company is unable to anticipate, respond to, or utilize these or other changing technologies due to resource, technological or other constraints, its business and results of operations could be materially adversely affected.

Both revenues and costs have been affected by the increased demand for high-end technology photomasks that require more advanced manufacturing capabilities but generally command higher average selling prices ("ASPs"). The Company's capital expenditure payments for new facilities and equipment aggregated approximately $294 million for the three fiscal years ended November 2, 2008, resulting in significant increases in operating expenses. While the Company intends to continue to make the required investments to support the technological demands of its customers and position itself for future growth, it expects that its level of capital expenditures will decrease for the next several years. In 2006, the Company invested $135 million in the MP Mask joint venture, and technology license and related agreements.

The manufacture of photomasks for use in fabricating ICs and other related products built using comparable photomask-based process technologies has been, and continues to be, capital intensive due to the need to maintain a technology-based infrastructure. The Company's integrated global manufacturing network and employees, which consist of ten current manufacturing sites (the Manchester, United Kingdom facility ceased production in January 2009), represent a significant portion of its fixed operating cost base. Should sales volumes decrease based upon the flow of design releases from the Company's customers, the Company may have excess or underutilized production capacity that could significantly impact operating margins, or result in write-offs from asset impairments.

The vast majority of photomask units produced for the semiconductor industry employ geometries of 90 nanometers or larger for ICs, and Generation 7 technologies or lower for FPDs. At these geometries, the Company can produce full lines of photomasks and there is no significant technology employed by the Company's competitors that is not available to the Company. Semiconductor fabrication also occurs below 90 nanometer for ICs, and Generation 8 and above for FPDs. The Company is currently capable of producing a selective range of photomasks at these smaller geometries, and has begun accelerating its efforts to support the development and production of photomasks for 65, 45 and 32 nanometer technology nodes in semiconductors and Generation 8 in FPD. However, as is typical of industries in the midst of technological change, some of the Company's competitors may be able to achieve higher manufacturing yields than the Company when producing these smaller geometry photomasks, in part because these competitors may have completed more cycles of learning than the Company in this area and in part because of the Company's need to replicate production of these complex photomasks at its world-wide advanced technology locations.

In March of 2006, the Company further streamlined its operating infrastructure in North America by closing the Austin, Texas manufacturing and research and development center and relocating certain development and manufacturing work to other facilities within the global network. The Company incurred total restructuring charges of $15.6 million in its fiscal year ended October 29, 2006. In January 2007, the Company sold its Austin, Texas manufacturing and research and development facility for proceeds of $5.0 million and realized a gain of $2.3 million.

On May 5, 2006, Photronics and Micron entered into the MP Mask joint venture, which develops and produces photomasks for leading-edge and advanced next generation semiconductors. As part of the formation of the joint venture, Micron contributed its existing photomask technology center located at its Boise, Idaho, headquarters to MP Mask and Photronics paid Micron $135.0 million in exchange for a 49.99% interest in MP Mask and a license for photomask technology of Micron and certain supply agreements. The Company subsequently invested an additional $6.1 million in MP Mask for capital expenditure and working capital purposes, and received a return of investment from MP Mask of $5 million (see Note 3 to the consolidated financial statements).

In the first quarter of fiscal 2008, a capital lease agreement commenced with Micron for the U.S. Nanofab for a total cost of $61.7 million. The Company's total investment through fiscal 2008 in the purchase and equipping of its U.S. Nanofab was approximately $186 million. The U.S. Nanofab began production during the second quarter of fiscal 2008.

In the third quarter of fiscal 2008, the Company recorded impairment charges for certain of its long-lived assets and wrote off all $138.5 million of its goodwill (see Note 2 to the consolidated financial statements). In the fourth quarter of fiscal 2008, the Company announced its intention to cease the manufacture of photomasks at its Manchester, United Kingdom facility (see Note 18 to the consolidated financial statements).

Results of Operations

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

	Year Ended		
	November 2, 2008	**October 28, 2007**	**October 29, 2006**
Net sales	100.0%	100.0%	100.0%
Cost of sales	(82.8)	(76.4)	(67.7)
Gross margin	17.2	23.6	32.3
Selling, general and administrative expenses	(13.1)	(14.6)	(13.7)
Research and development expenses	(4.1)	(4.1)	(6.0)
Impairment of goodwill	(32.8)	-	-
Impairment of long-lived assets	(15.8)	-	-
Consolidation, restructuring and related charges	(0.1)	-	(3.4)
Gain on sale of facility	-	0.5	-
Operating income (loss)	(48.7)	5.4	9.2

Interest expense	(2.8)	(1.4)	(2.6)
Investment and other income, net	1.3	1.6	3.4
Income (loss) before income tax benefit (provision) and minority interest	(50.2)	5.6	10.0
Income tax benefit (provision)	0.6	0.8	(2.3)
Minority interest	(0.3)	(0.6)	(1.3)
Net income (loss)	(49.9)%	5.8%	6.4%

Note: All the following tabular comparisons, unless otherwise indicated, are for the fiscal years ended November 2, 2008 (2008), October 28, 2007 (2007) and October 29, 2006 (2006), in millions of dollars.

Net Sales

				Percent Change	
	2008	**2007**	**2006**	**2008 to 2007**	**2007 to 2006**
FPD	$107.6	$ 82.1	$ 99.8	31.1%	(17.7)%
IC	314.9	339.4	355.1	(7.2)	(4.4)
Total net sales	$422.5	$421.5	$454.9	0.3%	(7.3)%

Net sales for 2008 increased 0.3% to $422.5 million as compared to $421.5 million for 2007. The increase is related to increased sales of FPD photomasks of $25.5 million, primarily related to increased sales of high-end FPD photomasks; substantially offset by reduced sales of IC photomasks of $24.5 million associated with decreased ASPs, primarily for mainstream photomasks. High-end photomask applications, which typically have higher ASPs, include photomask sets for FPD products using G6 and above technologies and IC products using 90 nanometer and below technologies. During 2008, sales of high-end photomasks totaled $115 million as compared to $92 million in 2007. Total sales of high-end FPD photomasks increased by $20 million, and sales of high-end IC photomasks increased by $3.0 million. By geographic area, net sales in 2008 as compared to 2007 increased by $16.5 million or 6.8% in Asia, decreased by $10.4 million or 9.7% in North America, and decreased by $5.0 million or 7.0% in Europe. As a percent of total sales in 2008, sales were 61% in Asia, 23% in North America and 16% in Europe.

Net sales for 2007 decreased 7.3% to $421.5 million as compared to $454.9 million for 2006. The decrease is related to reducedsales of FPD photomasks of $17.7 million associated with decreased ASPs primarily for high-end FPD photomasks; and reduced sales of IC photomasks of $15.7 million as a result of a decline in ASPs, primarily from mainstream products.During 2007, sales of high-end photomasks totaled $92 million as compared to $91 million in 2006. Total sales of high-end FPD masks decreased by $18 million, while sales of high-end IC photomasks increased by $19 million. By geographic area, net sales in 2007 as compared to 2006 decreased by $9.8 million or 3.9% in Asia, by $15.2 million or 12.4% in North America, and by $8.4 million or 10.5% in Europe. As a percent of total sales in 2007, sales were 58% in Asia, 25% in North America, and 17% in Europe.

Gross Margin

				Percent Change	
	2008	**2007**	**2006**	**2008 to 2007**	**2007 to 2006**
Gross margin	$72.7	$99.5	$147.0	(26.9)%	(32.3)%
Gross margin %	17.2%	23.6%	32.3%	-	-

Gross margin decreased to 17.2% in 2008 from 23.6% in 2007 primarily due to costs relating to the Company's increased manufacturing base, including costs associated with the U.S. Nanofab which commenced operations in the second fiscal quarter of 2008, and reduced ASPs for IC photomasks, principally mainstream. The decreased gross margin was partially mitigated by increased high-end revenues, primarily for FPD photomasks. The Company operates in a high fixed cost environment and to the extent that the Company's revenues and utilization increase or decrease, gross margin will be positively or negatively impacted. The gross margin percentage in fiscal 2009 could be negatively impacted by decreased ASPs and units, and increased depreciation expense and costs associated with the Company's increased fixed cost manufacturing base.

Gross margin decreased to 23.6% in 2007 from 32.3% in 2006 primarily due to decreased ASPs for both IC and FPD photomasks and the Company's increased manufacturing base in Asia.

Selling, General and Administrative Expenses

				Percent Change	
	2008	**2007**	**2006**	**2008 to 2007**	**2007 to 2006**

S,G&A expense	$55.2	$61.5	$62.2	(10.3)%	(1.1)%
% of net sales	13.1%	14.6%	13.7%	-	-

Selling, general and administrative expenses decreased by $6.3 million or 10.3% to $55.2 million in 2008, as compared to $61.5 million in 2007. The decrease was related to certain U.S. Nanofab costs reported in costs of sales since production commenced in the second quarter of fiscal 2008, and reduced compensation expense, due in part to reduced headcount and cost reduction programs.

Selling, general and administrative expenses decreased by $0.7 million or 1.1% to $61.5 million in 2007 from $62.2 million in 2006. The decrease was primarily due to decreased compensation expense, which was partially offset by start-up expenses related to the U.S. Nanofab.

Research and Development

				Percent Change	
	2008	**2007**	**2006**	**2008 to 2007**	**2007 to 2006**
R&D expense	$17.5	$17.3	$27.3	1.0%	(36.7)%
% of net sales	4.1%	4.1%	6.0%	-	-

Research and development expenditures consist primarily of global development efforts of high-end process technologies for advanced sub-wavelength reticle solutions for IC and FPD technologies. Research and development expenses decreased in both 2008 and 2007 as compared to 2006 as a result of cost savings associated with the 2006 closure of the Company's Austin, Texas research and development operations, which were in part offset by amortization expenses of the fair value of the agreement to license technology from Micron.

Impairment of Goodwill

Through the third quarter of fiscal 2008, the Company experienced a sustained, significant decline in its stock price. As a result of the decline in stock price, the Company's market capitalization fell significantly below the recorded value of its consolidated net assets during the third quarter of fiscal 2008. Due to the decrease in its market capitalization and quarterly net losses incurred through the third quarter of fiscal 2008, management tested goodwill for impairment in accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets.* The results of the analysis indicated that there would be no remaining implied value attributable to the Company's goodwill and, accordingly, the Company wrote off all $138.5 million of its goodwill in fiscal 2008 (see Note 2 to the consolidated financial statements).

Impairment of Long-Lived Assets

As a result of the Company's projected undiscounted future cash flows related to certain of its asset groups (located in Europe and Asia) being less than the carrying value of those assets, the Company recorded an impairment charge of $66.9 million in the third quarter of fiscal 2008. As required by SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets* the carrying value of the assets determined to be impaired were reduced to their fair values (see Note 2 to the consolidated financial statement).

Consolidation, Restructuring and Related Charges

In the fourth quarter of fiscal 2008 the Company announced its intention to streamline its European operations by ceasing the manufacturing of photomasks at its facility in Manchester, United Kingdom. The Company expects to record an after tax charge in the range of $3.0 million to $5.0 million through fiscal 2009 (including $0.4 million after tax recorded in fiscal 2008), approximately 25% of which will be for non-cash items. The Company expects to recover all related charges within a one year period through lower operating costs and increased manufacturing efficiencies. The Company estimates that approximately 85 employees will be affected by the planned closure. Production ceased at the Manchester, United Kingdom facility in January 2009.

In the second quarter of 2006, the Company streamlined its operating infrastructure in North America by ceasing the manufacture and research and development of photomasks at its Austin, Texas facility. The Company recorded total restructuring charges of $15.6 million in 2006, primarily comprised of $14.3 million related to the impairment of facilities and equipment and $1.3 million relating to workforce reductions of approximately 95 employees in the United States.

The Company continues to assess its global manufacturing strategy as its sales volume continues to grow in Asia. This ongoing assessment could result, in the future, in facilities closures, asset redeployment, workforce reductions, and the addition of increased manufacturing facilities, all of which would be predicated by market conditions and customer requirements.

Gain on Sale of Facility

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

Other Income (Expense)

	2008	2007	2006
Interest expense	$(11.9)	$(5.9)	$(11.9)
Investment and other income, net	5.6	6.8	15.5
Total other income (expense)	$ (6.3)	$ 0.9	$ 3.6

Interest expense increased in 2008 as compared to 2007, primarily as a result of increased interest rates and increased outstanding debt balances. Investment and other income net, decreased in 2008 as compared to 2007, primarily due to reduced interest income associated with lower cash and investment balances, which were offset by increased foreign currency gains.

Interest expense decreased in 2007 as compared to 2006, primarily as a result of the Company's repaying the remaining outstanding balance of its $87.1 million, 4.75% convertible subordinated notes upon maturity on December 15, 2006. Investment and other income net, for 2007, decreased as compared to 2006, primarily due to reduced foreign currency gains and reduced investment income associated with reduced investment balances. Further, realized gains on the sales of investments and other assets were $0.9 million in 2007 as compared to $3.6 million in 2006.

Income Tax Benefit (Provision)

	2008	2007	2006
Income tax benefit (provision)	$2.8	$3.2	$(10.5)
Effective income tax rate	1.3%	13.3%	(23.1)%

The Company's operations have followed the recent migration of semiconductor industry fabrication to Asia, where the Company operates in countries where it is accorded favorable tax treatments. PKLT, the Company's FPD manufacturing facility in Taiwan, is accorded a tax holiday which expires in December 2012. In addition, the Company has been accorded a tax holiday in China which is expected to expire in 2011. In Korea, various investment tax credits have been utilized to reduce the Company's effective income tax rate. The Company's tax returns are subject to periodic examination by the tax authorities in the various jurisdictions in which it operates. The Company regularly assesses the potential outcomes of ongoing and future examinations and has provided accruals for tax contingencies in accordance with FASB Interpretation Number 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109* ("SFAS 109").

The income tax benefit for the fiscal year ended November 2, 2008 was $2.8 million or 1.3% of loss before income taxes. The income tax benefit differs from the amount that would result from applying the federal statutory income tax rate of 35% to the Company's loss before income taxes, primarily due to the Company's inability to record a full income tax benefit for the impairments of the goodwill and long-lived assets, additional valuation allowances in taxable jurisdictions and available tax credits in Korea.

The income tax benefit for the fiscal year ended October 28, 2007 was $3.2 million or 13.3% of income before income taxes, which differs from the federal statutory income tax rate of 35%, primarily as a result of a recognized tax benefit of $7.4 million and to a lesser extent available tax credits in Korea. During the fiscal year ended October 28, 2007, the Company recorded a tax benefit in the amount of $7.4 million related to the resolution and settlement of U.S. and foreign tax matters that were associated with certain tax positions in prior years.

The Company evaluates the recoverability of deferred tax assets from future taxable income and establishes valuation allowances if recovery is deemed not likely. The valuation allowance increased $8.8 million and $2.4 million in fiscal 2008 and 2007, respectively.

The availability of tax holidays in some Asian jurisdictions did not have a significant impact on the Company's decision to close some of its North American facilities nor in the Company's increased Asian presence which is in response to fundamental changes taking place in the semiconductor industry that the Company serves. These tax holidays had no dollar or per share effect on the 2008, 2007 or 2006 fiscal years. As semiconductor fabrication has migrated to Asia, in large part from the United States, the Company has followed, in order to avoid a severe loss of business.

In June 2006, the FASB issued FIN 48, which contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS 109, *Accounting for Income Taxes*. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company adopted FIN 48 as of the beginning of its 2008 fiscal year. Prior to adoption, the Company's pre-existing policy was to establish reserves, including interest and penalties, for uncertain tax positions that reflected the probable outcome of known tax contingencies. As of the date of adoption of FIN 48, the Company has elected to recognize interest, and penalties if applicable, related to uncertain tax positions in the income tax provision in its condensed consolidated statements of operations. As compared to the Company's historical approach, the application of FIN 48 resulted in a net increase to accrued income taxes payable of approximately $1.0 million (including interest and penalties of approximately $0.2 million), and a decrease to retained earnings of the same amount. There were no significant changes to the liability for uncertain tax positions during the fiscal year ended November 2, 2008.

Minority Interest in Consolidated Subsidiaries

Minority interest in consolidated subsidiaries, which represents the minority interest in earnings of the Company's non-wholly owned subsidiaries in Taiwan and Korea, was $1.4 million in fiscal year 2008 as compared to $2.5 million in fiscal year 2007. The decrease in minority interest expense is due to decreased net income of the Company's non-wholly owned subsidiary in Taiwan. The Company's ownership in its subsidiary in Korea was 99.7% at November 2, 2008, October 28, 2007 and October 29, 2006. The Company's ownership in its subsidiary in Taiwan was 58% at November 2, 2008, October 28, 2007 and October 29, 2006. The Company increased its ownership in its subsidiary in Korea from 96.5% to 99.7% during fiscal 2006 for cash of approximately $8.5 million.

Liquidity and Capital Resources

	November 2, 2008	October 28, 2007	October 29, 2006
	(in millions)	*(in millions)*	*(in millions)*
Cash and cash equivalents	$ 83.8	$146.0	$129.4
Short-term investments	1.3	5.7	69.9
Total	$ 85.1	$151.7	$199.3
Net cash provided by operating activities	$ 92.1	$134.7	$ 116.2
Net cash used in investing activities	$(99.2)	$(29.7)	$(201.2)
Net cash (used in) provided by financing activities	$(47.7)	$(89.8)	$ 13.5

As of November 2, 2008 the Company had cash and equivalents and short-term investments of $85 million compared to $152 million as of October 28, 2007.

The Company's working capital decreased $30.2 million to $66.4 million at the end of fiscal 2008, as compared to $96.6 million at the end of fiscal 2007. The decrease was primarily related to a decrease in cash and short-term investments used for capital expenditure payments and to an increase in the current portion of outstanding long-term borrowings due primarily to capital lease obligations.

Cash provided by operating activities was $92.1 million for fiscal 2008, as compared to $134.7 million for fiscal 2007. This decrease was primarily due to a net loss incurred in fiscal 2008 as compared to net income in fiscal 2007, and lower year-over-year accounts payable and accrued liability balances. Cash provided by operating activities was $134.7 million for fiscal 2007, as compared to $116.2 million for fiscal 2006. This increase was primarily due to lower accounts receivable balances associated with decreased 2007 sales as well as increases in accounts payable partially offset by decreased accrued liabilities.

Cash used in investing activities in fiscal 2008 increased to $99.2 million, as compared to $29.7 million in 2007, primarily due to proceeds from the sale of short-term investments decreased year-over-year by $62.5 million. Capital expenditures for the fiscal years ended 2008, 2007, and 2006 were $105.1 million, $94.1 million and $94.6 million, respectively. The Company expects capital expenditure payments for fiscal 2009 to be approximately $40 million to $50 million, primarily related to investment in high-end IC manufacturing capability. Cash used in investing activities in fiscal 2007 decreased to $29.7 million, as compared to $201.2 million in 2006, primarily as a result of the initial payment of $120 million to Micron for the investment in MP Mask and related technology license and supply agreements having been made in fiscal 2006 and a decrease in the purchase of short-term investments from $82.6 million in 2006 to $4.2 million in 2007.

Cash used in financing activities was $47.7 million in fiscal 2008, a decrease of $42.1 million compared to $89.8 million in fiscal 2007. Cash used in financing activities in 2008 was primarily related to the Company's redemptions of its $150.0 million outstanding 2.25% convertible subordinated notes on April 15, 2008, offset in part by $122.5 million net borrowings on its revolver. Cash used in financing activities in 2007 was primarily related to the Company's redeeming its $87.1 million outstanding 4.75% convertible subordinated notes in December 2006.

On June 6, 2007, the Company and a group of financial institutions entered into a credit agreement, which allows for borrowings under various currencies. On October 31, 2008, the Company's credit agreement was amended to change the minimum Senior Leverage Ratio covenant, as defined, and to extend the date it was required to obtain at least $75 million in permanent long-term capital from November 2, 2008 to December 5, 2008. The credit agreement was further amended on December 5, 2008 to extend the date to obtain at least $75 million in permanent long-term capital to December 12, 2008, at which date the credit agreement was last amended and, among other items, eliminated the requirement to obtain such permanent long-term capital. The credit agreement was last amended on December 12, 2008. Among other items, the last amendment provided for the following: the maturity date of the credit agreement was changed from June 6, 2012 to July 30, 2010; the aggregate commitment was reduced from $155 million to $135 million, and is further reduced to $120 million on October 31, 2009 and $100 million on January 31, 2010; substantially all of the Company's assets in the United States were pledged as collateral; financial covenants were modified and include, among other items as defined, a Senior Leverage Ratio, Total Leverage Ratio, Minimum Fixed Charge Ratio, and a quarterly minimum EBITDA covenant, as defined. Additionally, cash received as a result of certain events, as defined, is required to be used to pay down the outstanding loan balance and reduce the available credit facility by the same amount; and there is a capital expenditure payment limitation. The credit agreement also continues to provide for Minimum Unrestricted Cash Balances of $50 million, as defined, and limits the amount of both secured and unsecured debt. The credit facility is also secured by a pledge of the Company's stock in certain of its subsidiaries. As of November 2, 2008, $122.5 million was outstanding under the credit facility, $3.6 million was utilized for a standby letter of credit, and the remaining balance of $8.9 million was available to the Company based upon the subsequently amended aggregate commitment of $135 million.

In addition to the credit agreement discussed above, on December 12, 2008, the maturity date of the foreign revolving loan and term loan was amended from October 11, 2010 to January 31, 2010. Further, the interest rate on these foreign loans was amended and is currently based on the Peoples Bank of China base rate, plus a spread (as defined), and the lenders have the right to secure the Company's assets in China.

The Company's liquidity is highly dependent on its ability to receive orders as it operates in a high fixed cost environment and the timing of capital expenditures, both of which can vary significantly from period to period. Depending on conditions in the IC semiconductor and FPD market, the Company's cash flows from operations and current holdings of cash and investments may not be adequate to meet the Company's current and long-term needs for capital expenditures and operations. Historically, in certain years the Company has used external financing to fund these needs. Due to conditions in the credit markets, some financing instruments used by the Company in the past are currently not available to the Company. The Company is evaluating financing alternatives, delaying capital expenditures and evaluating further cost reduction initiatives. However, the Company cannot assure that additional sources of financing would be available to the Company on commercially favorable terms should the Company's capital requirements exceed cash available from operations and existing cash, short-term investments and cash available under its credit facility.

At November 2, 2008, the Company had outstanding purchase commitments of approximately $46 million, which include approximately $31 million related to capital expenditures, primarily related to investment in high-end IC manufacturing capability. The Company will use its working capital and cash generated from operations to finance its capital expenditures.

Cash Requirements

The Company's cash requirements in fiscal 2009 will be primarily to fund operations, including capital spending and debt service. The Company believes that its cash on hand, cash generated from operations and amounts available under its credit facility will be sufficient to meet its cash requirements for the next 12 months. The Company regularly reviews the availability and terms on which it might issue additional equity or debt securities in the public or private markets. However, the Company cannot assure that additional sources of financing would be available to the Company on commercially favorable terms should the Company's capital requirements exceed cash available from operations and existing cash, short-term investments and cash available under its credit facility.

Contractual Cash Obligations

The following table quantifies the Company's future contractual obligations as of November 2, 2008:

	Payments Due				
	Total	**Less Than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**More Than 5 Years**
Long-term borrowings	$153.0	$ 5.8	$147.2	$ -	$ -
Operating leases	10.7	2.8	3.5	2.1	2.3
Capital leases	70.6	14.8	33.2	22.6	-
Unconditional purchase obligations	45.6	15.8	29.8	-	-
Interest	32.5	16.8	14.5	1.2	-
Total	$312.4	$56.0	$228.2	$25.9	$2.3

As of November 2, 2008, the Company had FIN 48 liabilities of $3.1 million which were not included in the above table due to the high degree of uncertainty regarding the timing of future payments relating to such liabilities, and it was not practical to determine a reasonably reliable estimate of the amount and period when such liabilities might be paid.

Off-Balance Sheet Arrangements

Under the Operating Agreement relating to the MP Mask joint venture, through May 5, 2010, the Company may be required to make additional capital contributions to the joint venture of up to a maximum amount as defined in the Operating Agreement. Through the end of fiscal year 2008, the Company has contributed $6.1 million to the joint venture, and has received a distribution from the joint venture of $5.0 million.

Stock-based Compensation

Total stock-based compensation expense for the year ended November 2, 2008 was $2.6 million, as compared to $2.9 million for the year ended October 28, 2007, substantially all of which is in selling, general and administrative expenses. No compensation cost was capitalized as part of inventory, and no income tax benefit has been recorded. As of November 2, 2008, total unrecognized compensation cost of $6.0 million is expected to be recognized over a weighted-average amortization period of 3.5 years.

Business Outlook

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

The Company continues to assess its global manufacturing strategy and monitor its market capitalization, sales volume and related cash flows from operations. This ongoing assessment could result in future facilities closures, asset redeployments, additional impairments of intangible or long-lived assets, workforce reductions, or the addition of increased manufacturing facilities, all of which would be based on market conditions and customer requirements.

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

Application of Critical Accounting Procedures

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

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in them. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Significant accounting estimates include those used in the testing of long-lived assets and goodwill for potential impairment, and those used in developing income tax provisions, allowances for uncollectible accounts receivable, inventory valuation allowances, and restructuring reserves. The Company's estimates are based on the facts and circumstances available at the time and different reasonable estimates could have been used in the current period. Changes in accounting estimates used are likely to occur from period to period, which may have a material impact on the presentation of the Company's financial condition and results of operations. Actual results reported by the Company may differ from such estimates. The Company reviews these estimates periodically and reflects the effect of revisions in the period in which they are determined.

Derivative Instruments and Hedging Activities

The Company records derivatives in the condensed consolidated balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives are reported in the condensed consolidated statements of income or as accumulated other comprehensive income, a separate component of shareholders' equity, depending on the use of the derivatives and whether they qualify for hedge accounting. Among other criteria, in order to qualify for hedge accounting, the derivative must be a hedge for an interest rate, price, foreign currency exchange rate, or credit risk; expected to be highly effective at the inception of the hedge and be highly effective in achieving offsetting changes in the fair value or cash flows of the hedged items during the term of the hedge, and formally documented at the inception of the hedge. The Company uses judgment in assessing the fair value of derivatives and related financial instruments, including assumptions utilized in derivative fair value models in areas such as projected interest and foreign currency exchange rates during the contract term. At times, the Company manages a portion of its foreign currency exchange and interest rate risks through these derivative instruments.

Property, Plant and Equipment

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

Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 15 to 40 years, machinery and equipment over 3 to 10 years and furniture, fixtures and office equipment over 3 to 5 years. Leasehold improvements are amortized over the life of the lease or the estimated useful life of the improvement, whichever is less. Judgment and assumptions are used in establishing estimated useful lives and depreciation periods. The Company also uses judgment and assumptions as it periodically

reviews property, plant and equipment for any potential impairment in carrying values whenever events such as a significant industry downturn, plant closures, technological obsolescence or other changes in circumstances indicate that their carrying amount may not be recoverable. Fair value amounts used in these analyses represent management's best estimate of fair values.

Goodwill and Other Intangible Assets

Intangible assets consist primarily of a technology license agreement, a supply agreement, acquisition-related intangibles, and prior to July 27, 2008, goodwill. These assets, except as explained below, are stated at fair value as of the date acquired less accumulated amortization. Amortization is calculated on a straight-line basis or another method that more fairly represents the utilization of the assets. The future economic benefit of the carrying values of intangible assets that are subject to amortization are tested for recoverability whenever events or changes in circumstances indicate the carrying value of an intangible asset may not be recoverable based on discounted cash flows or market factors and an impairment loss would be recorded in the period so determined.

In accordance with SFAS No. 142, the Company tests goodwill for impairment annually and when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill is tested for impairment using a two-step process. In the first step, the fair value of the reporting unit is compared to its carrying value. For purposes of testing impairment under SFAS No. 142, the Company is a single reporting unit. If the fair value of the reporting unit exceeds the carrying value of its net assets, goodwill is considered not impaired and no further testing is required. If the carrying value of the net assets exceeds the fair value of the reporting unit, a second step of the impairment test is performed in order to determine the implied fair value of a reporting unit's goodwill. Determining the implied fair value of goodwill requires a valuation of the reporting unit's tangible and intangible assets and liabilities in a manner similar to the allocation of purchase price in a business combination. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of its goodwill, goodwill is deemed impaired and is written down to the extent of the difference.

In performing the goodwill assessment, the Company uses current market capitalization, discounted cash flows and other factors as the best evidence of fair value. There are inherent uncertainties and management judgment required in an analysis of goodwill impairment (see Note 2 to the consolidated financial statements).

Impairment of Long-Lived Assets

As required by SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets,"* long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on the Company's judgment and estimates of undiscounted future cash flows resulting from the use of the assets and their eventual disposition. Measurement of an impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold and use is based on the fair value of the asset.

The carrying values of the assets determined to be impaired are reduced to their estimated fair values. The fair values of the impaired assets are determined based on market conditions, the income approach which utilizes cash flow projections, and other factors (see Note 2 to the consolidated financial statements).

Investment in Joint Venture

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

Income Taxes

The income tax (provision) benefit is computed on the basis of the various tax jurisdictions' financial statements income or loss before income taxes. Deferred income taxes reflect the tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company uses judgment and assumptions to determine if valuation allowances for deferred income tax assets are required if realization is not likely by considering future market growth, forecasted operations, future taxable income, and the mix of earnings in the tax jurisdictions in which it operates.

The Company considers income taxes in each of the tax jurisdictions in which it operates in order to determine its effective income tax rate. Current income tax exposure is identified and temporary differences resulting from differing treatments of items for tax and financial reporting purposes are assessed. These differences result in deferred tax assets and liabilities, which are included in the Company's consolidated balance sheets. Additionally, the Company evaluates the recoverability of deferred income tax assets from future taxable income and establishes valuation allowances if recovery is deemed not likely. Accordingly, the income tax provision in the consolidated statements of operations is impacted by changes in the valuation allowance. Significant management estimates and judgment are required in determining any valuation allowance recorded against net deferred tax assets.

Revenue Recognition

The Company recognizes revenue when there is persuasive evidence that an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured. The Company uses judgment when estimating the effect on revenue of discounts and product warranty obligations, both of which are accrued when the related revenue is recognized.

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

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

Sales Taxes - The Company presents it revenues in the consolidated statements of operations net of sales taxes, if any (excluded from revenues).

Stock-based Compensation

The Company adopted SFAS No. 123(R) *Share-Based Payment* on October 31, 2005, using the modified prospective method. Subsequently, compensation expense is recognized in the Company's consolidated statements of income, over the service period that the awards are expected to vest. The Company recognizes expense for all stock-based compensation with graded vesting granted on or after October 31, 2005 on a straight-line basis over the vesting period of the entire award. For awards with graded vesting granted prior to October 31, 2005, the Company continues to recognize compensation cost over the vesting period following accelerated recognition as if each underlying vesting date represented a separate award. Stock-based compensation expense includes the estimated effects of forfeitures, which will be adjusted over the requisite service period to the extent actual forfeitures differ, or are expected to differ from such estimates. Changes in estimated forfeitures are recognized in the period of change and will also impact the amount of expense to be recognized in future periods. The Company adopted the alternative transition method provided in FASB Staff Position No. 123(R)-3 for calculating the tax effects of share-based compensation. Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the grant date requires considerable judgment, including estimating stock price volatility, expected option life and forfeiture rates.

As a result of adopting SFAS No. 123(R) on October 31, 2005, the Company's income before income taxes and net income for the year ended October 29, 2006 was $1.3 million, or $0.03 per basic and diluted share less than if it had

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continued to account for share-based compensation under APB Opinion No. 25. There was no change in the statement of cash flows as a result of adoption of SFAS No. 123(R).

The Company uses the Black-Scholes option valuation model to value employee stock awards. The Company estimates stock price volatility based on weekly averages of its historical volatility over a term approximately equal to the grant's estimated option life. Estimated option life and forfeiture rate assumptions are derived from historical data.

Effect of New Accounting Standards

In May 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP No. APB 14-1 requires that issuers of convertible debt instruments that may be settled in cash upon conversion separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP No. APB 14-1 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years, and is required to be retrospectively applied. The Company is evaluating the impact, if any, that the adoption of FSP No. APB 14-1 will have on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS No. 162 became effective in November 2008. Its adoption is not expected to have a material impact on the Company's consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB No. 133." SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities by requiring entities to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. The Company is evaluating the impact, if any, SFAS No. 161 will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51." SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim statements within those fiscal years. The Company is currently evaluating the impact SFAS No. 160 will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations." SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and, therefore will not impact the Company's consolidated financial statements upon adoption.

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

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" which provides a consistent definition of fair value which focuses on exit price and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. SFAS No. 157 requires expanded disclosures about fair value measurements and

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establishes a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The standard also requires that a company use its own nonperformance risk when measuring liabilities carried at fair value, including derivatives. In February 2008, the FASB approved a FASB Staff Position ("FSP") that permits companies to partially defer the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The FSP did not permit companies to defer recognition and disclosure requirements for financial assets and financial liabilities or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually. SFAS No. 157 is effective for financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions of SFAS No. 157 will be applied prospectively. The Company intends to defer adoption of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company is currently evaluating the effects, if any, that SFAS No. 157 may have on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Exchange Rate Risk

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

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

The Company's primary net foreign currency exposures as of November 2, 2008 included the Korean won, the Japanese yen, the Singapore dollar, the New Taiwan dollar, the Chinese renminbi, the British pound, and the euro. As of November 2, 2008, a 10% adverse movement in the value of these currencies against the U.S. dollar would have resulted in a net unrealized pre-tax loss of $4.6 million. The Company does not believe that a 10% change in the exchange rates of other non-U.S. dollar currencies would have a material effect on its consolidated financial position, results of operations, or cash flows.

In April, 2006, the Company's Korean subsidiary entered into a foreign currency rate swap contract which, under the terms of the contract, effectively converted a $50 million interest bearing intercompany loan denominated in U.S. dollars to Korean won. The intercompany loan was repaid and related swap settled during the nine month period ended July 27, 2008, including a final payment of $5.0 million during the three month period ended July 27, 2008.

In accordance with SFAS No. 133, "Accounting for Derivatives and Hedging Activities," hedges related to anticipated transactions are designated and documented at their inception as cash flow hedges and are evaluated for effectiveness. In September, 2006, the Company entered into forward contracts to convert the fixed yen purchase price of certain equipment into fixed U.S. dollar amounts, which were designated as cash flow hedges. The Company records these derivative instruments in either current assets, noncurrent assets, or accrued liabilities, depending on their net position, at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are recognized in earnings for the ineffective portion of hedges, or in shareholders equity as a component of accumulated other comprehensive income or loss for the effective portion. As of November 2, 2008, all of the Company's forward contracts were settled.

In April 2008, the Company's Korean and Taiwanese subsidiaries each entered into separate foreign currency exchange rate swap contracts that effectively converted a $12 million interest bearing intercompany loan denominated in U.S. dollars into their respective local currencies. Both contracts expire in conjunction with the April 2009 maturity date of the intercompany loan. The Company did not elect to designate either contract as a fair value hedge.

Interest Rate Risk

The majority of the Company's borrowings at November 2, 2008 was in the form of borrowings under the Company's credit facility, last amended on December 12, 2008, and certain foreign loans payable with variable interest rates. The $86.9 million net carrying value of its 4.75% convertible subordinated note was repaid by the Company in December 2006. At November 2, 2008 and October 28, 2007, the Company had approximately $72 million and $97 million, respectively, in net variable rate financial instruments which were sensitive to interest rate risk. A 10% change in interest rates would not have a material effect on the Company's consolidated financial position, results of operations, or cash flows in either 2008 or 2007.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	32
Consolidated Balance Sheets at November 2, 2008 and October 28, 2007	33
Consolidated Statements of Operations for the years ended November 2, 2008, October 28, 2007 and October 29, 2006	34
Consolidated Statements of Shareholders' Equity for the years ended November 2, 2008, October 28, 2007 and October 29, 2006	35
Consolidated Statements of Cash Flows for the years ended November 2, 2008, October 28, 2007 and October 29, 2006	36
Notes to Consolidated Financial Statements	37
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	68
Schedule II - Valuation and Qualifying Accounts for the years ended November 2, 2008, October 28, 2007 and October 29, 2006	68

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Photronics, Inc.
Brookfield, Connecticut

We have audited the accompanying consolidated balance sheets of Photronics, Inc. and subsidiaries (the "Company") as of November 2, 2008 and October 28, 2007 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three fiscal years in the period ended November 2, 2008. We also have audited the Company's internal control over financial reporting as of November 2, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting in Item 9A. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Photronics, Inc. and subsidiaries as of November 2, 2008 and October 28, 2007, and the results of their operations and their cash flows for each of the three fiscal years in the period ended November 2, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 2, 2008, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP
Stamford, Connecticut
January 14, 2009

PHOTRONICS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except per share amounts)

	November 2, 2008	October 28, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 83,763	$ 146,049
Short-term investments	1,343	5,657
Accounts receivable, net of allowance of $2,788 in 2008 and $3,721 in 2007	68,095	68,248
Inventories	17,548	17,716
Deferred income taxes	2,843	3,071
Other current assets	8,905	6,244
Total current assets	182,497	246,985
Property, plant and equipment, net	436,528	531,578
Goodwill	-	138,534
Investment in joint venture	65,737	67,900
Other intangibles, net	62,386	68,835
Other assets	10,859	5,948
	$758,007	$1,059,780
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term borrowings	$ 20,630	$ 4,482
Accounts payable	69,791	114,221
Accrued liabilities	25,657	31,676
Total current liabilities	116,078	150,379

Long-term borrowings	202,979	191,253
Deferred income taxes	1,813	8,143
Other liabilities	4,739	6,256
Total liabilities	325,609	356,031
Minority interest	49,616	49,465
Commitments and contingencies	-	-
Shareholders' equity:		
Preferred stock, $0.01 par value, 2,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.01 par value, 150,000 shares authorized, 41,712 shares issued and outstanding at November 2, 2008 and 41,635 shares issued and outstanding at October 28, 2007	417	416
Additional paid-in capital	384,502	381,876
Retained earnings	15,364	227,175
Accumulated other comprehensive income (loss)	(17,501)	44,817
Total shareholders' equity	382,782	654,284
	$758,007	$1,059,780

See accompanying notes to consolidated financial statements.

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

	Year Ended		
	November 2, 2008	**October 28, 2007**	**October 29, 2006**
Net sales	$ 422,548	$421,479	$454,875
Cost and expenses:			
Cost of sales	(349,841)	(321,958)	(307,851)
Selling, general and administrative	(55,167)	(61,507)	(62,215)
Research and development	(17,475)	(17,300)	(27,337)
Impairment of goodwill	(138,534)	-	-
Impairment of long-lived assets	(66,874)	-	-
Consolidation, restructuring and related charges	(510)	-	(15,639)
Gain on sale of facility	-	2,254	-
Operating income (loss)	(205,853)	22,968	41,833
Other income (expense):			
Interest expense	(11,878)	(5,928)	(11,916)
Investment and other income, net	5,562	6,844	15,469
Income (loss) before income tax benefit (provision) and minority interest	(212,169)	23,884	45,386
Income tax benefit (provision)	2,778	3,178	(10,462)
Income (loss) before minority interest	(209,391)	27,062	34,924
Minority interest in income of consolidated subsidiaries	(1,374)	(2,539)	(5,592)

Net income (loss)	$(210,765)	$ 24,523	$ 29,332
Income (loss) per share:			
Basic	$(5.06)	$0.59	$0.71
Diluted	$(5.06)	$0.56	$0.66
Weighted average number of common shares outstanding:			
Basic	41,658	41,539	41,369
Diluted	41,658	51,282	51,072

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
Years Ended November 2, 2008, October 28, 2007 and October 29, 2006
(in thousands)

	Common Stock				Accumulated Other Comprehensive Income						
	Shares	Amount	Add'l Paid-In Capital	Retained Earnings	Unrealized Investment Gains	Cash Flow Hedges	Foreign Currency Translation	Other	Total	Compensation On Restricted Stock	Shareholder's Equity
Balance at October 30, 2005	41,304	$413	$374,326	$173,320	$1,784	$(786)	$12,852	$ -	$13,850	$(34)	$561,875
Comprehensive income:											
Net income	-	-	-	29,332	-	-	-	-	-	-	29,332
Unrealized holding gains					1,188	-			1,188		1,188
Less: reclassification adjustments	-	-	-	-	(2,297)	-	-	-	(2,297)	-	(2,297)
Change in fair value of cash flow hedge	-	-	-	-	-	(35)	-	-	(35)	-	(35)
Foreign currency translation adjustment	-	-	-	-	-	-	20,366	-	20,366	-	20,366
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	48,554
Sale of common stock through employee stock option and purchase plans	151	2	2,078	-	-	-	-	-	-	-	2,080
Restricted stock awards, net of amortization to compensation expense	30	-	399	-	-	-	-	-	-	34	433
Stock-based compensation expense	-	-	1,340	-	-	-	-	-	-	-	1,340
Balance at October 29, 2006	41,485	415	378,143	202,652	675	(821)	33,218	-	33,072	-	614,282
Comprehensive income:											
Net income	-	-	-	24,523	-	-	-	-	-	-	24,523
Unrealized holding gains					142				142	-	142
Less: reclassification adjustments	-	-	-	-	(600)	-	-	-	(600)	-	(600)
Change in fair value of cash flow hedge	-	-	-	-	-	(1,024)	-	-	(1,024)	-	(1,024)
Foreign currency translation adjustment	-	-	-	-	-	-	13,496	-	13,496	-	13,496
Other	-	-	-	-	-	-	-	(269)	(269)	-	(269)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	36,268
Sale of common stock through employee stock option and purchase plans	80	1	972	-	-	-	-	-	-	-	973
Restricted stock awards,											

net of amortization to compensation expense	70	-	730	-	-	-	-	-	-	-	730
Stock based compensation expense	-	-	2,031	-	-	-	-	-	-	-	2,031
Balance at October 28, 2007	41,635	416	381,876	227,175	217	(1,845)	46,714	(269)	44,817	-	654,284
Comprehensive income:											
Net loss	-	-	-	(210,765)	-	-	-	-	-	-	(210,765)
Unrealized holding losses					(340)	-	-	-	(340)	-	(340)
Less: reclassification adjustments	-	-	-	-	61	-	-	-	61	-	61
Amortization of cash flow hedges	-	-	-	-	-	193	-	-	193	-	193
Foreign currency translation adjustment	-	-	-	-	-	-	(62,234)	-	(62,234)	-	(62,234)
Other	-	-	-	-	-	-	-	2	2	-	2
Total comprehensive loss	-	-	-	-	-	-	-	-	-	-	(273,083)
Sale of common stock through employee stock option and purchase plan	25	-	162	-	-	-	-	-	-	-	162
Restricted stock awards, net of amortization to compensation expense	52	1	1,167	-	-	-	-	-	-	-	1,168
Stock-based compensation expense	-	-	1,297		-	-	-	-	-	-	1,297
Adoption of FIN 48 adjustment	-	-	-	(1,046)	-	-	-	-	-	-	(1,046)
Balance at November 2, 2008	41,712	$417	$384,502	$15,364	$(62)	$(1,652)	$(15,520)	$(267)	$(17,501)	$ -	$382,782

See accompanying notes to consolidated financial statements.

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

	Year Ended		
	November 2, 2008	**October 28, 2007**	**October 29, 2006**
Cash flows from operating activities:			
Net income (loss)	$(210,765)	$ 24,523	$ 29,332
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	95,931	89,752	85,409
Amortization of deferred financing fees and intangible assets	8,001	8,266	5,269
Impairment of goodwill	138,534	-	-
Impairment of long-lived assets	66,874	-	-
Stock-based compensation	2,622	2,890	1,970
Minority interest in income of consolidated subsidiaries	1,374	2,539	5,592
Gain on sale of facility	-	(2,254)	-
Deferred income taxes	(1,944)	(961)	965
Consolidation, restructuring and related charges	510	-	15,639
Changes in assets and liabilities:			
Accounts receivable	(7,310)	18,370	(9,161)
Inventories	(2,622)	2,008	3,302
Other current assets	(4,410)	7,528	(7,272)
Accounts payable, accrued liabilities and other	5,285	(17,968)	(14,846)
Net cash provided by operating activities	92,080	134,693	116,199
Cash flows from investing activities:			
Purchases of property, plant and equipment	(105,125)	(94,132)	(94,646)
Purchases of short-term investments and other	(327)	(4,151)	(82,582)
Proceeds from sales of short-term investments and other	3,815	66,304	104,962
Investment in joint venture, technology and supply agreements	(2,598)	(3,499)	(120,505)
Return of investment from joint venture	5,000	-	-
Proceeds from sale of facility and other	-	5,784	-
Acquisition of additional interest in PK, Ltd.	-	-	(8,432)
Net cash used in investing activities	(99,235)	(29,694)	(201,203)

Cash flows from financing activities:			
Proceeds from long-term borrowings	139,640	4,303	20,303
Repayments of long-term borrowings	(176,009)	(87,084)	(8,566)
Payments to Micron Technology, Inc.	(7,500)	(7,500)	-
Proceeds from exercised stock options and other	-	988	1,809
Other	(3,790)	(527)	-
Net cash (used in) provided by financing activities	(47,659)	(89,820)	13,546
Effect of exchange rate changes on cash	(7,472)	1,445	4,834
Net increase (decrease) in cash and cash equivalents	(62,286)	16,624	(66,624)
Cash and cash equivalents at beginning of year	146,049	129,425	196,049
Cash and cash equivalents at end of year	$ 83,763	$146,049	$129,425
Supplemental disclosure of cash flow information:			
Change in accrual for purchases of property, plant and equipment	$(46,769)	$ 51,582	$ 18,692
Capital lease obligation for purchases of property, plant and equipment	$ 61,662	$ 19,912	$ -

See accompanying notes to consolidated financial statements.

PHOTRONICS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended November 2, 2008, October 28, 2007 and October 29, 2006
(in thousands, except share amounts)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Photronics, Inc. and its subsidiaries (the "Company" or "Photronics") is one of the world's leading manufacturers of photomasks, which are high precision photographic quartz plates containing microscopic images of electronic circuits. Photomasks are a key element in the manufacture of semiconductors and flat panel displays ("FPDs"), and are used as masters to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits ("IC") and a variety of FPDs and, to a lesser extent, other types of electrical and optical components. The Company currently operates principally from ten manufacturing facilities; two of which are located in Europe, two in Taiwan, one each in Korea, Singapore, and China; and three in the United States, including a state-of-the-art nanofab facility ("U.S. Nanofab") in Boise, Idaho, which commenced production during the second quarter of fiscal 2008. In the fourth quarter of fiscal 2008, the Company announced its intention to streamline its European operations and close its photomask manufacturing facility in Manchester, United Kingdom, which ceased production in January 2009.

Consolidation

The accompanying consolidated financial statements include the accounts of Photronics and its majority-owned subsidiaries, in which the Company exercises control. All significant intercompany balances and transactions have been eliminated in consolidation.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in them. Actual results may differ from such estimates.

Fair Value of Financial Instruments

The fair value of the Company's short-term and long-term investments is estimated by management based upon reference to quoted market prices and other available market information. The fair values of the Company's other financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and certain other current assets and current liabilities, and variable rate borrowings approximate their carrying value due to their short-term maturities.

Derivative Instruments and Hedging Activities

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

Fiscal Year

The Company's fiscal year ends on the Sunday closest to October thirty-first, and, as a result, a 53-week year occurs every 5 to 6 years. Fiscal years 2006, and 2007 included 52 weeks; while fiscal year 2008 included 53 weeks. Fiscal year 2009 will include 52 weeks.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments purchased with an original maturity of 3 months or less. The carrying values of cash equivalents approximate fair values based on the short maturity of these instruments.

Investments

The Company's investments, comprised of marketable equity securities and fixed income bonds, are classified as available-for-sale, and are carried at fair value. Investments available for current operations are classified in the consolidated balance sheets as current assets; investments held for long-term purposes are classified as non-current assets. Unrealized gains and losses, net of tax, are reported in other comprehensive income ("OCI") as a separate component of shareholders' equity. Gains and losses are reported in the consolidated statements of operations when realized, determined based on the disposition of specifically identified investments.

Investments identified by the Company as being potentially impaired are subject to further analysis to determine if the impairment is other than temporary. Other than temporary declines in market value from original costs are charged to investment and other income, net, in the period in which the loss occurs. In determining whether investment holdings are other than temporarily impaired, the Company considers the nature, cause, severity and duration of the impairment. The Company and its investment advisors used analyst reports, credit ratings or other items as part of its review.

Inventories

Inventories, principally raw materials, are stated at the lower of cost, determined under the first-in, first-out ("FIFO") method, or market.

Property, Plant and Equipment

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

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

Goodwill and Other Intangible Assets

Intangible assets consist primarily of a technology license agreement, a supply agreement, acquisition-related intangibles, and prior to July 27, 2008, goodwill. These assets are stated at fair value as of the date acquired less accumulated amortization. Amortization is calculated on a straight-line basis or another method that more fairly represents the utilization of the assets. The future economic benefit of the carrying value of intangible assets is reviewed annually and the Company uses judgment whenever events or changes in circumstances indicate the carrying value of an intangible asset may not be recoverable based on discounted cash flows or market factors and an impairment loss would be recorded in the period so determined. Refer to Note 2 for further discussion of impairment charges recognized in fiscal 2008.

In performing the annual review and assessment, the Company considers current market capitalization, discounted cash flows and other factors as the best evidence of fair value. There are inherent uncertainties and management judgment required in these analyses.

Impairment of Long-Lived Assets

As required by Statement of Financial Accounting Standard (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on the Company's judgment and estimates of undiscounted future cash flows resulting from the use of the assets and their eventual disposition. Measurement of an impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold and use is based on the fair value of the asset.

The fair values of the impaired long-lived assets are determined based on market conditions, the income approach utilizing cash flow projections, and other factors (see Note 2).

Investment in Joint Venture

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

Income Taxes

The income tax (provision) benefit is computed on the basis of the various tax jurisdictions' financial statements income or loss before income taxes. Deferred income taxes reflect the tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company uses judgment and assumptions to determine if valuation allowances for deferred income tax assets are required if realization is not likely by considering future market growth, forecasted operations, future taxable income, and the mix of earnings in the tax jurisdictions in which it operates.

The Company considers income taxes in each of the tax jurisdictions in which it operates in order to determine its effective income tax rate. Current income tax exposure is identified and temporary differences resulting from differing treatments of items for tax and financial reporting purposes are assessed. These differences result in deferred tax assets and liabilities, which are included in the Company's consolidated balance sheets. Additionally, the Company evaluates the recoverability of deferred income tax assets from future taxable income and establishes valuation allowances if recovery is deemed not likely. Accordingly, the income tax provision in the consolidated statements of operations is impacted by changes in the valuation allowance. Significant management estimates and judgment are required in determining any valuation allowance recorded against net deferred tax assets.

Earnings Per Share

Basic earnings per share ("EPS") is based on the weighted average number of common shares outstanding for the period, excluding any dilutive common share equivalents. Diluted EPS reflects the potential dilution that could occur if certain securities or other contracts to issue common stock were exercised or converted.

Stock-Based Compensation

The Company adopted SFAS No. 123(R), *Share-Based Payment* on October 31, 2005, using the modified prospective method. Subsequently compensation expense is recognized in its consolidated statements of operations over the service period that the awards are expected to vest. The Company recognizes expense for all stock-based compensation with graded vesting granted on or after October 31, 2005 on a straight-line basis over the vesting period of the entire award. For awards with graded vesting granted prior to October 31, 2005, the Company continues to recognize compensation cost over the vesting period following accelerated recognition as if each underlying vesting date represented a separate award. Stock-based compensation expense includes the estimated effects of forfeitures, which will be adjusted over the requisite service period to the extent actual forfeitures differ, or are expected to differ from such estimates. Changes in estimated forfeitures will be recognized in the period of change and will also impact the amount of expense to be recognized in

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future periods. The Company adopted the alternative transition method provided in Financial Accounting Standards Board ("FASB") Staff Position No. 123(R)-3 for calculating the tax effects of share-based compensation. Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the grant date requires considerable judgment, including estimating stock price volatility, expected option life and forfeiture rates.

As a result of adopting SFAS No. 123(R) on October 31, 2005, the Company's income before income taxes and net income for the year ended October 29, 2006 was $1.3 million, or $0.03 per basic and diluted share less than if it had continued to account for share-based compensation under APB Opinion No. 25. There was no change in the statement of cash flows as a result of adoption of SFAS No. 123(R).

The Company uses the Black-Scholes option valuation model to value employee stock awards. The Company estimates stock price volatility based on weekly averages of its historical volatility over a term approximately equal to the grant's estimated option life. Estimated option life and forfeiture rate assumptions are derived from historical data.

Research and Development

Research and development costs are expensed as incurred, and consist primarily of global development efforts of high-end process technologies for advanced sub-wavelength reticle solutions for IC and FPD photomask technologies.

Research and development expenses also include the amortization of the carrying value of a technology license agreement with Micron (see Note 3 and Note 6 to the consolidated financial statements). Under this technology license agreement, the Company has access to certain photomask technology developed by Micron.

Foreign Currency Translation

The Company's international subsidiaries maintain their accounts in their respective local currencies. Assets and liabilities of such subsidiaries are translated to U.S. dollars at year-end exchange rates. Income and expenses are translated at average rates of exchange prevailing during the year. Foreign currency translation adjustments are accumulated and reported as OCI as a separate component of shareholders' equity. The effects of changes in exchange rates on foreign currency transactions, which are included in investment and other income, net, were $3.8 million, $1.0 million and $4.3 million in fiscal 2008, 2007 and 2006, respectively.

Minority Interest

Minority interest represents the minority shareholders' proportionate share in the equity of the Company's two majority-owned subsidiaries, PK, Ltd. ("PKL") in Korea, and Photronics Semiconductor Mask Corporation ("PSMC") in Taiwan, of which minority shareholders owned approximately 0.3% and 42%, respectively, as of November 2, 2008 and October 28, 2007.

Revenue Recognition

The Company recognizes revenue when there is persuasive evidence that an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. The Company uses judgment when estimating the effect on revenue of discounts and product warranty obligations, both of which are accrued when the related revenue is recognized.

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

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

Sales Taxes - The Company presents it revenues in the consolidated statements of income, net of sales taxes, if any (excluded from revenues).

NOTE 2 - IMPAIRMENTS OF GOODWILL AND LONG-LIVED ASSETS

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, and SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, as of July 27, 2008 the Company performed an interim impairment test of its goodwill and certain of its long-lived assets (principally machinery and equipment, and buildings and improvements) due to events and changes in circumstances through the third quarter of fiscal 2008 that indicated an impairment might have occurred.

Factors deemed by management to have collectively constituted an impairment triggering event included net losses in each of three quarters of fiscal 2008, and a significant decrease in the Company's market capitalization through the third quarter of fiscal 2008 which was significantly below its consolidated net assets. As a result of this impairment testing, the Company recorded the following impairment charges during fiscal 2008:

Impairment of goodwill	$138,534
Impairment of long-lived assets	66,874
Total impairments	$205,408

Goodwill

In accordance with SFAS No. 142, the Company tests goodwill for impairment annually and when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill is tested for impairment using a two-step process.

Through the third quarter of fiscal 2008, the Company experienced a sustained, significant decline in its stock price. As a result of the decline in stock price, the Company's market capitalization fell significantly below the recorded value of its consolidated net assets during the third quarter of fiscal 2008. Accordingly, in the third quarter of fiscal 2008, management performed an assessment of goodwill for impairment. The result of the analysis indicated that there would be no remaining implied value attributable to the Company's goodwill and accordingly, the Company wrote off all of its $138.5 million of goodwill as of July 27, 2008.

In performing the goodwill assessment, the Company used current market capitalization, discounted cash flows and other factors as the best evidence of fair value. For purposes of testing impairment under SFAS No. 142, the Company is a single reporting unit. There are inherent uncertainties and management judgment required in an analysis of goodwill impairment.

Long-Lived Assets

In connection with the triggering events discussed above, during the third quarter of fiscal year 2008 the Company determined that long-lived assets were impaired for certain groups of its assets. The determination was based on reviewing estimated undiscounted cash flows for these groups of assets, which were less than their carrying values. The Company considers its asset groups to be the assets and liabilities at each of its locations, primarily consisting of machinery and equipment, and buildings and improvements. As a result, the Company recorded an impairment charge of $66.9 million as of July 27, 2008, which represents the difference between the estimated fair values of these long-lived assets as compared to their carrying values for certain asset groups located in Asia and Europe. Fair values were determined based upon market conditions, the income approach which utilized cash flow projections, and other factors.

NOTE 3 - JOINT VENTURE, TECHNOLOGY LICENSE AND OTHER AGREEMENTS WITH MICRON TECHNOLOGY, INC.

On May 5, 2006, Photronics and Micron entered into the MP Mask joint venture, which develops and produces photomasks for leading-edge and advanced next generation semiconductors. As part of the formation of the joint venture, Micron contributed its existing photomask technology center located at its Boise, Idaho, headquarters to MP Mask and Photronics invested $135 million in exchange for a 49.99% interest in MP Mask, a license for photomask technology of Micron, and certain supply agreements. Of the total $135 million investment, $120 million was paid to Micron on May 6, 2006 and, as of that date, the remaining $15 million was a non-cash financing activity, which was subsequently paid in two installments of $7.5 million each in May 2007 and June 2008.

MP Mask is governed by a Board of Managers, appointed by Micron and the Company. Since MP Mask's inception, Micron, as a result of its majority ownership, has appointed the majority of the managers. The number of managers appointed by each party is subject to change as ownership interests change. Under the Operating Agreement relating to the MP Mask joint venture, through May 5, 2010, the Company may be required to make additional capital contributions to the joint venture of up to a maximum amount as defined in the Operating Agreement. The Company made additional investments in MP Mask of $2.6 million in 2008 and $3.5 million in 2007, which were used for working capital and capital expenditure purposes, and received a return of investment from MP Mask of $5.0 million in 2008.

This joint venture is a variable interest entity as defined by Financial Accounting Standards Board Interpretation No. 46(R), "Consolidation of Variable Interest Entities" primarily because the holders of the equity interests are protected from the obligation to absorb expected losses that would result from the

variability of the cash flows of the joint venture. The Company has determined that it is not the primary beneficiary and, therefore, accounts for its interest in the joint venture using the equity method of accounting.

In the first quarter of fiscal 2008, a capital lease agreement commenced with Micron for the U.S. Nanofab facility. The initial lease principal was $61.7 million principal, payable by the Company to Micron over a 5-year period (see Note 8). The Company's total investment to date in the purchase and equipping of its U.S. Nanofab is approximately $186 million. This U.S. Nanofab began production in the second fiscal quarter of 2008.

As of November 2, 2008, the Company owed MP Mask $3.5 million and had a receivable from Micron of $3.8 million, both primarily related to the supply agreements. The Company, in 2008, recorded $2.7 million of commission revenue earned under the supply agreements it has with Micron and MP Mask. Amortization of $1.5 million of the supply agreement intangible asset resulted in net earnings related to the supply agreements of $1.2 million in 2008. The recorded commission revenue of $2.7 million represents the excess of $44.8 million in orders received from Micron over the Company's cost of $42.1 million to fulfill the orders through MP Mask. For certain sales during 2008, the Company also recorded cost of sales in the amount of $3.2 million for photomasks produced by MP Mask for the Company's customers and incurred outsourcing expenses of $1.7 million from MP Mask for research and development activities purchased by the Company. The Company also purchased excess equipment from MP Mask for use in its U.S. Nanofab in the amount of $4.1 million in 2008.

As of October 28, 2007, the Company owed MP Mask $6.4 million and had a receivable from Micron of $6.1 million, both primarily related to the supply agreements. The Company, in 2007, recorded $3.9 million of commission revenue earned under the supply agreements it has with Micron and MP Mask. Amortization of $1.8 million of the supply agreement intangible asset resulted in net earnings related to the supply agreements of $2.1 million in 2007. The recorded commission revenue of $3.9 million represents the excess of $56.3 million in orders received from Micron over the Company's cost of $52.4 million to fulfill the orders through MP Mask. The Company, during 2007, also recorded cost of sales in the amount of $3.7 million for photomasks produced by MP Mask for its customers and incurred outsourcing expenses of $1.0 million from MP Mask for research and development activities purchased by the Company. The Company also purchased excess equipment from MP Mask for use in its U.S. Nanofab in the amount of $4.0 million in 2007.

In 2006, the Company completed its analysis of fair value attributes of its total $135.5 million investment through the use of management's estimates and other factors, and reallocated values that were preliminarily allocated to the investment in the MP Mask joint venture and related intangible assets. As a result of this analysis, the Company allocated $64.2 million to the net fair value of tangible assets acquired, $59.6 million to the technology agreement, which is being

amortized over 15 years, $7.0 million to the supply agreement which is being amortized over 10 years, and $4.7 million to goodwill. The Company accounts for its interest in the joint venture using the equity method of accounting. The Company's proportionate share of income or losses from its investment in the joint venture (which was immaterial in 2008, 2007 and 2006) is recorded in other income and expense.

NOTE 4 - INVESTMENTS

Short-term investments at November 2, 2008 and October 28, 2007 consist of available-for-sale fixed income and marketable equity securities. Long-term investments are included in "Other Assets" and consist primarily of available-for-sale equity securities, for which fair values were determined based upon quoted market prices.

Available-for-sale investments at November 2, 2008 were as follows:

	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Foreign bond funds and other	$1,439	$ -	$(96)	$1,343
Total short-term investments	1,439	-	(96)	1,343
Long-term equity investments	8	34	-	42
	$1,447	$34	$(96)	$1,385

Available-for-sale investments at October 28, 2007 were as follows:

	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Term deposit	$3,260	$ -	$ -	$3,260
Foreign bond funds and other	2,289	108	-	2,397
Total short-term investments	5,549	108	-	5,657
Long-term equity investments	29	109	-	138
	$5,578	$217	$ -	$5,795

In determining whether investment holdings are other than temporarily impaired, the Company considers the nature, cause, severity and duration of the impairment. The Company and its investment advisors used analyst reports, credit ratings or other items as part of its review. No investments were in a continuous unrealized loss position for more than twelve months.

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

	Year Ended		
	November 2, 2008	October 28, 2007	October 29, 2006
Gross realized gains	$ -	$851	$4,037
Gross realized losses	(834)	(87)	(410)
Net realized gains (losses)	$(834)	$764	$3,627

Costs of securities sold and amounts reclassified from other accumulated comprehensive income into earnings are determined by specific identification.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	November 2, 2008	October 28, 2007
Land	$ 8,393	$ 8,429
Buildings and improvements	120,808	103,010
Machinery and equipment	1,016,741	1,076,938
Leasehold improvements	5,813	6,085
Furniture, fixtures and office equipment	17,528	20,700
Construction in progress	6,551	119,277
	1,175,834	1,334,439
Less accumulated depreciation and amortization	739,306	802,861
	$436,528	$531,578

Property, plant and equipment at November 2, 2008 includes an impairment charge (see Note 2) and foreign currency translation adjustments.

At November 2, 2008, buildings, machinery and equipment with a cost of $81.6 million and accumulated amortization of $3.5 million were recorded under capital leases. The Company capitalized interest expense of $0.5 million during the fiscal year ended November 2, 2008.

At October 28, 2007, machinery and equipment with a cost of $19.9 million was recorded under a capital lease with no accumulated amortization. The Company capitalized interest expense of $0.2 million during the fiscal year ended October 28, 2007.

NOTE 6 - GOODWILL AND OTHER INTANGIBLE ASSETS

As discussed in Note 2 to the consolidated financial statements, the Company wrote off all of its $138.5 million of goodwill during the fiscal year ended November 2, 2008, which represented the carrying value of the Company's goodwill at October 28, 2007. Intangible assets that do not have indefinite lives are amortized based on average lives, which range from 3 to 15 years. Intangible asset amortization is forecasted to range from $3.0 million to $7.3 million per year for the next 5 years.

Other intangible assets include assets related to the purchase of additional shares of PKL and the investment to form the MP Mask joint venture. The following tables summarize the type, value and amortization periods of other intangible assets:

As of November 2, 2008	Gross Value	Accumulated Amortization	Net Value	Weighted Average Amortization Period

Technology license agreement	$59,616	$ 9,605	$50,011	15 years
Customer lists	7,210	1,490	5,720	10 years
Supply agreement	6,959	4,016	2,943	10 years
Patents	156	32	124	10 years
Software and other	5,569	1,981	3,588	3 years
	$79,510	$17,124	$62,386	

As of October 28, 2007	**Gross Value**	**Accumulated Amortization**	**Net Value**	**Weighted Average Amortization Period**
Technology license agreement	$59,616	$ 5,630	$53,986	15 years
Customer lists	7,210	1,321	5,889	10 years
Supply agreement	6,959	2,461	4,498	10 years
Patents	156	28	128	10 years
Software and other	5,969	1,635	4,334	3 years
	$79,910	$11,075	$68,835	

NOTE 7 - ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	November 2, 2008	**October 28, 2007**
Income taxes	$ 8,586	$ 4,977
Salaries, wages and related benefits	5,967	7,466
Restructuring	1,134	1,687
Interest	984	309
Property taxes	1,507	919
Payable to Micron Technology, Inc.	-	7,500
Other	7,479	8,818
	$25,657	$31,676

NOTE 8 - LONG-TERM BORROWINGS

Long-term borrowings consist of the following:

	November 2, 2008	**October 28, 2007**
Borrowings under revolving credit facility, last amended on December 12, 2008, which bears interest at a variable rate, as defined (7.46% at December 12, 2008; 6.36% at November 2, 2008)	$122,500	$ -
2.25% convertible subordinated notes redeemed on April 15, 2008	-	150,000
8.0% capital lease obligation payable through January 2013	53,895	-
5.6% capital lease obligation payable through October 2012	16,669	19,912
Foreign loans:		
Revolving loan, which bears interest at		

a variable rate (7.47% at November 2, 2008; 6.70% at October 28, 2007)	19,045	17,393
Term loan, which bears interest at a variable rate (7.74% at November 2, 2008; 6.93% at October 28, 2007)	8,204	7,493
Short-term loan, which bears interest at a variable rate (6.72% at November 2, 2008; 5.83% at October 28, 2007)	3,296	937
	223,609	195,735
Less current portion	20,630	4,482
	$202,979	$191,253

As of November 2, 2008, long-term borrowings, excluding capital lease obligations, mature as follows: $5,796 in fiscal year 2009 and $147,249 in fiscal year 2010.

As of November 2, 2008, minimum lease payments under the Company's capital lease obligations were as follows:

Fiscal Year:

2009	$19,666
2010	19,666
2011	19,666
2012	19,666
2013	4,153
	82,817
Less interest	12,253
Net minimum lease payments under capital lease	70,564
Less current portion of net minimum lease payments	14,834
Long-term portion of minimum lease payments	$55,730

On June 6, 2007, the Company and a group of financial institutions entered into a credit agreement, which allows for borrowings under various currencies. On October 31, 2008, the Company's credit agreement was amended to change the minimum Senior Leverage Ratio covenant, as defined, and to extend the date it was required to obtain at least $75 million in permanent long-term capital from November 2, 2008 to December 5, 2008. The credit agreement was further amended on December 5, 2008 to extend the date to obtain at least $75 million in permanent long-term capital to December 12, 2008, at which date the credit agreement was last amended and eliminated, among other items, the requirement to obtain such permanent long-term capital. The credit agreement was last amended on December 12, 2008. Among other items, the last amendment provided for the following: the maturity date of the credit agreement was changed from June 6, 2012 to July 30, 2010; the aggregate commitment was reduced from $155 million to $135 million, and is further reduced to $120 million on October 31, 2009 and $100 million on January 31, 2010; substantially all of the Company's assets in the United States were pledged as collateral; financial covenants were modified and include, among other items as defined, a Senior Leverage Ratio, Total Leverage Ratio, Minimum Fixed Charge Ratio, and a quarterly minimum EBITDA covenant, as defined. Additionally, cash received as a result of certain events, as defined, is required to be used to pay down the outstanding loan balance and reduce the available credit facility by the same amount; and there is a capital expenditure payment limitation. The credit agreement also continues to provide for Minimum Unrestricted Cash Balances of $50 million, as defined, and limits the amount of both secured and unsecured debt. The credit facility is also secured by a pledge of the Company's stock in certain of its subsidiaries. As of November 2, 2008, $122.5 million was outstanding under the credit facility, $3.6 million was utilized for a standby letter of credit, and the remaining balance of $8.9 million was available to the Company based upon the subsequently amended aggregate commitment of $135 million.

In addition to the credit agreement discussed above, on December 12, 2008, the maturity date of the foreign revolving loan and term loan was amended from October 11, 2010 to January 31, 2010. Further, the interest rate on these foreign loans was amended and is currently based on the Peoples Bank of China base rate, plus a spread (as defined), and the lenders have the right to secure the Company's assets in China.

The Company's liquidity is highly dependent on its ability to receive orders as it operates in a high fixed cost environment and the timing of capital expenditures, both of which can vary significantly from period to period. Depending on conditions in the IC semiconductor and FPD market, the Company's cash flows from operations and current holdings of cash and investments may not be adequate to meet the Company's current and long-term needs for capital expenditures and operations. Historically, in certain years the Company has used external financing to fund these needs. Due to conditions in the credit markets, some financing instruments used by the Company in the past are currently not available to the Company. The Company is evaluating financing alternatives, delaying capital expenditures and evaluating further cost reduction initiatives. However, the Company cannot assure that additional sources of financing would be available to the Company on commercially favorable terms should the Company's capital requirements exceed cash available from operations and existing cash, short-term investments and cash available under its credit facility.

As of November 2, 2008, foreign loans were in China, and consist of a term and revolving debt credit facility and a short-term loan, which were fully outstanding, and amount to RMB 186 million ($27.2 million) and RMB 22.5 million ($3.3 million), respectively. Interest rates are subject to change based on the People's Bank of China base rate, plus a spread, as defined. The term and revolving debt credit facility is due in January 2010, and the short-term credit line is due in March 2009. The Company is subject to certain financial and other covenants similar to those of its credit facility described above.

On April 15, 2008, the Company redeemed its $150.0 million 2.25% convertible subordinated notes. During 2008, a capital lease agreement commenced, as discussed below, for the U.S. Nanofab. Quarterly lease payments, which bear interest at 8%, are $3.8 million through January 2013. As of November 2, 2008 total capital lease amounts payable were $64.1 million of which $53.9 million represents principal and $10.2 million represents interest. At the end of the 5-year lease term, ownership of the property transfers to the Company.

In October 2007, the Company entered into a capital lease agreement in the amount of $19.9 million associated with certain equipment. Under the capital lease agreement, the Company is required to maintain the equipment in good working condition, and is required to comply with certain non-financial covenants. Payments under the lease are $0.4 million per month over a 5-year term at a 5.6% interest rate.

Cash paid for interest was $10.9 million, $7.6 million and $9.9 million in fiscal 2008, 2007 and 2006, respectively.

NOTE 9 - EARNINGS PER SHARE

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

	Year Ended		
	November 2, 2008	**October 28, 2007**	**October 29, 2006**
Net income (loss)	$(210,765)	$24,523	$29,332
Effect of dilutive securities:			
Interest expense on convertible notes, net of related tax effect	-	4,401	4,343
Earnings for diluted earnings (loss) per share	$(210,765)	$28,924	$33,675
Weighted average common shares computations:			
Weighted average common shares used for basic earnings (loss) per share	41,658	41,539	41,369
Effect of dilutive securities:			
Convertible notes	-	9,441	9,441
Employee stock options	-	302	262
Dilutive potential common shares	-	9,743	9,703
Weighted average common shares used for diluted earnings (loss) per share	41,658	51,282	51,072
Basic earnings per share	$(5.06)	$0.59	$0.71
Diluted earnings per share	$(5.06)	$0.56	$0.66

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

	Year Ended		
	November 2, 2008	**October 28, 2007**	**October 29, 2006**
Convertible notes	4,409	304	2,354
Share based payment awards	2,360	2,040	1,412
Total potentially dilutive shares excluded	6,769	2,344	3,766

In the first quarter of fiscal year 2009, the Company awarded approximately 1.3 million stock options and 75 thousand non-vested shares to its employees and directors.

NOTE 10 - INCOME TAXES

The income tax (benefit) provision consists of the following:

	Year Ended		
	November 2, 2008	October 28, 2007	October 29, 2006
Current:			
Federal	$ -	$(8,430)	$ -
State	-	-	-
Foreign	(834)	6,213	9,497
	(834)	(2,217)	9,497
Deferred:			
Federal	-	-	-
State	-	-	-
Foreign	(1,944)	(961)	965
	(1,944)	(961)	965
Total	$(2,778)	$(3,178)	$10,462

The income tax (benefit) provision differs from the amount computed by applying the statutory U.S. federal income tax rate to the income before taxes as a result of the following:

	Year Ended		
	November 2, 2008	October 28, 2007	October 29, 2006
U.S. federal income tax at statutory rate	$(74,259)	$ 8,359	$15,885
Goodwill and other impairments	42,416	-	-
Distributions from foreign subsidiaries	10,937	-	-
State income taxes, net of federal benefit	(1,255)	108	(255)
Change in valuation allowance	8,757	2,399	4,054
Foreign tax rate differential	9,982	(6,973)	(9,272)
Resolution and settlement of tax matters	(192)	(7,394)	-
Other, net	836	323	50
	$ (2,778)	$(3,178)	$10,462

During the fiscal year ended October 28, 2007, the Company recorded a tax benefit in the amount of $7.4 million relating to the resolution and settlement of U.S. and foreign tax matters that were associated with certain tax positions in prior years.

The net deferred income tax liability consists of the following:

	November 2, 2008	October 28, 2007
Deferred income tax assets:		
Reserves not currently deductible	$4,369	$ 3,873
Net operating losses	52,143	47,557
Alternative minimum tax credits	2,926	2,926
Tax credit carryforwards	10,051	9,097
Other	4,175	1,195
	73,664	64,648
Valuation allowance	(48,149)	(39,392)
	25,515	25,256
Deferred income tax liabilities:		
Property, plant and equipment	(15,921)	(25,093)
Investments and other	(1,139)	(1,139)
Other	(1,307)	(2,094)

	(18,367)	(28,326)
Net deferred income tax liability	$7,148	$(3,070)
Reported as:		
Current deferred tax assets	$2,843	$ 3,071
Long-term deferred tax assets	6,118	2,002
Long-term deferred tax liabilities	(1,813)	(8,143)
	$7,148	$(3,070)

The Company's operations have followed the migration of semiconductor industry fabrication to Asia, where the Company operates in countries where it is accorded favorable tax treatment. PKLT, the Company's FPD manufacturing facility in Taiwan, is accorded a tax holiday, which expires in December 2012. In addition, the Company has been accorded a tax holiday in China which is expected to expire in 2011. These tax holidays had no dollar or per share effect in the fiscal years ended November 2, 2008, October 28, 2007 and October 29, 2006. In Korea, various investment tax credits have been utilized to reduce the Company's effective income tax rate.

Income tax payments were $4.4 million, $12.8 million and $9.8 million in fiscal 2008, 2007 and 2006, respectively. Cash received for refunds of income taxes paid in prior years amounted to $1.3 million, $0.1 million and $0.2 million in fiscal 2008, 2007 and 2006, respectively.

On July 13, 2006, the FASB issued FASB Interpretation Number 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 ("SFAS 109")*. The interpretation contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS 109. The Company adopted FIN 48 as of the beginning of its 2008 fiscal year. The total amount of the liability accrued for unrecognized tax benefits as of the adoption date was approximately $3.9 million, which includes interest and penalties. As compared to the Company's historical approach, the application of FIN 48 resulted in a net increase to accrued income taxes payable of approximately $1.0 million (including interest and penalties of approximately $0.2 million), and a decrease to retained earnings of the same amount. In addition, the majority of the liability for unrecognized tax benefits was reclassified from accrued income taxes to other long-term liabilities on the Company's Consolidated Balance Sheet. As of the date of adoption of FIN 48 the Company has elected to include any applicable interest and penalties related to uncertain tax positions in its income tax provision in its consolidated statements of operations. At November 2, 2008, the gross unrecognized tax benefits for income taxes associated with uncertain tax positions totaled approximately $3.1 million, including interest and penalties of approximately $1.1 million. If recognized, the benefits would favorably affect the Company's effective tax rate in future periods. As of November 2, 2008, the Company believes it is reasonably possible that the total amounts of unrecognized benefits will significantly increase or decrease in the next twelve months. These potential changes relate to possible settlements in the U.K. Though the Company expects that these items may result in a net reduction of its unrecognized tax benefits, an estimate of the expected reduction and related income tax benefit cannot be made at this time. Currently, the statutes of limitations remain open subsequent to and including 2004 in the U.S., 2002 in the U.K., 2006 in Germany and 2004 in Korea.

A reconciliation of the gross amounts of unrecognized tax benefits, excluding interest and penalties, at the beginning and end of the year is as follows:

Unrecognized tax benefits as of October 29, 2007	$2,280
Gross increases and decreases for tax provisions in prior periods	(301)
Gross increases - current period tax position	294
Settlements	(194)
Lapse of statutes of limitations	(91)
Unrecognized tax benefits as of November 2, 2008	$1,988

As of November 2, 2008 the Company had available U.S. Federal tax operating loss and tax credit carryforwards subject to expiration as follows:

Year of Expiration	Operating Losses	Tax Credits
2018	$ -	$1,272
2020	-	-
2022	7,800	-
2023	36,200	-
2024	22,300	300
2025	12,200	510
2026	4,900	378

2027	1,500	138
2028	7,500	-
	$92,400	$2,598

The Company has established a valuation allowance for a portion of its deferred tax assets, because it is more likely than not that a portion of its net operating loss carryforwards may expire prior to utilization. The valuation allowance increased by $8.8 million, $2.4 million and $1.7 million in fiscal 2008, 2007 and 2006, respectively.

As of November 2, 2008, the Company had $2.9 million of alternative minimum tax credit carryforwards that are available to offset future federal taxes payable. The Company also has tax credits available in international jurisdictions of $5.9 million and state tax credits of $1.5 million. Both the international and state tax credits began to expire in 2008.

As of November 2, 2008, the undistributed earnings of foreign subsidiaries included in consolidated retained earnings amounted to $74.1 million. During 2008 a decision was made to not indefinitely reinvest earnings in certain foreign jurisdictions. For the year ended November 2, 2008, $12 million of earnings that were previously considered to be permanently reinvested in foreign operations were determined to no longer be indefinitely reinvested. This decision resulted in no impact to the consolidated statement of operations since the Company has a full valuation allowance against its net U.S. deferred tax assets. The remaining undistributed earnings of foreign subsidiaries are considered to be permanently reinvested. Accordingly, no provision has been made for taxes due on the remittance of these earnings. Should the Company elect in the future to repatriate the foreign earnings so invested, the Company would incur additional income tax expense on those foreign earnings.

The Company has elected the alternative transition method provided in FASB Staff Position No. 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*, for calculating the tax effects of share-based compensation. As of November 2, 2008 the deferred income tax expenses resulting from this method amounted to $0.9 million.

NOTE 11- STOCK-BASED COMPENSATION

In March 2007, shareholders approved a new stock-based compensation plan ("Plan"), under which options, restricted stock, restricted stock units, stock appreciation rights, performance stock, performance units, and other awards based on, or related to shares of the Company's common stock may be granted from shares authorized but unissued, shares previously issued and reacquired by the Company or both. A maximum of three million shares of common stock may be issued under the Plan. Awards may be granted to Company officers, employees and directors, non-employee directors, consultants, advisors and independent contractors of the Company or a subsidiary of the Company. The Plan prohibits further awards from being issued under prior plans. Aspects of the Plan are more fully described below. The Company incurred compensation cost under the Plan of $2.6 million, $2.9 million and $2.0 million for fiscal 2008, 2007 and 2006, respectively. No compensation cost was capitalized as part of inventory, and no income tax benefit was recorded in those years. No equity awards were settled in cash during the periods presented.

Stock Options

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

The fair value of option grants is determined based on the closing price on the date of grant using the Black-Scholes option pricing model. Expected volatility is based on the historical volatility of the Company's stock. The Company uses historical option exercise behavior and employee termination data to estimate expected term, which represents the period of time that the options granted are expected to remain outstanding. The risk-free rate of return for the estimated life of the option is based on the U.S. treasury yield curve in effect at the time of grant. The weighted average assumptions used for fiscal 2008, 2007 and 2006 are noted in the following table:

	Year Ended		
	November 2, 2008	October 28, 2007	October 29, 2006
Volatility	43.1%	52.4%	55.0%
Risk-free rate of return	2.99%	4.5%	4.8%
Dividend yield	0.0%	0.0%	0.0%
Expected term	4.7 years	4.6 years	4.5 years

A summary of option activity under the Plan as of November 2, 2008 and changes during the year then ended is presented as follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at October 28, 2007	2,337,303	$18.68	
Granted	98,500	4.62	

Exercised	-	-	
Cancelled and forfeited	(263,596)	17.30	
Outstanding at November 2, 2008	2,172,207	18.21	5.7 years
Exercisable at November 2, 2008	1,753,444	$19.22	5.1 years

The weighted average grant date fair value of options granted during the fiscal years 2008, 2007 and 2006 was $1.86, $7.15 and $8.50 respectively. The total intrinsic value of options exercised during the fiscal years 2008, 2007 and 2006 was $0.0 million, $0.1 million and $0.4 million, respectively. There was no aggregate intrinsic value of options outstanding or exercisable at November 2, 2008. A summary of the status of the Company's non-vested options as of November 2, 2008 is presented as follows:

Non-vested Options	Shares	Weighted Average Fair Value at Grant Date
Non-vested at October 28, 2007	578,746	$8.54
Granted	98,500	1.86
Vested	(190,232)	8.55
Cancelled and forfeited	(68,251)	8.29
Non-vested at November 2, 2008	418,763	$6.92

As of November 2, 2008 the total compensation cost for non-vested option awards not yet recognized was approximately $2.3 million. That cost is expected to be recognized over a weighted average amortization period of 2.2 years.

Restricted Stock

The Company also grants restricted stock awards periodically. The restrictions on these awards lapse over a service period that has ranged from less than one to eight years. The weighted average grant date fair value of restricted stock grants during the fiscal years 2008, 2007 and 2006 was $11.72, $13.75 and $16.54, respectively. The total value of awards for which restrictions lapsed during fiscal years 2008, 2007 and 2006 was $0.6 million, $0.1 million and $0.5 million, respectively. As of November 2, 2008, the total compensation cost for non-vested option awards not yet recognized was approximately $3.7 million. That cost is expected to be recognized over a weighted average amortization period of 4.3 years. A summary of the status of the Company's non-vested restricted shares as of November 2, 2008 is presented as follows:

Restricted Stock	Shares	Weighted Average Fair Value at Grant Date	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at October 28, 2007	242,503	$16.47		
Granted	151,300	11.72		
Vested	(70,939)	14.61		
Cancelled and forfeited	(30,189)	15.14		
Outstanding at November 2, 2008	292,675	$14.60	4.3 years	$202

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan ("ESPP") permits employees to purchase shares at 85% of the lower of the fair market value at the commencement of the offering or the last day of the payroll payment period. A total of 900,000 shares are available for purchase under the ESPP. The vesting period for the ESPP is approximately one year. Under the ESPP 744,723 shares had been issued through November 2, 2008 and an additional 57,474 shares are subject to outstanding subscriptions.

NOTE 12 - EMPLOYEE RETIREMENT PLANS

The Company maintains a 401(k) Savings and Profit Sharing Plan ("401(k) Plan") which covers all full-time domestic employees who have completed 3 months of service and are 18 years of age or older. Under the terms of the 401(k) Plan, employees may contribute up to 50% of their salary, subject to certain maximum amounts, which will be matched by the Company at 50% of the employee's contributions, which are not in excess of 4% of the employee's compensation. Employee and employer contributions vest fully upon contribution. Employer contributions amounted to $0.5 million in fiscal 2008, $0.4 million in fiscal 2007 and $0.5 million in fiscal 2006.

The Company's international subsidiaries maintain retirement plans for their employees, which vary by country. The obligations and cost of these plans are not significant to the Company's consolidated financial statements.

NOTE 13 - OPERATING LEASES

The Company leases various real estate and equipment under non-cancelable operating leases. Rental expense under such leases amounted to $3.1 million in fiscal 2008, $3.4 million in fiscal 2007 and $3.2 million in fiscal 2006.

Future minimum lease payments (excluding costs associated with facilities closed under restructuring plans) under non-cancelable operating leases with initial or remaining terms in excess of one year at November 2, 2008 follow:

2009	$ 2,375
2010	1,936
2011	1,573
2012	1,431
2013	726
Thereafter	2,231
	$10,272

See Note 8 for disclosures relating to the Company's capital lease obligations.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

At November 2, 2008, the Company had outstanding purchase commitments of approximately $46 million, which includes approximately $31 million related to capital expenditures.

Financial instruments that potentially subject the Company to credit risk consist principally of trade accounts receivable and temporary cash investments. The Company sells its products primarily to manufacturers in the semiconductor and computer industries in North America, Europe and Asia. The Company believes that the concentration of credit risk in its trade receivables is substantially mitigated by the Company's ongoing credit evaluation process and relatively short collection terms. The Company does not generally require collateral from customers. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

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

NOTE 15 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

On October 22, 2002, the Company entered into an interest rate swap contract, which effectively converted $100 million of 4.75% fixed rate debt to a variable rate. Under the contract, payments are made on a LIBOR-based variable rate (6.69% at October 29, 2006). In August 2005, the Company reduced its 4.75% fixed rate debt to $87.1 million and in December 2006 repaid the outstanding balance. The interest rate swap expired in December 2006.

The interest rate swap contract was used to adjust the proportion of total debt that is subject to fixed interest rates. This contract was considered to be a hedge against interest rate risk of the Company's fixed rate debt obligations. Accordingly, the interest rate swap contract is stated at fair value in the Company's consolidated balance sheets (in accrued liabilities at October 29, 2006) and the related portion of fixed rate debt being hedged is stated at an amount equal to the sum of its principal amount plus an adjustment representing the change in fair value of the debt obligation attributable to the interest rate risk being hedged. In addition, changes during any accounting period in the fair value of the interest rate swap contract, as well as offsetting changes in the adjusted carrying value of the related portion of fixed rate debt being hedged, are recognized as adjustments to interest expense in the Company's consolidated statements of operations. The net effect of this interest rate swap contract on the Company's consolidated statements of operations is that the interest expense portion of fixed rate debt being hedged is generally recorded based on variable rates.

In April 2006, the Company's Korean subsidiary entered into a foreign currency rate swap contract. Under the terms of the contract, the Company has effectively converted a $50 million interest bearing intercompany loan denominated in U.S. dollars to Korean won. This contract, initially scheduled to expire in December 2006, was settled in November 2008. The Company elected not to designate the foreign currency rate swap contract as a hedge which resulted in mark-to-market adjustments in the statements of operations in the amounts of $1.9 million, $(0.9) million and $(0.7) million in 2008, 2007 and 2006, respectively.

In September 2006, the Company entered into forward contracts to convert the fixed yen purchase price of certain equipment into fixed U.S. dollar amounts. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* hedges related to anticipated transactions are designated and documented at the inception of the respective hedges as cash flow hedges and are evaluated for effectiveness. In the fiscal years ended October 28, 2007 and October 29, 2006, changes in the fair value of these derivative financial instruments of $1.1 million and $0.1 million, respectively, were recorded as charges to shareholders' equity as a component of accumulated other comprehensive income since they qualified for hedge accounting as defined by SFAS No. 133. Changes in the fair values of other forward contracts not designated as hedging instruments in the amount of $0.3 million were charged to the statement of operations (included in investment and other income, net). These forward contracts were settled in November 2007 at a gain of $0.1 million.

In April 2008, the Company's Korean and Taiwanese subsidiaries each entered into separate foreign currency exchange rate swap contracts that effectively converted a $12 million interest bearing intercompany loan denominated in U.S. dollars into their respective local currencies. Both contracts

expire in conjunction with the April 2009 maturity date of the intercompany loan. The Company did not elect to designate either contract as a fair value hedge.

NOTE 16 - GEOGRAPHIC AND SIGNIFICANT CUSTOMER INFORMATION

The Company operates as a single operating segment as a manufacturer of photomasks, which are high precision quartz plates containing microscopic images of electronic circuits for use in the fabrication of semiconductors. Geographic net sales are based primarily on where the Company's selling facility is located. The Company's 2008, 2007 and 2006 net sales and total long-lived assets by geographic area were as follows:

	Fiscal Year Ended		
	November 2, 2008	**October 28, 2007**	**October 29, 2006**
Net sales			
Asia	$259,293	$242,788	$252,630
Europe	66,398	71,421	79,782
North America	96,857	107,270	122,463
	$422,548	$421,479	$454,875

	November 2, 2008	**October 28, 2007**	**October 29, 2006**
Long-lived assets			
Asia	$228,009	$329,619	$331,270
Europe	14,134	67,084	70,592
North America	194,385	134,875	41,775
	$436,528	$531,578	$443,637

Samsung Electronics Co., Ltd. accounted for approximately 25% of the Company's net sales in fiscal years 2008, 2007 and 2006.

NOTE 17 - COMPREHENSIVE INCOME

The Company's comprehensive income as reported in the consolidated statements of shareholders' equity consists of net earnings (losses) and all changes in equity during a period except those resulting from investments by owners and distributions to owners. The components of other comprehensive income for the last three fiscal years, net of tax, were as follows:

	Fiscal Year Ended		
	November 2, 2008	**October 28, 2007**	**October 29, 2006**
Foreign currency translation adjustment	$(62,234)	$13,496	$20,366
Change in fair value and amortization of cash flow hedges	193	(1,024)	(35)
Change in unrealized gains on investments	(279)	(458)	(1,109)
Other	2	(269)	-
Other comprehensive income (loss)	$(62,318)	$11,745	$19,222

The foreign currency translation adjustment of $62.2 million for the fiscal year ended November 2, 2008 was primarily due to the weakening of the Korean won against the U.S. dollar.

NOTE 18 - RESTRUCTURING

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

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

In fiscal 2008, the Company announced its intentions to streamline its infrastructure in Europe by ceasing the manufacture of photomasks at its Manchester U.K. facility. This initiative began in the fourth quarter of 2008 with the recording of a $0.5 million charge for the impairment of certain long-lived assets at the facility in the fourth quarter of fiscal 2008 and was designed to enable the Company to realize manufacturing efficiencies while reducing its cost structure. The Company expects the total after tax cost of the restructure to range between $3 million to $5 million through fiscal 2009 (including $0.5 million recorded in fiscal 2008), of which, approximately 25% will be attributable to non-cash items.

The following tables set forth the Company's restructuring reserves as of November 2, 2008, October 28, 2007 and October 29, 2006, and reflect activity affecting the reserves for the years then ended. As of November 2, 2008, the remaining liability of $1.1 million primarily represents non-cancelable lease obligations that are due through August, 2009.

Year Ended November 2, 2008

	October 28, 2007 Balance	Charges	Utilized	November 2, 2008 Balance
Manufacturing capacity reduction and other	$1,687	$ -	$(553)	$1,134
Total	$1,687	$ -	$(553)	$1,134

Year Ended October 28, 2007

	October 29, 2006 Balance	Charges	Utilized	October 28, 2007 Balance
Manufacturing capacity reduction and other	$2,528	$ -	$(841)	$1,687
Workforce reductions	126	-	(126)	-
Total	$2,654	$ -	$(967)	$1,687

Year Ended October 29 2006

	October 30, 2005 Balance	Charges	Utilized	October 29, 2006 Balance
Manufacturing capacity reduction and other	$2,245	$14,383	$(14,100)	$2,528
Workforce reductions	-	1,256	(1,130)	126
Total	$2,245	$15,639	$(15,230)	$2,654

NOTE 19 - OTHER RELATED PARTY TRANSACTIONS

The Chairman of the Board of the Company is also the Chairman of the Board and majority shareholder of a company who is a provider of secure managed information technology services. Another director of the Company is also a shareholder, CEO and Executive Vice Chairman of this company. Since 2002, the Company has entered into various service contracts with this company to provide services to all of the Company's worldwide facilities. The Company incurred expenses of $3.3 million in 2008, $3.8 million in 2007, and $4.3 million in 2006 related to services provided by the company, for which the amount owed to this company was $0.6 million at October 28, 2007. In 2006, the Company signed a new 3-year service contract with this company for $2.5 million per year.

The Company purchases photomask blanks from a company of which an officer of the Company is a significant shareholder. The Company purchased $28.5 million, $21.6 million, and $16.8 million of photomask blanks from this company in 2008, 2007, and 2006, respectively, for which the amount owed to this company was $6.8 million at November 2, 2008 and $5.0 million at October 28, 2007.

The Company believes that the terms of the transactions described above with related parties were negotiated at arm's-length and were no less favorable to the Company than the Company could have obtained from unrelated third parties. See Note 3 for other related party transactions.

NOTE 20 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table sets forth certain unaudited quarterly financial data:

	First	Second	Third	Fourth	Year
Fiscal 2008:			(a)	(b)	(a) (b)
Net sales	$103,215	$110,330	$105,697	$103,306	$422,548
Gross margin	20,596	20,274	13,884	17,953	72,707
Net income (loss)	(3,340)	(2,069)	(205,592)	236	(210,765)
Earnings (loss) per share:					
Basic	$(0.08)	$(0.05)	$(4.93)	$0.01	$(5.06)
Diluted	$(0.08)	$(0.05)	$(4.93)	$0.01	$(5.06)
Fiscal 2007:					
Net sales	$105,981	$109,626	$104,301	$101,571	$421,479
Gross margin	29,665	26,193	23,706	19,957	99,521
Net income	7,857	14,066	2,238	362	24,523
Earnings per share:					
Basic	$0.19	$0.34	$0.05	$0.01	$0.59
Diluted	$0.17	$0.30	$0.05	$0.01	$0.56

(a) Includes a $137.3 million net of income taxes impairment of all of the Company's goodwill and a $60.9 million net of tax impairment of long-lived assets related to certain asset groups located in Europe and Asia.

(b) Includes $0.4 million net of income taxes restructuring charge related to the Company's Manchester, United Kingdom facility made in conjunction with its announced intention to cease the manufacture of photomasks at that facility.

NOTE 21 - RECENT ACCOUNTING PRONOUNCEMENTS

In May 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP No. APB 14-1 requires that issuers of convertible debt instruments that may be settled in cash upon conversion separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP No. APB 14-1 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years, and is required to be retrospectively applied. The Company is evaluating the impact that the adoption of FSP No. APB 14-1 will have on its consolidated financial statements.

In May 2008, The FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS No. 162 became effective in November 2008. Its adoption is not expected to have a material impact on the Company's consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133." SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities by requiring entities to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. The Company is evaluating the impact, if any, SFAS No. 161 will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51." SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim statements within those fiscal years. The Company is currently evaluating the impact SFAS No. 160 will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations." SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, and, therefore will not impact the Company's consolidated financial statements upon adoption.

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

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which provides a consistent definition of fair value which focuses on exit price and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. SFAS No. 157 requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The standard also requires that a company use its own nonperformance risk when measuring liabilities carried at fair value, including derivatives. In February 2008, the FASB approved a FASB Staff Position ("FSP") that permits companies to partially defer the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The FSP did not permit companies to defer recognition and disclosure requirements for financial assets and financial liabilities or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually.

SFAS No. 157 is effective for financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions of SFAS No. 157 will be applied prospectively. The Company intends to defer adoption of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company is currently evaluating the effects, if any, that SFAS No. 157 may have on its consolidated financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company has established and currently maintains disclosure controls and procedures designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Company's chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this report, were designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting during the fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of November 2, 2008 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Management, under the supervision and with the participation of the Company's chief executive officer and chief financial officer, assessed the effectiveness of the Company's internal control over financial reporting was effective as of November 2, 2008.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has audited the effectiveness of the Company's internal control over financial reporting as of November 2, 2008, as stated in their attestation report on page 32 of this Form 10-K.

January 14, 2009

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information as to Directors required by Item 401, 405 and 407(c)(3)(d)(4) and (d)(5) of Regulation S-K is set forth in the Company's 2009 definitive Proxy Statement which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K under the caption "PROPOSAL 1 - ELECTION OF DIRECTORS," "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" and in paragraph three under the caption "MEETINGS AND COMMITTEES OF THE BOARD" and is incorporated in this report by reference. The information as to Executive Officers is included in the Company's 2009 definitive Proxy Statement under the caption "EXECUTIVE OFFICERS" and is incorporated in this report by reference.

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer or controller. A copy of the code of ethics may be obtained, free of charge, by writing to the General Counsel of Photronics, Inc., at 15 Secor Road, Brookfield, Connecticut 06804.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K and paragraph (e)(4) and (e)(5) of Item 407 is set forth in the Company's 2009 definitive Proxy Statement under the captions "EXECUTIVE COMPENSATION," "STOCK OPTIONS", "CERTAIN AGREEMENTS", "DIRECTORS' COMPENSATION", "COMPENSATION COMMITTEE INTERLOCKS AND INSIDE PARTICIPATION" and "COMPENSATION COMMITTEE REPORT," respectively, and is incorporated in this report by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by Items 403 and 201(d) of Regulation S-K is set forth in the Company's 2009 definitive Proxy Statement under the captions "Ownership of Common Stock by Directors, Nominees, Officers and Certain Beneficial Owners" and "Equity Compensation Plan Information," respectively, and is incorporated in this report by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 404 of Regulation S-K and Item 407(a) of Regulation S-K is set forth in the Company's 2009 definitive Proxy Statement under the captions "MEETINGS AND COMMITTEES OF THE BOARD" and "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" and is incorporated in this report by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 9(e) of Schedule 14A is set forth in the Company's 2009 definitive Proxy Statement under the captions "FEES PAID TO THE INDEPENDENT AUDITORS" and "AUDIT COMMITTEE REPORT," respectively, and is incorporated in this report by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

	Page No.
1. Financial Statements:	
Report of Independent Registered Public Accounting Firm	32
Consolidated Balance Sheets at November 2, 2008 and October 28, 2007	33
Consolidated Statements of Operations for the years ended November 2, 2008, October 28, 2007 and October 29, 2006	34
Consolidated Statements of Shareholders' Equity for the years ended November 2, 2008, October 28, 2007 and October 29, 2006	35
Consolidated Statements of Cash Flows for the years ended November 2, 2008, October 28, 2007 and October 29, 2006	36
Notes to Consolidated Financial Statements	37
2. Financial Statement Schedules:	
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule for the years ended November 2, 2008, October 28, 2007 and October 29, 2006	68
Schedule II, Valuation Account - Valuation and Qualifying Accounts for the years ended November 2, 2008, October 28, 2007 and October 29, 2006	68

All other schedules are omitted because they are not applicable.

3. Exhibits

EXHIBITS INDEX

Exhibit **Number**	**Description**
3.1	Certificate of Incorporation as amended July 9, 1986, April 9, 1990, March 16, 1995, November 13, 1997, April 15, 2002 and June 20, 2005 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2007).
3.2	By-laws of the Company, (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, File Number 33-11694, which was declared effective by the Commission on March 10, 1987).
4.1	The Company will furnish to the Commission upon request any other debt instrument referred to in Item 601(b)(4)(iii)(A) of Regulation S-K.
10.1	Master Service Agreement dated January 11, 2002 between the Company and RagingWire Telecommunications, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended November 3, 2002 (Commission File No. 0-15451)).
10.2	The Company's 1992 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-8, File Number 33-47446 which was filed on April 24, 1994).[+]
10.3	Amendment to the Employee Stock Purchase Plan as of April 1, 1998 (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2004 (Commission File Number 0-15451)).[+]
10.4	Amendment to the Employee Stock Purchase Plan as of March 24, 2004 (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2004 (Commission File Number 0-15451)).[+]
10.5	The Company's 1994 Stock Option Plan (incorporated by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-8, Commission File Number 33-78102 which was filed on April 22, 1994).[+]
10.6	The Company's 1996 Stock Option Plan, as amended and restated March 13, 2003 (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2004 (Commission File Number 0-15451)).[+]
10.7	The Company's 1998 Stock Option Plan, as amended and restated March 13, 2003 (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2004 (Commission File Number 0-15451)).[+]
10.8	The Company's 2000 Stock Option Plan, as amended and restated March 13, 2003 (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2004 (Commission File Number 0-15451)).[+]
10.9	2007 Long-Term Equity Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333).
10.10	Consulting Agreement between the Company and Constantine S. Macricostas, dated July 11, 2005 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 13, 2005 (Commission File Number 0-15451)).[+]
10.11	Amendment No. 1 to the Consulting Agreement between Constantine S. Macricostas and the Company dated November 10, 2008.[+]*
10.12	Separation and Consulting Agreement between the Company and Michal J. Luttati dated July 12, 2008 (incorporated by reference to Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 27, 2008 (Commission File No. 0-15451)).
10.13	Executive Employment Agreement between the Company and Sean T. Smith dated February 20, 2003 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended February 2, 2003 (Commission File No. 0-15451)).[+]

10.14 Limited Liability Company Operating Agreement of MP Mask Technology Center, LLC between Micron Technology, Inc. ("Micron") and Photronics, Inc. ("Photronics") dated May 5, 2006 (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q filed on June 8, 2006 (Commission File No. 0-15451)).#

10.15 Contribution and Units Purchase Agreement between Micron, Photronics and MP Mask Technology Center, LLC ("MP Mask") dated May 5, 2006 (incorporated by reference to Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q filed on June 8, 2006 (Commission File No. 0-15451)).#

10.16 Technology License Agreement among Micron, Photronics and MP Mask dated May 5, 2006 (incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q filed on June 8, 2006 (Commission File No. 0-15451)).#

10.17 Build to Suit Lease between Micron and Photronics dated May 5, 2006 (incorporated by reference to Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q filed on June 8, 2006 (Commission File No. 0-15451)).#

10.18 Photronics to Micron Supply Agreement between Micron and Photronics dated May 5, 2006 (incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q filed on June 8, 2006 (Commission File No. 0-15451)).#

10.19 Company to Photronics Supply Agreement between MP Mask and Photronics dated May 5, 2006 (incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q filed on June 8, 2006 (Commission File No. 0-15451)).#

10.20 Supplemental Agreement entered into as of January 1, 2008 by and between Micron and Photronics in connection with the Build to Suit Lease (incorporated by reference to Exhibit 10.28 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 27, 2008 (Commission File No 0-15451)).#

10.21 First Amendment to Build to Suit Lease entered into as of January 15, 2008 between Micron and Photronics in connection with the Build to Suit Lease (incorporated by reference to Exhibit 10.29 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 27, 2008 (Commission File No. 0-15451)).#

10.22 Executive Employment Agreement between the Company and Soo Hong Jeong dated August 24, 2001, as amended March 18, 2004, November 28, 2005 and June 9, 2006 (incorporated by reference to Exhibit 10.23 to the Company's Current Report on Form 10-Q filed on September 7, 2006 (Commission File No. 0-15451)).

10.23 Extension of Executive Employment Agreement between the Company and Soo Hong Jeong effective October 29, 2006 and ending on October 28, 2007 (incorporated by reference to Exhibit 1.01 to the Company's Current Report on Form 8-K filed on January 3, 2007 (Commission File No. 0-15451)).

10.24 Extension of Executive Employment Agreement between the Company and Soo Hong Jeong effective October 28, 2007 and ending October 27, 2008 (incorporated by reference to Exhibit 1.01 to the Company's Current Report on Form 8-K Filed on November 8, 2007 (Commission File No. 0-15451)).

10.25 Extension of Executive Employment Agreement between the Company and Soo Hong Jeong effective October 28, 2008 and ending October 27, 2009 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on November 17, 2008 (Commission File No. 0-15451)).

10.26 Executive Employment Agreement between the Company and Christopher J. Progler, Vice President, Chief Technology Officer dated September 10, 2007 (incorporated by reference to Exhibit 10.24 to the Company's Current Report on Form 10-K filed on January 11, 2008 (Commission File No. 0-15451)).+

10.27 Credit Agreement dated as of June 6, 2007 among Photronics, Inc., the foreign subsidiary borrowers party thereto, the lenders party thereto and JPMorgan Chase Bank, National Association (as Administrative Agent), Citizens Bank of Massachusetts, HSBC Bank USA, National Association and Citibank, N.A. and JPMorgan Securities, Inc. as Sole Bookrunner and Sole Lead Arranger (incorporated by reference to Exhibit 10.27 to the Company's Form 10-Q for the quarter ended July 29, 2007 (Commission File No. 0-15451)).

10.28 Amendment No. 1 to the Credit Agreement dated April 25, 2008 (incorporated by reference to Exhibit 9.01 of the Company's Form 8-K filed on April 30, 2008 (Commission File No. 0-15451).

10.29 Amendment No. 2 to the Credit Agreement dated October 31, 2008.*

10.30 Amendment No. 3 to the Credit Agreement dated December 4, 2008.*

10.31 Amendment No. 4 to the Credit Agreement dated December 12, 2008.*

10.32 Amended and Restated Agreement RMB 186,000,000 Credit Facility for Photronics Imaging Technologies (Shanghai) Co., Ltd. with JPMorgan Chase Bank (China) Company Limited, Shanghai Branch, as Administrative Agent (incorporated by reference to Exhibit 10.28 to the Company's Form 10-Q for the quarter ended July 29, 2007 (Commission File No. 0-15451)).

10.33 Amendment Agreement dated December 12, 2008 between Photronics imaging Technologies (Shanghai) Co., Ltd. and JPMorgan Chase Bank (China) Company Limited, Shanghai Branch, as Administrative Agent.*

10.34 Amended and Restated Guarantee Agreement by Photronics, Inc. relating to RMB 186,000,000 Credit Facility for Photronics Imaging Technologies (Shanghai) Co., Ltd. dated August 23, 2007 (incorporated by reference to Exhibit 10.29 to the Company's Form 10-Q for the quarter ended July 29, 2007 (Commission File No. 0-15451)).

10.35 Amendment No. 1 to the Amended and Restated Guarantee Agreement dated April 25, 2008 (incorporated by reference to Exhibit 9.01 of the Company's Form 8-K filed on April 30, 2008 (Commission File No. 0-15451).

10.36 Amendment No. 2 to the Amended and Restated Guarantee Agreement dated October 31, 2008.*

10.37 Confirmation of Guaranty and Amendment No. 3 dated as of December 12, 2008 to the Amended and Restated Guarantee Agreement dated as of August 23, 2007.*

21 List of Subsidiaries of the Company.*

23 Consent of Deloitte & Touche LLP.*

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

+ Represents a management contract or compensatory plan or arrangement.

Portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission.

* Represents an exhibit that is filed with this Annual Report on Form 10-K.

The Company will provide a copy of any exhibit upon receipt of a written request for the particular exhibit or exhibits desired. All requests should be addressed to the Company's vice president of corporate communications at the address of the Company's principal executive offices.

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

Board of Directors and Shareholders
Photronics, Inc.
Brookfield, Connecticut

We have audited the consolidated financial statements of Photronics, Inc. and subsidiaries (the "Company") as of November 2, 2008 and October 28, 2007, and for each of the three fiscal years in the period ended November 2, 2008 and the Company's internal control over financial reporting as of November 2, 2008, and have issued our report thereon dated January 14, 2009; such consolidated financial statements and report are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP
Stamford, Connecticut
January 14, 2009

Schedule II

Valuation and Qualifying Accounts
for the Years Ended November 2, 2008, October 28, 2007
and October 29, 2006
(in thousands)

	Balance at Beginning of Year	Charge to Costs and Expenses	Deductions	Balance at End of Year
Allowance for Doubtful Accounts				
Year ended November 2, 2008	$ 3,721	$ (481)	$(452)(a)	$ 2,788
Year ended October 28, 2007	$ 4,471	$ (25)	$(725)(a)	$ 3,721
Year ended October 29, 2006	$ 2,475	$2,158	$(162)(a)	$ 4,471
Deferred Income Tax Valuation Allowance				
Year ended November 2, 2008	$39,392	$8,757	$ -	$48,149
Year ended October 28, 2007	$36,993	$2,399	$ -	$39,392
Year ended October 29, 2006	$35,245	$1,748	$ -	$36,993

(a) Uncollectible accounts written off

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PHOTRONICS, INC.
(Registrant)

By /s/ SEAN T. SMITH — January 14, 2009

Sean T. Smith
Senior Vice President
Chief Financial Officer
(Principal Accounting Officer)

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 — January 14, 2009

Constantine S. Macricostas
Chairman of the Board
Interim Chief Executive Officer

By /s/ SEAN T. SMITH — January 14, 2009

Sean T. Smith
Senior Vice President
Chief Financial Officer
(Principal Accounting Officer)

By /s/ WALTER M. FIEDEROWICZ — January 14, 2009

Walter M. Fiederowicz
Director

By /s/ JOSEPH A. FIORITA, JR. — January 14, 2009

Joseph A. Fiorita, Jr.
Director

By /s/ GEORGE C. MACRICOSTAS — January 14, 2009

George C. Macricostas
Director

By /s/ WILLEM D. MARIS — January 14, 2009

Willem D. Maris
Director

By /s/ MITCHELL G. TYSON

Mitchell G. Tyson
Director

January 14, 2009

Exhibit 10.11

November 10, 2008

Mr. Constantine S. Macricostas
5509 Pennock Point Road
Jupiter, Florida 33458

Dear Mr. Macricostas:

Reference is made to the Consulting Agreement between you and Photronics, Inc. (“Photronics”) dated July 11, 2005 (the “Consulting Agreement”). When you became an employee of Photronics on November 10, 2008, it was agreed that your Consulting Agreement would be suspended for the period of time that you are an employee of Photronics. The Consulting Agreement will re-instate in the event you are no longer an employee of Photronics. Furthermore, the term of your Consulting Agreement will be extended for the period of time that were Interim Chief Executive Officer and an employee of Photronics. Except as set forth above, all other terms of the Consulting Agreement will be the same once the Consulting Agreement is re-instated.

If the foregoing accurately sets forth your understanding, please so indicate by signing in the space provided below.

Very truly yours,

Photronics, Inc.

By: /s/ Richelle Burr

Title: Vice President, Associate General Counsel

Agreed to and accepted by:

/s/ Constantine Macricostas

Exhibit 10.29

AMENDMENT NO. 2

Dated as of October 31, 2008

to

CREDIT AGREEMENT

Dated as of June 6, 2007

THIS AMENDMENT NO. 2 ("Amendment") is made as of October 31, 2008 by and among Photronics, Inc. (the "Company"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, National Association, as Administrative Agent (the "Administrative Agent"), under that certain Credit Agreement dated as of June 6, 2007 by and among the Company, the Lenders and the Administrative Agent (as amended by that certain Amendment No. 1 thereto, dated as of April 25, 2008, and as may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Company has requested that the Lenders and the Administrative Agent agree to certain amendments to the Credit Agreement;

WHEREAS, the Lenders party hereto and the Administrative Agent have agreed to such amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the Lenders party hereto and the Administrative Agent have agreed to enter into this Amendment.

1. Amendments to Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement is hereby amended as follows:

(a) The definition of "Alternate Base Rate" set forth in Section 1.01 of the Credit Agreement is amended and restated in its entirety to read as follows:

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus a percentage per annum equal to the then applicable "Eurocurrency Spread" on such day as set forth in the definition of "Applicable Rate"; provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate appearing on the Reuters BBA Libor Rates Page 3750 (or on any successor or substitute page of such page) at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

(b) The definition of "Applicable Rate" set forth in Section 1.01 of the Credit Agreement is amended to restate the chart set forth therein in its entirety as follows:

	Senior Leverage Ratio:	Eurocurrency Spread	ABR Spread	Commitment Fee Rate
Category 1:	≤ 0.75 to 1.00	2.50%	1.50%	0.50%
Category 2:	> 0.75 to 1.00 but ≤ 1.00 to 1.00	2.75%	1.75%	0.50%
Category 3:	> 1.00 to 1.00	3.00%	2.00%	0.50%

(c) Clause (a) of Section 6.11 of the Credit Agreement is amended and restated in its entirety as follows:

(a) Maximum Senior Leverage Ratio. The Company will not permit the ratio (the "Senior Leverage Ratio"), determined as of the end of each of its fiscal quarters set forth below, of (i) Consolidated Senior Indebtedness to (ii) Consolidated EBITDA for the period of 4 consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for the Company and its Subsidiaries on a consolidated basis, to be greater than the ratio set forth opposite such fiscal quarter:

Fiscal Quarter Ending On or About	Maximum Senior Leverage Ratio
November 2, 2008	2.25 to 1.00
January 31, 2009 and thereafter	1.50 to 1.00

(d) Paragraph (o) of Article VII is amended to delete the reference to "November 2, 2008" appearing therein and to substitute "December 5, 2008" in lieu thereof.

(e) A new paragraph (p) is added to Article VII as follows:

(p) the Company and its Subsidiaries shall fail to enter into, by no later than December 5, 2008, such amendments, restatements, modifications and supplements to the Loan Documents and the Chinese Credit Facility Documents as are required by the Required Lenders (for the avoidance of doubt, in order to effect such changes to the principal amount, pricing, maturity, structure and terms of the credit facility evidenced by the Loan Documents and of the Chinese Credit Facility as are required by the Required Lenders); or

(f) A new paragraph (q) is added to Article VII as follows:

(q) by no later than December 5, 2008, the Company and its Domestic Subsidiaries will fail to enter into such agreements and documents as are required by the Collateral Agent (or fail to take such other actions as are required by the Collateral Agent in connection therewith) to cause substantially all of the owned property (whether personal, real, tangible, intangible, or mixed) of the Company and its Domestic Subsidiaries to be subject at all times to first priority, perfected Liens (subject to any Liens in existence on October 30, 2008 and permitted under Section 6.02) in favor of the Collateral Agent for the benefit of the Holders of Secured Obligations to secure the Secured Obligations (provided that (A) any mortgages or deeds of trust in respect of real property and any pledge agreements in respect of the equity interests in a Foreign Subsidiary shall not be required until such later date as the Collateral Agent may agree in the exercise of its reasonable discretion with respect thereto and (B) no such guaranty, pledge or collateral shall be required to the extent the Collateral Agent reasonably determines that (1) such guaranty, pledge or collateral is prohibited or otherwise restricted by applicable laws or regulations, or would cause materially adverse tax consequences to the Company and its Subsidiaries or (2) in light of the cost and expense associated therewith, such guaranty, pledge or collateral would be unduly burdensome or not provide material credit support for the benefit of the Holders of Secured Obligations pursuant to legally binding, valid and enforceable agreements and documents);

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that (a) the Administrative Agent shall have received counterparts of this Amendment duly executed by the Company, the Required Lenders and the Administrative Agent and the Consent and Reaffirmation attached hereto duly executed by the Subsidiary

Guarantors, (b) the Administrative Agent shall have received evidence of amendment(s) to the Chinese Credit Facility Documents on terms and conditions reasonably satisfactory to it, (c) the Company shall have paid to the Administrative Agent, for the account of each Lender that executes and delivers its signature page hereto by such time as is requested by the Administrative Agent, an amendment fee equal to 0.50% of such Lender's Commitment and (d) the Company shall have paid all of the fees of the Administrative Agent and its affiliates (including, to the extent invoiced, reasonable attorneys' fees and expenses of the Administrative Agent) in connection with this Amendment and the other Loan Documents.

3. Representations and Warranties of the Company. The Company hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement, as amended hereby, constitute legal, valid and binding obligations of the Company and are enforceable against the Company in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) As of the date hereof and giving effect to the terms of this Amendment, (i) no Default shall have occurred and be continuing and (ii) the representations and warranties of the Company set forth in the Credit Agreement, as amended hereby, are true and correct as of the date hereof.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended above, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

PHOTRONICS, INC.,
as the Company

By:____________________________
Name:
Title:

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
individually as a Lender, as the Swingline Lender, as the Issuing Bank and as Administrative Agent

By:____________________________
Name:
Title:

RBS CITIZENS, NATIONAL ASSOCIATION (successor by merger to Citizens Bank of Massachusetts), individually as a Lender and as Co-Syndication Agent

By:________________________________
Name:
Title:

Signature Page to Amendment No. 2
Photronics, Inc.
Credit Agreement dated as of June 6, 2007

HSBC BANK USA, NATIONAL ASSOCIATION, individually as a Lender and as Co-Syndication Agent

By:________________________________
Name:
Title:

Signature Page to Amendment No. 2
Photronics, Inc.
Credit Agreement dated as of June 6, 2007

CITIBANK, N.A., individually as a Lender and as Co-Syndication Agent

By:______________________________
Name:
Title:

BANK OF AMERICA, N.A.,
as a Lender

By:______________________________
Name:
Title:

UBS LOAN FINANCE LLC,
as a Lender

By:______________________________
Name:
Title:

By:______________________________
Name:
Title:

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 2 to the Credit Agreement dated as of June 6, 2007 (as amended by that certain Amendment No. 1 thereto, dated as of April 25, 2008, and as may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement") by and among Photronics, Inc. (the "Company"), the Foreign Subsidiary Borrowers from time to time party thereto (together with the Company, the "Borrowers"), the financial institutions from time to time party thereto (the "Lenders") and JPMorgan Chase Bank, National Association, as Administrative Agent (the "Administrative Agent"), which Amendment No. 2 is dated as of October 31, 2008 (the "Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Subsidiary Guaranty and any other Loan Document executed by it and acknowledges and agrees that such agreements and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment and as the same may from time to time hereafter be amended, modified or restated.

Dated: October 31, 2008

[Signature Page Follows]

PHOTRONICS-TOPPAN TEXAS, INC.

By:______________________________
Name:
Title:

Exhibit 10.30

AMENDMENT NO. 3

Dated as of December 3, 2008

to

CREDIT AGREEMENT

Dated as of June 6, 2007

THIS AMENDMENT NO. 3 ("Amendment") is made as of December 3, 2008 by and among Photronics, Inc. (the "Company"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, National Association, as Administrative Agent (in such capacity, the "Administrative Agent"), under that certain Credit Agreement dated as of June 6, 2007 by and among the Company, the Lenders and the Administrative Agent (as amended by that certain Amendment No. 1 thereto, dated as of April 25, 2008, and that certain Amendment No. 2 thereto, dated as of October 31, 2008, and as may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Company has requested that the Lenders and the Administrative Agent agree to certain amendments to the Credit Agreement;

WHEREAS, the Lenders party hereto and the Administrative Agent have agreed to such amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the Lenders party hereto and the Administrative Agent have agreed to enter into this Amendment.

1. Amendments to Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, paragraphs (o), (p) and (q) of Article VII of the Credit Agreement are hereby amended to delete each reference to the date "December 5, 2008" appearing therein and to replace each such date with the date "December 12, 2008".

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that the Administrative Agent shall have received counterparts of this Amendment duly executed by the Company, the Required Lenders and the Administrative Agent and the Consent and Reaffirmation attached hereto duly executed by the Subsidiary Guarantors.

3. Representations and Warranties of the Company. The Company hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement, as amended hereby, constitute legal, valid and binding obligations of the Company and are enforceable against the Company in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) As of the date hereof and giving effect to the terms of this Amendment, (i) no Default shall have occurred and be continuing and (ii) the representations and warranties of the Company set forth in the Credit Agreement, as amended hereby, are true and correct as of the date hereof (except to the extent that such representations and warranties are expressly made solely as of an earlier date in which case such representations and warranties shall be true and correct as of such earlier date).

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended above, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

PHOTRONICS, INC.,
as the Company

By:____________________
Name:
Title:

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
individually as a Lender, as the Swingline Lender, as the Issuing
Bank and as Administrative Agent

By:____________________
Name:
Title:

RBS CITIZENS, NATIONAL ASSOCIATION (successor by merger to Citizens Bank of Massachusetts), individually as a Lender and as Co-Syndication Agent

By:______________________________
Name:
Title:

HSBC BANK USA, NATIONAL ASSOCIATION, individually as a Lender and as Co-Syndication Agent

By:______________________________
Name:
Title:

CITIBANK, N.A., individually as a Lender and as Co-Syndication Agent

By:______________________________
Name:
Title:

BANK OF AMERICA, N.A.,
as a Lender

By:______________________________
Name:
Title:

UBS LOAN FINANCE LLC,
as a Lender

By:______________________________
Name:
Title:

By:______________________________
Name:
Title:

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 3 to the Credit Agreement dated as of June 6, 2007 (as amended by that certain Amendment No. 1 thereto, dated as of April 25, 2008, and that certain Amendment No. 2 thereto, dated as of October 31, 2008, and as may be further amended, supplemented or otherwise modified from time to time, the "<u>Credit Agreement</u>") by and among Photronics, Inc. (the "<u>Company</u>"), the Foreign Subsidiary Borrowers from time to time party thereto (together with the Company, the "<u>Borrowers</u>"), the financial institutions from time to time party thereto (the "<u>Lenders</u>") and JPMorgan Chase Bank, National Association, as Administrative Agent (the "<u>Administrative Agent</u>"), which Amendment No. 3 is dated as of December 3, 2008 (the "<u>Amendment</u>"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Subsidiary Guaranty and any other Loan Document executed by it and acknowledges and agrees that such agreements and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment and as the same may from time to time hereafter be amended, modified or restated.

Dated: December 3, 2008

[Signature Page Follows]

PHOTRONICS-TOPPAN TEXAS, INC.

By:______________________________
Name:
Title:

Exhibit 10. 31

AMENDMENT NO. 4

Dated as of December 12, 2008

to

CREDIT AGREEMENT

Dated as of June 6, 2007

THIS AMENDMENT NO. 4 ("Amendment") is made as of December 12, 2008 by and among Photronics, Inc. (the "Company"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, National Association, as Administrative Agent (in such capacity, the "Administrative Agent") and as Collateral Agent (in such capacity, the "Collateral Agent"), under that certain Credit Agreement dated as of June 6, 2007 by and among the Company, the Lenders and the Administrative Agent (as amended by that certain Amendment No. 1 thereto, dated as of April 25, 2008, and that certain Amendment No. 2 thereto, dated as of October 31, 2008, and as may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Company has requested that the Lenders, the Administrative Agent and the Collateral Agent agree to certain amendments to the Credit Agreement;

WHEREAS, the Lenders party hereto, the Administrative Agent and the Collateral Agent have agreed to such amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the Lenders party hereto, the Administrative Agent and the Collateral Agent have agreed to enter into this Amendment.

1. Amendments to Credit Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement is hereby amended as follows:

(a) The Aggregate Commitment is hereby reduced to $135,000,000 and Schedule 2.01 of the Credit Agreement is hereby amended to be restated in its entirety to read as set forth on Annex A hereto.

(b) Section 1.01 of the Credit Agreement is amended to add the following definitions thereto and, where applicable, to replace the corresponding previously existing definitions:

"Aggregate Commitment" means the aggregate of the Commitments of all of the Lenders, as reduced or increased from time to time pursuant to the terms and conditions hereof. As of December 12, 2008, the Aggregate Commitment is $135,000,000.

"Applicable Percentage" means, with respect to any Lender, the percentage of the Aggregate Commitment represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurocurrency Revolving Loan, or any ABR Revolving Loan or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Eurocurrency Spread", "ABR Spread" or "Commitment Fee Rate", as the case may be:

Eurocurrency Spread	ABR Spread	Commitment Fee Rate
6.00%	5.00%	0.50%

"Banking Services Agreement" means any agreement entered into by the Company or any Subsidiary in connection with Banking Services.

"Capital Expenditures" means, without duplication, any cash expenditures for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with GAAP.

"Chinese Bridge Facility" means the RMB22,500,000 short-term credit facility by and among Photronics Imaging Technologies (Shanghai) Co., Ltd. and JPMorgan Chase Bank, N.A., Shanghai Branch, as lender.

"Chinese Facility Sale" means any sale of the Company's direct or indirect Equity Interests in Photronics China or all or a portion of the assets of Photronics China.

"Collateral" means all Pledged Equity, all "Collateral" as defined in the Security Agreement and all other property pledged in favor of the Collateral Agent, on behalf of itself and the Holders of Secured Obligations, pursuant to the Mortgages and any other Collateral Document from time to time.

"Collateral Documents" means, collectively, the Security Agreement, the Pledge Agreements, the Mortgages and all other agreements, instruments and documents executed in connection with this Agreement that are intended to create, evidence or perfect Liens to secure the Secured Obligations.

"Consolidated Fixed Charges" means, with reference to any period, without duplication, interest payments in cash and scheduled principal payments on Indebtedness made in cash during such period, plus Taxes paid in cash, all calculated for the Company and its Subsidiaries on a consolidated basis.

"Defaulting Lender" means any Lender, as determined by the Administrative Agent, that has (a) failed to fund any portion of its Loans or participations in Letters of Credit or Swingline Loans within three (3) Business Days of the date required to be funded by it hereunder, (b) notified the Borrower, the Administrative Agent, the Issuing Bank, the Swingline Lender or any Lender in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement or under other agreements in which it commits to extend credit, (c) failed, within three (3) Business Days after request by the Administrative Agent, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans, (d) otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within three (3) Business Days of the date when due, unless the subject of a good faith dispute, or (e) (i) become or is insolvent or has a parent company that has become or is insolvent or (ii) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment.

"Fixed Charge Coverage Ratio" has the meaning assigned to such term in Section 6.12(d).

"LC Collateral Account" has the meaning assigned to such term in Section 2.06(j).

"Loan Documents" means this Agreement, each Borrowing Subsidiary Agreement, each Borrowing Subsidiary Termination, the Subsidiary Guaranty, the Collateral Documents (including, without limitation, the Pledge Agreements), any promissory notes executed and delivered pursuant to Section 2.10(e), the Intercreditor Agreement and any and all other instruments and documents executed and delivered in connection with any of the foregoing.

"Manchester Facility" means the real property and buildings owned by the Company or any Subsidiary located in Manchester, England.

"Maturity Date" means July 30, 2010.

"Mortgage" means each mortgage, deed of trust or other agreement which conveys or evidences a Lien in favor of the Collateral Agent, for the benefit of the Collateral Agent and the Holders of Secured Obligations, on real property of a Loan Party, including any amendment, restatement, modification or supplement thereto, each in form and substance reasonably acceptable to the Collateral Agent and the Company.

"Mortgage Instruments" means such title reports, title insurance, flood certifications and flood insurance, opinions of counsel, surveys, appraisals and environmental reports and other similar information and related certifications as are reasonably requested by, and in form and substance reasonably acceptable to, the Collateral Agent from time to time.

"Net Proceeds" means, with respect to any event, (a) the cash proceeds actually received in respect of such event including (i) any cash received in respect of any non-cash proceeds (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but excluding any interest payments), but only as and when received, (ii) in the case of a casualty, insurance proceeds and (iii) in the case of a condemnation or similar event, condemnation awards and similar payments, net of (b) the sum of (i) all reasonable attorneys' fees, accountants' fees, investment banking fees, survey costs, title policy premiums, and related search and recording charges, transfer taxes, deed or mortgage recording taxes, required payments of other obligations relating to the applicable event on such asset, other customary expenses and brokerage, consultant and other customary fees actually incurred in connection therewith, (ii) in the case of a sale, transfer or other disposition of an asset (including pursuant to a sale and leaseback transaction or a casualty or a condemnation or similar proceeding), the amount of all payments required to be made as a result of such event to repay Indebtedness (other than Loans) secured by such asset or otherwise subject to mandatory prepayment as a result of such event and (iii) the amount of all taxes paid (or reasonably estimated to be payable) and the amount of any reserves established against any adjustment to the sale price or to fund contingent liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are directly attributable to such event (as determined reasonably and in good faith by a Financial Officer).

"Pledge Subsidiary" means (i) each Domestic Subsidiary and (ii) each First Tier Foreign Subsidiary that is a Material Subsidiary.

"PRC Collateral Documents" means the mortgages, security agreements and all other agreements, instruments and documents executed in connection with the Chinese Credit Facility (as amended) that are intended to create, evidence or perfect Liens to secure the "Obligations" as defined thereunder.

"Prepayment Event" means, after December 12, 2008:

(a) any sale, lease, transfer or other disposition (including pursuant to a sale and leaseback transaction but excluding any sale, transfer, lease or disposition from the Company or any Subsidiary to the Company, any Subsidiary or any Affiliate thereof) of any property or asset of the Company or any Domestic Subsidiary (an "Asset Sale") with Net Proceeds which, when added to the aggregate amount of Net Proceeds received from all Asset Sales occurring in the same fiscal year, exceed $1,000,000; or

(b) any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of the Company or any Subsidiary with a fair market value immediately prior to such event equal to or greater than $1,000,000; or

(c) the issuance by the Company of any Equity Interests, or the receipt by the Company of any capital contribution; or

(d) the incurrence by the Company or any Subsidiary of any Indebtedness pursuant to Sections 6.01 (f) or (j); or

(e) the receipt by the Company or any Subsidiary of any dividend payment from PSMC; or

(f) any Qualified Asset Sale.

"Qualified Asset Sales" means (i) the Chinese Facility Sale and (ii) the sale, transfer or disposition by the Company or any Subsidiary of all or a portion of the Manchester Facility (in each case excluding sales, transfers or dispositions from the Company or any Subsidiary to the Company, any Subsidiary or any Affiliate thereof).

"Qualified Unsecured Indebtedness" of the Company or any Subsidiary means unsecured Indebtedness of such Person in an aggregate outstanding principal amount not in excess of $25,000,000 and on terms and conditions satisfactory to the Administrative Agent (it being understood and agreed that the limitations applicable to Subordinated Indebtedness pursuant to Section 6.10 shall also be applicable, *mutatis mutandis*, to Qualified Unsecured Indebtedness).

"Security Agreement" means that certain Security Agreement (including any and all supplements thereto), dated as of December 12, 2008, between the Loan Parties and the Collateral Agent, for the benefit of the Collateral Agent and the other Holders of Secured Obligations, as the same may be amended, restated or otherwise modified from time to time.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York or any other state the laws of which are required to be applied in connection with the issue of perfection of security interests.

(c) Section 1.01 of the Credit Agreement is amended to delete the defined terms "Financials" and "Permitted Acquisition" appearing therein.

(d) The definition of "Chinese Credit Facility Guarantee" appearing in Article I of the Credit Agreement is amended to delete the reference "Chinese Facility" appearing therein and to replace such reference with the reference "Chinese Credit Facility".

(e) The definition of "Material Indebtedness" appearing in Article I of the Credit Agreement is amended to (1) delete the reference "Material Subsidiaries" appearing therein and to replace such reference with the reference "Subsidiaries" and (2) delete the amount "$15,000,000" appearing therein and to replace such amount with the amount "$5,000,000".

(f) The definition of "Pledge Agreements" appearing in Article I of the Credit Agreement is amended to delete the reference "5.10" appearing therein and to replace such reference with the reference "5.09".

(g) The definition of "Pledged Equity" appearing in Article I of the Credit Agreement is amended to delete the reference "Administrative Agent" appearing therein and to replace such reference with the reference "Collateral Agent".

(h) The definition of "Subsidiary Guarantor" appearing in Article I of the Credit Agreement is amended to delete the reference "Material Subsidiary" appearing therein and to replace such reference with the reference "Subsidiary".

(i) Section 2.06(j) of the Credit Agreement is amended to add the parenthetical "(the "LC Collateral Agent")" immediately after the phrase "for the benefit of the Lenders" appearing in the first sentence thereof.

(j) Section 2.09(b) of the Credit Agreement is amended to add the following sentence to the end thereof:

"The Commitments shall also reduce in accordance with the terms of Section 2.11(c)."

(k) Section 2.09 of the Credit Agreement is amended to (1) change clause (c) thereof to a new clause (d) and (2) to add the following as a new clause (c) thereto:

(c) Notwithstanding anything herein to the contrary, unless previously reduced to or below such amounts pursuant to Section 2.09(b), the Commitments shall, without any action by or notice to the Company, automatically and irrevocably be reduced to (i) $120,000,000 on October 31, 2009 and (ii) $100,000,000 on January 31, 2010, in each case with such reduction allocated ratably among the Lenders in proportion to their respective Applicable Percentages. Each such reduction shall be accompanied by a prepayment of the Loans by the Company on such date (or, if such day is not a Business Day, on the immediately succeeding Business Day) such that the Dollar Amount of the sum of the Revolving Credit Exposures does not exceed the Aggregate Commitment immediately after giving effect to such reduction.

(l) Section 2.11(b) of the Credit Agreement is amended to (1) add the parenthetical "(as reduced pursuant to Section 2.09)" immediately after the reference to "Aggregate Commitment" appearing in clause (i) thereof and (2) delete the reference "LC Disbursements" appearing in clause (ii) thereof and replace such reference with the reference "LC Exposure".

(m) Section 2.11 of the Credit Agreement is amended to add the following as a new clause (c) thereto:

(c) In the event and on each occasion that any Net Proceeds are received by or on behalf of the Company or any of its Subsidiaries in respect of any Prepayment Event, the Company shall, within three (3) Business Days after such Net Proceeds are received by the Company or any Subsidiary, prepay the Revolving Loans and, if no Revolving Loans are outstanding, cash collateralize LC Exposure, in an aggregate amount equal to 100% of such Net Proceeds received by the Company or any Subsidiary; provided that the Net Proceeds in respect of the Chinese Facility Sale (and Net Proceeds arising from a casualty, condemnation or similar event in respect of the assets of Photronics China) shall first be applied to prepay amounts outstanding (and permanently reduce and terminate the commitments) under the Chinese Credit Facility with any remaining Net Proceeds being applied to prepay the Revolving Loans and, if no Revolving Loans are outstanding, cash collateralize LC Exposure, as described above; provided further that, in the case of any event described in clause (b) of the definition of the term "Prepayment Event", if the Company shall deliver to the Administrative Agent a certificate of a Financial Officer to the effect that the Company or its relevant Subsidiaries intend to apply the Net Proceeds from such event (or a portion thereof specified in such certificate), within 90 days after receipt of such Net Proceeds, to acquire (or replace or rebuild) real property, equipment or other tangible assets (excluding inventory) to be used in the business of the Company and/or its Subsidiaries, and certifying that no Default has occurred and is continuing, then no prepayment shall be required pursuant to this paragraph in respect of the Net Proceeds specified in such certificate; provided further that to the extent of any such Net Proceeds therefrom that have not been so applied by the end of such 90 day period, at which time a prepayment shall be required in an amount equal to such Net Proceeds that have not been so applied.

Notwithstanding anything to the contrary set forth in this Agreement, until the Commitments have been irrevocably reduced to $100,000,000, to the extent any prepayments of the Revolving Loans and/or cash collateralization of LC Exposure are effected due to the application of this Section 2.11(c), all such prepayments and/or cash collateralization shall be accompanied by a concurrent, automatic, irrevocable reduction and termination of the Commitments in an amount equal to any such prepayment and/or cash collateralization with such reduction and termination allocated ratably among the Lenders in proportion to their respective Applicable Percentages.

(n) Section 2.18(b) of the Credit Agreement is hereby amended to add the phrase, "subject to the terms of the Intercreditor Agreement," immediately prior to clause (i) appearing therein.

(o) Section 2.19(b) of the Credit Agreement is amended to (1) delete the phrase "defaults in its obligation to fund Loans hereunder" appearing in the first sentence thereof and to replace such phrase with the phrase "becomes a Defaulting Lender" and (2) add the parenthetical "(and if a Commitment is being assigned, the Issuing Bank)" immediately after the reference "Administrative Agent" appearing in clause (i) of the proviso therein.

(p) Article II of the Credit Agreement is amended to add the following as a new Section 2.24 thereof:

SECTION 2.24. Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) if any Swingline Exposure or LC Exposure exists at the time a Lender is a Defaulting Lender, the Borrower shall within one (1) Business Day following notice by the Administrative Agent (i) prepay such Swingline Exposure or, if agreed by the Swingline Lender, cash collateralize the Swingline Exposure of the Defaulting Lender on terms satisfactory to the Swingline Lender and (ii) cash collateralize such Defaulting Lender's LC Exposure in accordance with the procedures set forth in Section 2.06(j) for so long as such LC Exposure is outstanding; and

(b) the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit unless it is satisfied that cash collateral will be provided by the Borrower in accordance with Section 2.24(a).

(q) Section 3.01 of the Credit Agreement is amended to delete the reference "Pledge Agreements" appearing therein and to replace such reference with the reference "Loan Documents".

(r) Section 3.02 of the Credit Agreement is amended and restated in its entirety to read as follows:

SECTION 3.02. Authorization; Enforceability. The Transactions are within each Loan Party's corporate powers and have been duly authorized by all necessary corporate and, if required, shareholder action. The Loan Documents to which each Loan Party is a party have been duly executed and delivered by such Loan Party and constitute a legal, valid and binding obligation of such Loan Party, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(s) Section 3.03 of the Credit Agreement is amended to delete the reference "Pledge Agreements" appearing in clause (d) thereof and to replace such reference with the reference "Loan Documents".

(t) Section 3.13 of the Credit Agreement is amended to delete the reference "Borrower" appearing therein and to replace such reference with the reference "Company".

(u) Article III of the Credit Agreement is amended to add the following as a new Section 3.16 thereof:

SECTION 3.16. Security Interest in Collateral. The provisions of this Agreement and the other Loan Documents create legal and valid Liens on all the Collateral covered thereby in favor of the Collateral Agent, for the benefit of the Holders of Secured Obligations, and (i) when all appropriate filings, recordings, registrations, stampings or notifications are made and (ii) upon the taking of possession or control by the Collateral Agent of such Collateral with respect to which a security interest may be perfected only by possession or control, such Liens shall constitute perfected and continuing Liens on the Collateral, securing the Secured Obligations, and having priority over all other Liens on the Collateral except in the case of (a) Permitted Encumbrances, to the extent any such Permitted Encumbrances would have priority over the Liens in favor of the Collateral Agent pursuant to any applicable law and (b) Liens perfected only by possession (including possession of any certificate of title) to the extent the Collateral Agent has not obtained or does not maintain possession of such Collateral.

(v) Section 5.05 of the Credit Agreement is amended and restated in its entirety to read as follows:

SECTION 5.05. Maintenance of Properties; Insurance.

(a) The Company will, and will cause each of its Subsidiaries to, (i) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (ii) maintain with financially sound and reputable carriers (1) insurance in such amounts (with no greater risk retention) and against such risks (including loss or damage by fire and loss in transit; theft, burglary, pilferage, larceny, embezzlement, and other criminal activities; business interruption; and general liability) and such other hazards, as is customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations and (2) all insurance required pursuant to the Collateral Documents. The Company will furnish to the Lenders, upon request of the Collateral Agent, information in reasonable detail as to the insurance so maintained.

(b) The Company shall deliver to the Collateral Agent endorsements (x) to all “All Risk” physical damage insurance policies on the Loan Parties’ tangible personal property and assets located in the United States of America and business interruption insurance policies naming the Collateral Agent as lender loss payee, and (y) to all general liability and other liability policies naming the Collateral Agent an additional insured. Each policy for liability insurance shall provide for all losses to be paid on behalf of the Collateral Agent and the Company or its Subsidiaries as their interests may appear. In the event the Company or any of its Subsidiaries at any time or times hereafter shall fail to obtain or maintain any of the policies or insurance required herein or to pay any premium in whole or in part relating thereto, then the Collateral Agent, without waiving or releasing any obligations or resulting Default hereunder, may at any time or times thereafter (but shall be under no obligation to do so) obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which the Collateral Agent deems advisable. All sums so disbursed by the Collateral Agent shall constitute part of the Obligations, payable as provided in this Agreement. The Company will furnish to the Collateral Agent prompt written notice of any casualty or other insured damage to any material portion of the Collateral or the commencement of any action or proceeding for the taking of any material portion of the Collateral or interest therein under power of eminent domain or by condemnation or similar proceeding.

(c) So long as no Event of Default shall have occurred and be continuing, all insurance payments received by the Collateral Agent in connection with any loss, damage or destruction of any property of the Company or any of its Subsidiaries will be released by the Collateral Agent to the applicable Company or such Subsidiary for the repair, replacement or restoration thereof, subject to the prepayment requirements under Section 2.11(c) and subject to such other terms and conditions with respect to the release thereof as the Collateral Agent may reasonably require.

(w) Section 5.06 of the Credit Agreement is amended to (1) add the phrase “including environmental assessment reports and Phase I or Phase II studies,” immediately after the phrase “relevant books and records,” appearing in the second sentence thereof and (2) add the sentence “The Company acknowledges that the Administrative Agent, after exercising its rights of inspection, may prepare and distribute to the Lenders certain reports pertaining to the Company and its Subsidiaries’ assets for internal use by the Administrative Agent and the Lenders.” to the end thereof.

(x) Section 5.09 of the Credit Agreement is amended and restated in its entirety to read as follows:

SECTION 5.09. Subsidiary Guarantors; Pledges; Additional Collateral; Further Assurances

(a) As promptly as possible but in any event within thirty (30) days (or such later date as may be agreed upon by the Administrative Agent) after any Person becomes a Subsidiary or any Subsidiary qualifies independently as, or is designated by the Company or the Administrative Agent as, a Subsidiary Guarantor pursuant to the definition of “Subsidiary Guarantor”, the Company shall provide the Administrative Agent with written notice thereof setting forth information in reasonable detail describing the earnings and material assets of such Person and shall cause each such Subsidiary which also qualifies as a Subsidiary Guarantor to deliver to the Administrative Agent a joinder to the Subsidiary Guaranty and the Security Agreement (in each case in the form contemplated thereby) pursuant to which such Subsidiary agrees to be bound by the terms and provisions of thereof, such Subsidiary Guaranty to be accompanied by appropriate corporate resolutions, other corporate documentation and legal and joinder opinions in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(b) The Company will cause, and will cause each other Subsidiary qualifying as a Loan Party to cause, within the time periods set forth below with respect to real property, all of its owned property (whether real, personal, tangible, intangible, or mixed) to be subject at all times to first priority and perfected (subject in each case to the qualifications specified in Section 3.16 with respect to priority and perfection) Liens in favor of the Collateral Agent for the benefit of the Holders of Secured Obligations to secure the Secured Obligations in accordance with the terms and conditions of the Collateral Documents, subject in any case to Liens permitted by Section 6.02. Without limiting the generality of the foregoing, the Company (i) will cause the Applicable Pledge Percentage of the issued and outstanding Equity Interests of each Pledge Subsidiary directly owned by the Company or any other Subsidiary qualifying as a Loan Party to be subject at all times to a first priority and perfected (subject in each case to the qualifications specified in Section 3.16 with respect to priority and perfection) Lien in favor of the Collateral Agent to secure the Secured Obligations in accordance with the terms and conditions of the Collateral Documents; provided that no such pledge of the Equity Interests of a Foreign Subsidiary shall be required hereunder to the extent such pledge is prohibited by applicable law or the Collateral Agent and its counsel reasonably determine that, in light of the cost and expense associated therewith, such pledge would be unduly burdensome or not provide material Pledged Equity for the benefit of the Holders of Secured Obligations pursuant to legally binding, valid and enforceable Pledge Agreements, and (ii) will, and will cause each other Subsidiary qualifying as a Loan Party to, deliver Mortgages and Mortgage Instruments with respect to real property owned by the Company or such Subsidiary to the extent, and within such time period as is, reasonably required by the Collateral Agent. Notwithstanding the foregoing, the Company agrees to use its best efforts to deliver such Mortgages and Mortgage Instruments as soon as practicable after December 12, 2008 but in no event later than February 5, 2009 or such later date as the Collateral Agent may agree in the exercise of its reasonable discretion with respect thereto.

(c) Without limiting the foregoing, the Company will, and will cause each Subsidiary to, execute and deliver, or cause to be executed and delivered, to the Collateral Agent such documents, agreements and instruments, and will take or cause to be taken such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents and such other actions or deliveries of the type required by Section 4.01, as applicable), which may be required by law or which the Collateral Agent may, from time to time, reasonably request to carry out the terms and conditions of this Agreement and the other Loan Documents and to ensure perfection and priority of the Liens created or intended to be created by the Collateral Documents, all at the expense of the Company.

(d) If any real property or improvements thereto or any interests therein are acquired by a Loan Party after December 12, 2008 (other than assets already constituting Collateral under the Security Agreement or any Mortgage), the Company will notify the Collateral Agent thereof, and, if requested by the Collateral Agent, the Company will cause such assets to be subjected to a Lien securing the Secured Obligations and will take, and cause the other Loan Parties to take, such actions as shall be necessary or reasonably requested by the Collateral Agent to grant and perfect such Liens, including actions described in paragraph (c) of this Section, all at the expense of the Company.

(y) The Credit Agreement is amended to delete the existing Section 5.10 and to delete all references thereto.

(z) The Credit Agreement is amended to insert new Sections 5.10, 5.11 and 5.12 thereto as follows:

SECTION 5.10. Replacement of Chinese Credit Facility. The Company and its applicable Subsidiaries shall make their best efforts to enter into, by such time and pursuant to such documentation as is reasonably requested by the Administrative Agent, one or more replacements of the Chinese Credit Facility that, *inter alia*, will cause all or a portion of the Indebtedness thereunder to become a direct borrowing obligation of the Company. Those Lenders with branches or Affiliates party to the Chinese Credit Facility agree to cooperate with the Company in considering any such replacement facility in their sole discretion in order to facilitate compliance with this covenant by the Company and its Subsidiaries (it being understood and agreed that the foregoing shall not constitute a commitment by any such Lender to enter into any such replacement facility).

SECTION 5.11. Depository Banks. The Company and each Subsidiary will, by no later than January 12, 2009, maintain one or more of the Lenders (or their subsidiaries or affiliates) as its principal depository bank, including for the maintenance of operating, administrative, cash management, collection activity, and other deposit accounts for the conduct of its business. In the event that any Lender ceases to be a Lender hereunder, the Company and its applicable Subsidiaries shall have 30 days, or such longer period as may be agreed by the Collateral Agent in its reasonable discretion, to move its accounts to one or more of the other Lenders (or their subsidiaries or affiliates).

SECTION 5.12. Financial Consultant. The Company shall retain the services of a financial consultant selected by the Company from a list of consultants provided to the Company by the Administrative Agent (the "Financial Consultant") on terms (including scope of engagement) reasonably acceptable to the Administrative Agent by no later than January 15, 2009. The Company shall cause the Financial Consultant to provide a report (in form and scope reasonably acceptable to the Administrative Agent) to the Administrative Agent and the Lenders covering the 2009 business plan, cash flow projections and liquidity, capital expenditures and foreign activities, in each case in respect of the Company and its Subsidiaries, by no later than March 31, 2009. It is understood and agreed that the Financial Consultant shall be and remain the agent of the Company and not of the Agents or the Lenders and shall not have any authority to act for, or on behalf of, the Agents or the Lenders in any matter whatsoever; provided that the Financial Consultant will be permitted to hold direct conversations with the Agents and the Lenders.

(aa) Section 6.01(e) of the Credit Agreement is amended to delete the amount "$35,000,000" appearing therein and to replace such amount with the amount "$5,000,000".

(bb) Section 6.01(f) of the Credit Agreement is amended and restated in its entirety to read as follows:

(f) Subordinated Indebtedness and Qualified Unsecured Indebtedness, in each case so long as, after giving effect to the incurrence thereof, no Default shall have occurred and be continuing and the Borrowers shall be in compliance, on a pro forma basis after giving effect to such incurrence, with the covenants contained in Section 6.11 recomputed as if such incurrence had occurred on the first day of the period for testing such compliance;

(cc) Section 6.01(i) of the Credit Agreement is amended to delete the word "and" appearing at the end thereof.

(dd) Section 6.01(j) of the Credit Agreement is amended and restated in its entirety to read as follows:

(j) unsecured Indebtedness in an aggregate principal amount not exceeding $1,000,000 at any time outstanding; and

(ee) Section 6.01 of the Credit Agreement is amended to add the following as a new clause (k) thereof:

(k) in addition to Indebtedness permitted pursuant to Section 6.01(b), Indebtedness existing on December 12, 2008 and set forth in Schedule 6.01(k) and extensions, renewals and replacements of any such Indebtedness with Indebtedness of a similar type that does not increase the outstanding principal amount thereof.

(ff) Section 6.02(a) of the Credit Agreement is amended to delete the phrase "the Pledge Agreements" appearing therein and to replace such phrase with the phrase "any Loan Document or PRC Collateral Document".

(gg) Section 6.03(a)(iii) of the Credit Agreement is amended to add the phrase "or otherwise dissolve into," immediately before the phrase "a Loan Party" appearing therein.

(hh) Each of clause (D) and clause (E) of Section 6.03(a)(iv) of the Credit Agreement is amended and restated in its entirety to read as follows:

(D) enter into Qualified Asset Sales so long as the Net Proceeds resulting thereof are applied in accordance with Section 2.11(c) and

(E) make any other sales, transfers, leases or dispositions of assets with an aggregate book value that, together with the aggregate book value of all other assets of the Company and its Subsidiaries previously leased, sold or disposed of as permitted by this clause (E) during any fiscal year of the Company, does not exceed 1% of Consolidated Total Assets (as reflected in the most recent consolidated balance sheet of the Company delivered to the Lenders) or as otherwise approved in writing by the Administrative Agent and

(ii) Clause (vi) of Section 6.03(a) of the Credit Agreement is amended to (1) become clause (v) of Section 6.03(a) of the Credit Agreement and (2) insert the phrase "or a Material Subsidiary" immediately after the reference to "Foreign Subsidiary Borrower" appearing therein.

(jj) Section 6.04(d) of the Credit Agreement is amended and restated in its entirety to read as follows:

(d) investments, loans or advances made by the Company in or to any Subsidiary and made by any Subsidiary to the Company or any other Subsidiary (provided that not more than $1,000,000 in investments, loans or advances or capital contributions may be made and remain outstanding, during the term of this Agreement, by any Loan Party to a Subsidiary which is not a Loan Party but provided further that investments, loans, advances or capital contributions made to (i) effect the servicing of the obligations under the Chinese Credit Facility or the Chinese Bridge Facility and (ii) fund the operating expenses of Photronics China in the ordinary course of business consistent with past practice, in each case shall not be subject to the foregoing proviso);

(kk) Each of Section 6.04(h) and Section 6.04(j) of the Credit Agreement is amended and restated in its entirety to read as follows:

(h) [intentionally omitted];

(j) [intentionally omitted];

(ll) Section 6.04(k) of the Credit Agreement is amended to (1) delete the amount "$10,000,000" appearing therein and to replace such amount with the amount "1,000,000" and (2) change the period appearing at the end thereof to "; and".

(mm) Section 6.04 of the Credit Agreement is amended to add the following as a new clause (l) thereof:

(l) in addition to investments permitted pursuant to Section 6.04(i), investments, loans or advances existing on December 12, 2008 and set forth in Schedule 6.04(l) and extensions, renewals and replacements of any such investments, loans or advances with investments, loans or advances of a similar type that do not increase the outstanding amount thereof.

(nn) Section 6.06(a) of the Credit Agreement is amended to (1) insert a comma immediately after the word "Subsidiaries" appearing in clause (iii) thereof and (2) amend and restate clause (iv) thereof in its entirety to read as follows:

(iv) PSMC may make dividends to its shareholders.

(oo) Clause (iii) of Section 6.06(b) of the Credit Agreement is amended and restated in its entirety to read as follows:

(iii) [intentionally omitted];

(pp) Section 6.11 of the Credit Agreement is amended and restated in its entirety to read as follows:

SECTION 6.11. Financial Covenants.

(a) Maximum Senior Leverage Ratio. The Company will not permit the ratio (the "Senior Leverage Ratio"), determined as of the end of each of its fiscal quarters set forth below, of (i) Consolidated Senior Indebtedness to (ii) Consolidated EBITDA for the period of 4 consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for the Company and its Subsidiaries on a consolidated basis, to be greater than the ratio set forth opposite such fiscal quarter:

Fiscal Quarter Ending On or About	Maximum Senior Leverage Ratio
October 31, 2008	2.25 to 1.00
January 31, 2009	2.25 to 1.00
April 30, 2009	2.15 to 1.00
July 31, 2009	2.00 to 1.00
October 31, 2009	1.75 to 1.00
January 31, 2010 and each Fiscal Quarter ending thereafter	1.25 to 1.00

(b) Total Leverage Ratio. The Company will not permit the ratio (the "Total Leverage Ratio"), determined as of the end of each of its fiscal quarters set forth below, of (i) Consolidated Total Indebtedness to (ii) Consolidated EBITDA for the period of 4 consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for the Company and its Subsidiaries on a consolidated basis, to be greater than the ratio set forth opposite such fiscal quarter:

Fiscal Quarter Ending On or About	Maximum Total Leverage Ratio
October 31, 2008	2.50 to 1.00
January 31, 2009	2.50 to 1.00
April 30, 2009	2.40 to 1.00
July 31, 2009	2.25 to 1.00
October 31, 2009	2.00 to 1.00
January 31, 2010 and each Fiscal Quarter ending thereafter	1.50 to 1.00

(c) Minimum Unrestricted Cash Balances. The Company will not permit the aggregate amount of unrestricted cash balances and Permitted Investments maintained by the Company and its Subsidiaries to be less than $50,000,000. For the avoidance of doubt, any cash deposited with the Collateral Agent pursuant to the terms of the Collateral Documents shall be deemed to be unrestricted cash.

(d) Minimum Fixed Charge Coverage Ratio. The Company will not permit the ratio (the "Fixed Charge Coverage Ratio"), determined as of the end of each of its fiscal quarters set forth below, of (i) Consolidated EBITDA minus Capital Expenditures to (ii) Consolidated Fixed Charges, in each case for the period of four (4) consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for the Company and its Subsidiaries on a consolidated basis, to be less than the ratio set forth opposite such fiscal quarter:

Fiscal Quarter Ending On or About	Minimum Fixed Charge Coverage Ratio
January 31, 2009	1.25 to 1.00
April 30, 2009 and each Fiscal Quarter ending thereafter	1.50 to 1.00

(e) Minimum EBITDA. The Company will not permit Consolidated EBITDA for the fiscal quarters ending on or about the dates set forth below to be less than the corresponding amount set forth opposite such fiscal quarter:

Fiscal Quarter Ending On or About	Minimum Consolidated EBITDA
October 31, 2008	$25,000,000
January 31, 2009	$16,000,000
April 30, 2009	$25,000,000
July 31, 2009 and each Fiscal Quarter ending thereafter	$30,000,000

(f) Maximum Capital Expenditures. The Company will not, nor will it permit any Subsidiary to, make Capital Expenditures in (i) an amount (in the aggregate for the Company and its Subsidiaries) in excess of $12,500,000 during the Company's fiscal quarter ending on or about October 31, 2008 and (ii) an amount (in the aggregate for the Company and its Subsidiaries) during the period of 4 consecutive fiscal quarters ending as of the end of each of its fiscal quarters (other than the fiscal quarter ending on or about October 31, 2008) in excess of the Relevant Amount. "Relevant Amount" means $65,000,000 as of the end of the Company's fiscal quarter ending on or about January 31, 2009 and $57,500,000 as of the end of each of the Company's fiscal quarters ending thereafter.

(qq) Clause (d) of Article VII of the Credit Agreement is amended to restate subclause (i) thereof in its entirety to read as follows:

(d)(i) the Company shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to any Borrower's existence), 5.08, 5.09, 5.10, 5.11 or 5.12, in Article VI or in Article X or

(rr) Clause (k) of Article VII of the Credit Agreement is amended to delete the amount "$10,000,000" appearing therein and to replace such amount with the amount "$1,000,000".

(ss) Article VII of the Credit Agreement is amended to (1) insert the word "or" at the end of clause (n) thereof, (2) delete clauses (o) and (p) thereof and (3) amend and restate clause (q) thereof as a new clause (p) thereof in its entirety to read as follows:

(p) any Collateral Document shall for any reason fail to create a valid and perfected first priority security interest in any material portion of the Collateral purported to be covered thereby, except as permitted by the terms of any Loan Document;

(tt) Article VII of the Credit Agreement is amended to (1) delete the term "obligations" appearing in the second to last paragraph thereof and to replace such term with the defined term "Obligations", (2) delete the reference "Pledged Equity" appearing in the first sentence of the last paragraph thereof and to replace such reference with the reference "Collateral" and (3) add the following as a new final paragraph thereto:

Upon the occurrence and during the continuance of an Event of Default, the Collateral Agent may, in accordance with the terms of the Intercreditor Agreement, exercise any rights and remedies provided to the Collateral Agent under the Loan Documents or at law or equity, including all remedies provided under the UCC.

(uu) Article VIII of the Credit Agreement is amended to (1) delete each reference to "Pledged Equity" appearing therein and to replace each such reference with the reference "Collateral", (2) delete each reference to "Pledge Agreements" appearing therein and to replace each such reference with the reference "Collateral Documents" and (3) restate the final paragraph thereof in its entirety to read as follows:

The parties hereto acknowledge and agree for the purposes of taking and ensuring the continuing validity of German law governed pledges (*Pfandrechte*) with the creation of parallel debt obligations of the Borrowers as will be further described in a separate German law governed parallel debt undertaking. The Collateral Agent shall (i) hold such parallel debt undertaking as fiduciary agent (*Treuhaender*) and (ii) administer and hold as fiduciary agent (*Treuhaender*) any pledge created under a German law governed Collateral Document which is created in favor of any Holder of the Secured Obligations or transferred to any Holder of the Secured Obligations due to its accessory nature (*Akzessorietaet*), in each case in its own name and for the account of the Holders of the Secured Obligations. Each Lender, on its own behalf and on behalf of its affiliated Holders of Secured Obligations, hereby authorizes the Collateral Agent to enter as its agent in its name and on its behalf into any German law governed Collateral Document, to accept as its agent in its name and on its behalf any pledge under such Collateral Document and to agree to and execute as agent its in its name and on its behalf any amendments, supplements and other alterations to any such Collateral Document and to release any such Collateral Document and any pledge created under any such Collateral Document in accordance with the provisions herein and/or the provisions in any such Collateral Document.

(vv) Article IX of the Credit Agreement is amended to add the following as a new Section 9.14 thereto:

SECTION 9.14. Appointment for Perfection. Each Lender hereby appoints each other Lender as its agent for the purpose of perfecting Liens, for the benefit of the Collateral Agent and the Holders of Secured Obligations, in assets which, in accordance with Article 9 of the UCC or any other applicable law can be perfected only by possession. Should any Lender (other than the Collateral Agent) obtain possession of any such Collateral, such Lender shall notify the Collateral Agent thereof, and, promptly upon the Collateral Agent's request therefor shall deliver such Collateral to the Collateral Agent or otherwise deal with such Collateral in accordance with the Collateral Agent's instructions.

(ww) Schedule 3.01 of the Credit Agreement is hereby amended in its entirety to read as set forth on Annex B hereto.

(xx) A new Schedule 6.01(k) is hereby added to the Credit Agreement as set forth on Annex C hereto.

(yy) A new Schedule 6.04(l) is hereby added to the Credit Agreement as set forth on Annex D hereto.

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that (a) the Administrative Agent shall have received counterparts of this Amendment duly executed by the Company, the Required Lenders and the Administrative Agent and the Consent and Reaffirmation attached hereto duly executed by the Subsidiary Guarantors, (b) the Company shall have paid to the Administrative Agent, for the account of each Lender that executes and delivers its signature page hereto by such time as is requested by the Administrative Agent, an amendment fee equal to 0.50% of such Lender's Commitment, (c) the Company shall have paid all of the fees of the Administrative Agent and its affiliates (including, to the extent invoiced, reasonable attorneys' fees and expenses of the Administrative Agent) in connection with this Amendment and the other Loan Documents and (d) the Company and its Subsidiaries shall have delivered to the Administrative Agent and the Collateral Agent all Collateral Documents and related instruments and documents requested by the Administrative Agent and the Collateral Agent in connection with the effectiveness of this Amendment.

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3. Representations and Warranties of the Company and Acknowledgements and Confirmations. The Company hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement, as amended hereby, constitute legal, valid and binding obligations of the Company and are enforceable against the Company in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) As of the date hereof and giving effect to the terms of this Amendment, (i) no Default shall have occurred and be continuing and (ii) the representations and warranties of the Company set forth in the Credit Agreement, as amended hereby, are true and correct as of the date hereof.

(c) The Company (and by its execution of the Consent and Reaffirmation attached hereto, each Subsidiary Guarantor) hereby acknowledges and confirms that (i) it does not have any grounds, and hereby agrees not to challenge (or to allege or to pursue any matter, cause or claim arising under or with respect to) the effectiveness, genuineness, validity, collectibility or enforceability of the Credit Agreement or any of the other Loan Documents, the Secured Obligations, the Liens securing such Secured Obligations, or any of the terms or conditions of any Loan Document and (ii) it does not possess (and hereby forever waives, remises, releases, discharges and holds harmless the Lenders, the Agents and their respective affiliates, stockholders, directors, officers, employees, attorneys, agents and representatives and each of their respective heirs, executors, administrators, successors and assigns (collectively, the "Indemnified Parties") from and against, and agrees not to allege or pursue) any action, cause of action, suit, debt, claim, counterclaim, cross-claim, demand, defense, offset, opposition, demand and other right of action whatsoever, whether in law, equity or otherwise (which it, all those claiming by, through or under it, or its successors or assigns, have or may have) against the Indemnified Parties, or any of them, by reason of, any matter, cause or thing whatsoever, with respect to events or omissions occurring or arising on or prior to the date hereof and relating to the Credit Agreement or any of the other Loan Documents (including, without limitation, with respect to the payment, performance, validity or enforceability of the Secured Obligations, the Liens securing the Secured Obligations or any or all of the terms or conditions of any Loan Document) or any transaction relating thereto.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended above, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

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5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

PHOTRONICS, INC.,
as the Company

By: ______________________________
Name:
Title:

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
individually as a Lender, as the Swingline Lender, as the Issuing Bank and as Administrative Agent

By: ______________________________
Name:
Title:

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: ______________________________
Name:
Title:

RBS CITIZENS, NATIONAL ASSOCIATION (successor by merger to Citizens Bank of Massachusetts), individually as a Lender and as Co-Syndication Agent

By: ______________________________
Name:
Title:

HSBC BANK USA, NATIONAL ASSOCIATION, individually as a Lender and as Co-Syndication Agent

By: ______________________________
Name:
Title:

CITIBANK, N.A., individually as a Lender and as Co-Syndication Agent

By: ______________________________
Name:
Title:

BANK OF AMERICA, N.A.,
as a Lender

By: ______________________________
Name:
Title:

UBS LOAN FINANCE LLC,

as a Lender

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 4 to the Credit Agreement dated as of June 6, 2007 (as amended by that certain Amendment No. 1 thereto, dated as of April 25, 2008, that certain Amendment No. 2 thereto, dated as of October 31, 2008, and that certain Amendment No. 3 thereto, dated as of December 3, 2008, and as may be further amended, supplemented or otherwise modified from time to time, the "Credit Agreement") by and among Photronics, Inc. (the "Company"), the Foreign Subsidiary Borrowers from time to time party thereto (together with the Company, the "Borrowers"), the financial institutions from time to time party thereto (the "Lenders") and JPMorgan Chase Bank, National Association, as Administrative Agent (the "Administrative Agent"), which Amendment No. 4 is dated as of December 12, 2008 (the "Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Subsidiary Guaranty and any other Loan Document executed by it and acknowledges and agrees that such agreements and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment and as the same may from time to time hereafter be amended, modified or restated.

Dated: December 12, 2008

[Signature Page Follows]

PHOTRONICS-TOPPAN TEXAS, INC.

By: ______________________________
Name:
Title:

Exhibit 10.33

AMENDMENT AGREEMENT

DECEMBER 12, 2008

Between, amongst others

PHOTRONICS IMAGING TECHNOLOGIES (SHANGHAI) CO., LTD,
as the Company

and

JPMORGAN CHASE BANK (CHINA) COMPANY LIMITED, SHANGHAI BRANCH,
as Administrative Agent

relating to the Amended and Restated Agreement dated August 23, 2007
in respect of the RMB186,000,000 facility established in favour of
Photronics Imaging Technologies (Shanghai) Co. Ltd.

CONTENTS

Clause		Page
1.	Definitions and Interpretation	1
2.	Amendments	2
3.	Conditions of Effectiveness	7
4.	Payment of Amendment Fees	7
5.	Representations	7
6.	Continuity and Further Assurance	8
7.	Miscellaneous	8
SIGNATORIES		9
Annex I		10

THIS AMENDMENT AGREEMENT is dated December 12, 2008

BETWEEN:

(1) **PHOTRONICS IMAGING TECHNOLOGIES (SHANGHAI) CO., LTD** (the **Company**); and

(2) **THE FINANCIAL INSTITUTIONS PARTY TO THE ORIGINAL FACILITY AGREEMENT (AS DEFINED BELOW)** as lenders (the **Lenders**); and

(3) **JPMORGAN CHASE BANK (CHINA) COMPANY LIMITED, SHANGHAI BRANCH** as Administrative Agent (in this capacity the **Administrative Agent**).

BACKGROUND:

(A) On August 23, 2007, the Company, the Lenders and the Administrative Agent entered into an Amended and Restated Agreement (the **Original Facility Agreement**) in respect of the RMB 186,000,000 facility established in favour of the Company.

(B) The parties wish to amend the terms of the Original Facility Agreement in accordance with the terms of this Amendment Agreement.

(C) The Lenders have agreed to the amendments as set forth in this Amendment Agreement and have directed the Administrative Agent to enter into this Amendment Agreement on their behalf.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Incorporation of defined terms

Unless a contrary indication appears, terms and expressions defined in or construed for the purposes of the Original Facility Agreement shall have the same meaning herein. In addition, in this Amendment Agreement:

Effective Date means the date on which all the conditions specified in Clause 3 of the Amendment Agreement have been satisfied.

Facility Agreement means the Original Facility Agreement as amended by this Amendment Agreement.

1.2 Rules of Construction

The provisions of clause 1.2 (*Construction*) of the Original Facility Agreement shall apply to this Amendment Agreement *mutatis mutandis*.

1.3 Clauses

(a) In this Amendment Agreement any reference to a "Clause" or "Schedule" is, unless the context otherwise requires, a reference to a Clause or, as appropriate, the Schedule to, this Amendment Agreement.

(b) Clause and Schedule headings are for ease of reference only.

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2. AMENDMENTS

With effect from the Effective Date, the Original Facility Agreement shall be amended as follows:

(a) The definition of "Agents" in clause 1.1 (*Definitions*) of the Original Facility Agreement is hereby amended by deleting it in its entirety and inserting in lieu thereof the following:

Agents means the Administrative Agent (and any successor administrative agent), the Collateral Agent and the PRC Collateral Agent.

(b) The definition of "Final Maturity Date" in clause 1.1 (*Definitions*) of the Original Facility Agreement is hereby amended by deleting each reference to "11 October" and inserting in lieu thereof "31 January".

(c) The definition of "Finance Documents" in clause 1.1 (*Definitions*) of the Original Facility Agreement is hereby amended by deleting the reference to "Pledge Agreements (as defined in the Guarantee)" and inserting in lieu thereof "Collateral Documents (as defined in the Guarantee) and the PRC Collateral Documents".

(d) The definition of "Finance Party" in clause 1.1 (*Definitions*) of the Original Facility Agreement is hereby amended by deleting it in its entirety and inserting in lieu of the following:

Finance Party means a Lender, the Administrative Agent, or the PRC Collateral Agent.

(e) Clause 1.1 (*Definitions*) of the Original Facility Agreement is hereby amended by inserting the following new definitions in the appropriate alphabetical order:

Agreed Security Principles means the principles governing the grant and perfection of security in relation to this Agreement as set forth below:

(a) Security shall not be created or perfected to the extent that it would (i) result in any breach of corporate benefit, fraudulent preference, retention of title claims, similar laws or regulations, or any applicable legal prohibition or restriction or (ii) result in costs that are disproportionate to the benefit obtained by the beneficiaries of that security.

(b) Where there is material incremental cost involved in creating or perfection security over all assets owned by the Company in a particular category and such costs are disproportionate to the benefit obtained by the security, only the material assets in that category shall be subject to security.

(c) Where it is impossible or impractical (e.g. due to onerous administrative or regulatory requirements) to create or perfect security over certain categories of assets**,** in which event**,** security over such assets will not be taken or perfected.

Lien means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

Obligations means all indebtedness (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), obligations and liabilities of the Company to any of the Finance Parties, individually or collectively, under this Agreement or any of the other Finance Documents or in respect of any of the Loans made or other instruments at any time evidencing any thereof, whether direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise.

PRC Collateral means the PRC Property and any other property (whether real, personal, tangible, intangible, or mixed) of the Company reasonably requested by the PRC Collateral Agent from time to time upon instructions from the Majority Lenders and in accordance with the Agreed Security Principles to be pledged in favor of the PRC Collateral Agent, on behalf of itself and the Lenders, pursuant to the PRC Mortgages and any other PRC Collateral Document from time to time.

PRC Collateral Agent means a Lender to be agreed by the Company, the Administrative Agent and the Majority Lenders to act as the PRC collateral agent for the Lenders under the PRC Collateral Documents, together with its successors and assigns in such capacity.

PRC Collateral Documents means, collectively, the PRC Mortgages, any security agreement, and all other agreements, instruments and documents executed in connection with this Agreement that are intended to create, evidence or perfect Liens to secure the Obligations.

PRC Mortgage means the first priority mortgage over the PRC Property granted by the Company in favor of the PRC Collateral Agent, for its benefit and the Lenders, in form and substance reasonably satisfactory to the PRC Collateral Agent and the Company, including any amendment, restatement, modification or supplement thereto.

PRC Mortgage Instruments means such title reports, title insurance, flood certifications and flood insurance, opinions of counsel, surveys, appraisals and environmental reports and other similar information and related certifications as are reasonably requested by, and in form and substance reasonably acceptable to, the PRC Collateral Agent from time to time.

PRC Property means the site or any buildings located at No. 158, Jin Qiu Road, Shanghai (including, for the avoidance of doubt, both allocated land and granted land).

(f) Subclause 8.1(a) of the Original Facility Agreement is hereby amended by inserting the text "140 percent of" immediately before the text "the PBOC Base Rate".

(g) Clause 9 (*Market Disruption*) of the Original Facility Agreement is hereby amended by deleting it in its entirety and inserting in lieu of the text on Annex I hereto.

(h) Clause 14 (*Representations and Warranties*) of the Original Facility Agreement is hereby amended by inserting a new clause 14.21 after existing clause 14.20 (*CBRC Rules*) and re-designating the existing clause 14.21 (*Times for making representations and warranties*) as new clause 14.22:

14.21 Security Interest in Collateral

The provisions of this Agreement and the PRC Collateral Documents create legal and valid Liens on all the PRC Collateral covered thereby in favor of the PRC Collateral Agent, for the benefit of the Finance Parties, and (i) when all appropriate filings, recordings, registrations, stampings or notifications are made and (ii) upon the taking of possession or control by the PRC Collateral Agent of such PRC Collateral with respect to which a security interest may be perfected only by possession or control, such Liens shall constitute perfected and continuing Liens on the PRC Collateral, securing the Obligations, and having priority over all other Liens on the PRC Collateral except in the case of (a) Permitted Security Interests, to the extent any such Permitted Security Interest would have priority over the Liens in favor of the PRC Collateral Agent pursuant to any applicable law and (b) Liens perfected only by possession (including possession of any certificate of title) to the extent the PRC Collateral Agent has not obtained or does not maintain possession of such PRC Collateral.

(i) Clause 16.2 (*Authorisations*) of the Original Facility Agreement is hereby amended by deleting it in its entirety and inserting in lieu thereof the following:

16.2 Authorisations

(a) The Company must promptly:

(i) obtain, maintain and comply with the terms; and

(ii) supply certified copies to the Administrative Agent,

of any authorisation required under any law or regulation to enable it to perform its obligations under, or for the validity or enforceability of, any Finance Document.

(b) The Company must, within 15 days upon the performance of the Guarantee by the Guarantor, effect the foreign debt registration with SAFE in respect of the Guarantee and promptly thereafter deliver to the Administrative Agent a certified copy of the foreign debt registration certificate issued by SAFE.

(j) Subclause 16.6 (b)(ii) of the Original Facility Agreement is hereby amended by inserting the text "with the consent of the Majority Lenders" at the end thereof.

(k) Clause 16 (*General Covenants*) of the Original Facility Agreement is hereby amended by inserting the following new clauses 16.14, 16.15 and 16.16 at the end thereof:

16.14 Equity Interest

The Company shall not issue any share capital or other equity interests to any person other than the Guarantor.

16.15 Preservation of Existence

The Company shall preserve, renew and maintain in full force and effect its legal existence and good standing under PRC law except in a transaction permitted by Clause 16.10 (Mergers). The Company shall not enter into any liquidation, dissolution, winding-up or other termination of existence without the consent of the Majority Lenders.

16.16 PRC Collateral

(a) The due, prompt and punctual payment and performance of all present and future Obligations of the Company under the Finance Documents, including, without limitation, the payment of principal of and interest on the Loan and all other fees, costs, charges and expenses due to the Finance Parties provided for in the Finance Documents shall be secured by Liens, as applicable, in, to or on the PRC Collateral.

(b) Upon request by the PRC Collateral Agent and the Administrative Agent, the Company shall, promptly and in any event within a period reasonably acceptable to the PRC Collateral Agent and the Administrative Agent, cause all PRC Collateral to be subject at all times to first priority and perfected Liens in favor of the PRC Collateral Agent for the benefit of the Lenders to secure the Obligations in accordance with the terms and conditions of the Collateral Documents, subject in any case to Liens permitted by Clause 16.5 (Negative pledge). Without limiting the generality of the foregoing, the Company will, within the time period specified above, deliver the PRC Mortgages and the PRC Mortgage Instruments with respect to the PRC Property to the PRC Collateral Agent, and duly register the PRC Mortgages as first ranking mortgages in favor of the PRC Collateral Agent with Shanghai Real Estate Trading Center or its authorized district branches.

(c) Without limiting the foregoing, the Company will execute and deliver, or cause to be executed and delivered, to the PRC Collateral Agent such documents, agreements and instruments, and will take or cause to be taken such further actions (including without limitation undertaking all registration and perfection steps required under, and within the time required by, the applicable laws, filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents, payment of registration or other related fees or charges and such other actions or deliveries required by law, as applicable), which may be required by law or which the PRC Collateral Agent may, from time to time, reasonably request to carry out the terms and conditions of this Agreement and the other Finance Documents and to ensure perfection and priority of the Liens created or intended to be created by the PRC Collateral Documents, all at the expense of the Company.

(d) If any real property or improvements thereto or any interests therein) are acquired by the Company after December 12, 2008 (other than assets already constituting PRC Collateral under any PRC Mortgage or any other PRC Collateral Document), the Company will notify the PRC Collateral Agent thereof, and, if requested by the PRC Collateral Agent, the Company will cause such assets to be subjected to a Lien securing the Obligations and will take such actions as shall be necessary or reasonably requested by the PRC Collateral Agent to grant and perfect such Liens, including actions described in paragraph (c) of this Section, all at the expense of the Company.

(l) Clause 17.3 (*Breach of other obligations*) of the Original Facility Agreement is hereby amended by deleting the text "or clause 7 (General Covenants)" and inserting in lieu thereof the text ", clause 6 (Affirmative Covenants) or clause 7 (Negative Covenants)".

(m) Clause 17.11 (*Effectiveness of Finance Documents*) of the Original Facility Agreement is hereby amended by inserting the following new paragraphs (d) and (e) at the end thereof:

(d) any PRC Collateral Document shall for any reason fail to create a valid and perfected first priority security interest in any material portion of the PRC Collateral purported to be covered thereby, except as permitted by the terms of any Finance Document.

(e) any Collateral Document shall for any reason fail to create a valid and perfected first priority security interest in any material portion of the Collateral purported to be covered thereby, except as permitted by the terms of any Finance Document.

(n) Clause 17 (*Default*) of the Original Facility Agreement is hereby amended by inserting the following new clause 17.15 at the end thereof:

17.15 Enforcement of Security

Upon the occurrence and during the continuance of an Event of Default, the PRC Collateral Agent may, in accordance with the terms of the PRC Collateral Documents, exercise any rights and remedies provided to the PRC Collateral Agent under the Finance Documents or at law or equity.

(o) Clause 18.1 (*Appointment and duties of the Administrative Agent and the Collateral Agent*) of the Original Facility Agreement is hereby amended by deleting the heading in its entirety and inserting in lieu thereof "Appointment and duties of the Administrative Agent, the Collateral Agent and the PRC Collateral Agent."

(p) Subclause 18.1(a) of the Original Facility Agreement is hereby amended by deleting it in its entirety and inserting in lieu thereof the following:

(a) Each Finance Party (other than the Agents) irrevocably appoints JPMorgan Chase Bank (China) Company Limited, Shanghai Branch as Administrative Agent and the PRC Collateral Agent, and JPMorgan Chase Bank, National Association as Collateral Agent, under and in connection with the Finance Documents. Without limiting the foregoing,

each Lender authorizes each of the Administrative Agent and the Collateral Agent to enter into the Intercreditor Agreement on behalf of such Lender and agrees to be bound by the terms of the Intercreditor Agreement as if it were a party thereto. Each Lender hereby appoints each other Lender as its agent for the purpose of perfecting Liens, for the benefit of the PRC Collateral Agent and the Lenders, in assets which, in accordance with applicable law can be perfected only by possession. Should any Lender (other than the PRC Collateral Agent) obtain possession of any such PRC Collateral, such Lender shall notify the PRC Collateral Agent thereof, and, promptly upon the PRC Collateral Agent's request therefor shall deliver such PRC Collateral to the PRC Collateral Agent or otherwise deal with such PRC Collateral in accordance with the PRC Collateral Agent's instructions.

(q) Subclause 18.1(b) of the Original Facility Agreement is hereby amended by inserting the following new paragraph at the end thereof:

Without limiting the generality of paragraphs (i) & (ii) above, each Lender authorizes the PRC Collateral Agent to enter into each PRC Collateral Document and to take all action contemplated by such documents. Each Lender agrees that no Lender (other than the PRC Collateral Agent) shall have the right individually to seek to realize upon the security granted by any PRC Collateral Document, it being understood and agreed that such rights and remedies may be exercised solely by the PRC Collateral Agent for the benefit of the Lenders upon the terms of the PRC Collateral Documents. The PRC Collateral Agent is hereby authorized, and hereby granted a power of attorney, to execute and deliver on behalf of the Lenders any PRC Collateral Documents necessary or appropriate to grant and perfect a Lien on such PRC Collateral in favor of the PRC Collateral Agent on behalf of the Lenders.

(r) Subclause 18.1(c) of the Original Facility Agreement is hereby amended by adding the following sentence at the end thereof:

For the avoidance of doubt, it is acknowledged and agreed that (i) the PRC Collateral Agent shall have no obligation to request PRC Collateral unless it has received instruction of the Majority Lenders, and (ii) the PRC Collateral Agent shall not be required to execute any Finance Document or take any action in connection with PRC Collateral (including, without limitation, perfection and maintenance of security thereon) which, in the PRC Collateral Agent's opinion, would expose the PRC Collateral Agent to liability or create any obligation or entail any consequence not contemplated or agreed to by the PRC Collateral Agent in this Agreement or any other Finance Document.

(s) Clause 18.12 (*Resignation of the Agents*) of the Original Facility Agreement is hereby amended by deleting each reference to "the Administrative Agent" appearing therein and to replace each such reference with the reference "the Administrative Agent or the PRC Collateral Agent, as the case may be."

3. CONDITIONS OF EFFECTIVENESS

The effectiveness of this Amendment Agreement is subject to the conditions precedent that (a) the Administrative Agent shall have received counterparts of this Amendment Agreement duly executed by the Company, the Majority Lenders and the Administrative Agent and Photronics, Inc. has consented, in writing, to the amendments set forth herein and confirmed its guaranty in favour of the Administrative Agent for and on behalf of itself and the other Lenders and (b) the Company shall have paid all of the fees of the Administrative Agent and its affiliates (including, to the extent invoiced, reasonable attorneys' fees and expenses of the Administrative Agent) in connection with this Amendment Agreement and the other Finance Documents.

4. PAYMENT OF AMENDMENT FEES

The Company shall, within five (5) Business Days from the date hereof, pay to the Administrative Agent, for the account of each Lender that has consented to the amendments set forth herein by such time as is requested by the Administrative Agent, an amendment fee equal to 0.50% of such Lender's share in the outstanding Loans and undrawn Commitments. The Company shall make each such payment in RMB in immediately available funds. The parties hereby acknowledge and agree that notwithstanding anything to the contrary contained in Clause 17.2 (*Non-payment*) of the Original Facility Agreement, non-payment of the amendment fee within the time period specified herein shall be an Event of Default.

5. REPRESENTATIONS

The Company makes each of the Repeating Representations by reference to the facts and circumstances existing as at the date of this Amendment Agreement (and for the avoidance of doubt, any reference therein to the Facility Agreement or any Finance Document shall be deemed to include a reference to this Amendment Agreement).

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6. CONTINUITY AND FURTHER ASSURANCE

6.1 Continuing Obligations

(a) The provision of the Facility Agreement and the other Finance Documents shall continue in full force and effect.

(b) Without prejudice to paragraph (a), any guarantee and/or security given by any Obligor under any or all of the Finance Documents shall continue in full force and effect.

6.2 Further assurance

The Company shall, at the reasonable request of the Lenders and at its own expense, do all such acts and things necessary or appropriate to give effect to the amendments effected or to be effected pursuant to this Amendment Agreement.

7. MISCELLANEOUS

7.1 Governing Law

This Amendment Agreement shall be governed by and construed in accordance with the law of the PRC.

7.2 Incorporation of terms

The provisions of clauses 28 (*Severability*), 29 (*Counterparts*), 30 (*Notices*), 31 (*Language*), 33 (*Enforcement*) of the Original Facility Agreement shall apply to this Amendment Agreement *mutatis mutandis* and as if any reference therein to the Facility Agreement or any Finance Document included a reference to this Amendment Agreement.

7.3 Designation

This Amendment Agreement is a Finance Document.

This Amendment Agreement has been entered into on the date stated at the beginning of this Amendment Agreement.

SIGNATORIES

Company

PHOTRONICS IMAGING TECHNOLOGIES (SHANGHAI) CO., LTD.

By:

Administrative Agent

JPMORGAN CHASE BANK (CHINA) COMPANY LIMITED, SHANGHAI BRANCH

By:

Annex I

New Clause 9

9. MARKET DISRUPTION

9.1 Market disruption

(a) If the Administrative Agent determines that:

(i) no PBOC Base Rate is available;

(ii) funding in RMB in the required amount for that Loan is not available to any Lender; or

(iii) funding or maintaining in RMB any Loan in the required amount is not available to any Lender on terms that are adequately covered by the PBOC Base Rate (including, without limitation, the PBOC Base Rate being less than the cost to any Lender of funding or maintaining a Loan),

the Administrative Agent must promptly notify the Company and the Lenders in writing.

(b) After notification under paragraph (a) above, the Company and the Administrative Agent must enter into negotiations for a period of not more than 30 days with a view to agreeing an alternative basis for determining the rate of interest and/or funding for the affected Loan, including, without limitation, determining the rate of interest reasonably necessary for any Lender to maintain the rate of return initially expected by such Lender for funding and maintaining a Loan.

(c) Any alternative basis agreed will be, with the prior consent of all the Lenders affected thereby, binding on the Company and such Lenders.

(d) If the Parties fail to reach an agreement on an alternative basis for determining the rate of interest, the following shall apply:

(i) in the case of an event under paragraphs (a)(i) and (a)(ii) above, the Lenders shall cease to be under any further obligation to advance Loans, and in respect of an outstanding Loan, the rate of interest shall be determined by the Administrative Agent (after consultation with the Lenders), unless the Company has prepaid the Loan in accordance with the terms of subclause 9.1(d)(iii) or (iv) below.

(ii) in the case of an event under paragraph (a)(iii) above, the Lenders shall cease to be under any further obligation to advance Loans, and in respect of an outstanding Loan, the rate of interest shall be determined by the affected Lender(s) for the affected Loan(s), which rate shall be equal to an amount reasonably necessary for the Lender(s) to maintain the rate of return initially expected by such Lender(s) for funding and maintaining such Loan(s), from whatsoever source and /or for whatsoever period it may have reasonably selected, unless the Company has prepaid the Loan in accordance with the terms of subclause 9.1(d)(iii) or (iv) below.

(iii) During the thirty day period, the Company shall be at liberty at any time, by giving to the Administrative Agent not less than five (5) business days' prior written notice, prepay (without premium or penalty but subject to Clause 21.3 (*Break Costs*)) the entire Loan. The amount prepaid shall not be redrawn and such prepayment shall be made together with all interest accrued on the Loan and all other moneys payable under this Agreement. On the Company giving notice of prepayment pursuant to this paragraph in respect of the entire Loan, the undrawn portion of the relevant Facility (if any) shall be automatically cancelled forthwith.

(iv) The Company must prepay the relevant loan with all accrued interest and other amounts within 15 Business Days of receipt of the Administrative Agent's notice of prepayment.

(e) The Administrative Agent (in consultation with the Lenders) shall periodically determine with the market disruption events requiring the alternative basis as described in this Clause 9.1 continues and, if not, shall forthwith give notice in writing to the Company and the Lenders, whereupon the Administrative Agent shall establish a date on which any alternative basis shall cease to apply and on which the other applicable provisions of this Agreement for the determination of interest rate and interest payment dates in the absence of a market disruption event described in this Clause 9.1 shall apply.

(f) If a market disruption event described in this Clause 9.1 continues beyond the period for which the alternative basis has been agreed or such other basis has been determined, such procedure shall be repeated as often as may be necessary.

Exhibit 10.36

AMENDMENT NO. 2

Dated as of October 31, 2008

to

AMENDED AND RESTATED GUARANTEE AGREEMENT

Dated as of August 23, 2007

THIS AMENDMENT NO. 2 ("Amendment") is made as of October 31, 2008 by and among Photronics, Inc. (the "Guarantor") and JPMorgan Chase Bank (China) Company Limited, Shanghai Branch, as Administrative Agent (for and on behalf of itself and the Majority Lenders under the Restated Credit Agreement) (the "Administrative Agent"), under that certain Amended and Restated Guarantee Agreement dated as of August 23, 2007 by and among the Guarantor and the Administrative Agent (for and on behalf of itself and the other Finance Parties from time to time party to the Restated Credit Agreement) (as amended by that certain Amendment No. 1 thereto, dated as of April 25, 2008, and as may be further amended, supplemented or otherwise modified from time to time, the "Guarantee Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Guarantee Agreement.

WHEREAS, the Guarantor has requested that the Administrative Agent and the Majority Lenders agree to certain amendments to the Guarantee Agreement;

WHEREAS, the Guarantor and the Administrative Agent and the Majority Lenders have agreed to such amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor and the Administrative Agent (for and on behalf of itself and the Majority Lenders under the Restated Credit Agreement) have agreed to enter into this Amendment.

1. Amendments to Guarantee Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the Guarantee Agreement is hereby amended as follows:

(a) Clause (a) of Section 7.11 of the Guarantee Agreement is amended and restated in its entirety as follows:

(a) Maximum Senior Leverage Ratio. The Guarantor will not permit the ratio (the "**Senior Leverage Ratio**"), determined as of the end of each of its fiscal quarters set forth below, of (i) Consolidated Senior Indebtedness to (ii) Consolidated EBITDA for the period of 4 consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for the Guarantor and its Subsidiaries on a consolidated basis, to be greater than the ratio set forth opposite such fiscal quarter:

Fiscal Quarter Ending On or About	Maximum Senior Leverage Ratio
November 2, 2008	2.25 to 1.00
January 31, 2009 and thereafter	1.50 to 1.00

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that (a) the Administrative Agent shall have received counterparts of this Amendment duly executed by the Guarantor and the Administrative Agent (for and on behalf of itself and the Majority Lenders under the Restated Credit Agreement), (b) the Administrative Agent shall have received evidence of an amendment to the U.S. Credit Agreement on terms and conditions reasonably satisfactory to it, (c) the Guarantor shall have paid to the Administrative Agent (or an Affiliate thereof), for the account of each Lender (or its Affiliate in the U.S.) that executes and delivers its signature page hereto by such time as is requested by the Administrative Agent (or an Affiliate thereof), an amendment fee equal to 0.70% of such Lender's aggregate Commitment under the Restated Credit Agreement and (d) the Guarantor shall have paid all of the fees of the Administrative Agent (including, to the extent invoiced, reasonable attorneys' fees and expenses of the Administrative Agent) in connection with this Amendment.

3. Representations and Warranties of the Guarantor. The Guarantor hereby represents and warrants as follows:

(a) This Amendment and the Guarantee Agreement, as amended hereby, constitute legal, valid and binding obligations of the Guarantor and are enforceable against the Guarantor in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) As of the date hereof and giving effect to the terms of this Amendment, (i) no Default shall have occurred and be continuing and (ii) the representations and warranties of the Guarantor set forth in the Guarantee Agreement, as amended hereby, are true and correct as of the date hereof.

4. Reference to and Effect on the Guarantee Agreement.

(a) Upon the effectiveness hereof, each reference to the Guarantee Agreement in the Guarantee Agreement or any other Finance Document shall mean and be a reference to the Guarantee Agreement as amended hereby.

(b) Except as specifically amended above, the Guarantee Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Guarantee Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

PHOTRONICS, INC.,
as the Guarantor

By:______________________________________
Name:
Title:

JPMORGAN CHASE BANK (CHINA) COMPANY LIMITED,
SHANGHAI BRANCH,
as Administrative Agent (for and on behalf of itself and the
Majority Lenders under the Restated Credit Agreement)

By:______________________________________
Name:
Title:

Exhibit 10.37

CONFIRMATION OF GUARANTY

and

AMENDMENT NO. 3

Dated as of December 12, 2008

to

AMENDED AND RESTATED GUARANTEE AGREEMENT

Dated as of August 23, 2007

THIS CONFIRMATION OF GUARANTY and AMENDMENT NO. 3 (the **Confirmation and Amendment)** is made as of December 12, 2008 by and between Photronics, Inc. (the **Guarantor**) and JPMorgan Chase Bank (China) Company Limited, Shanghai Branch, as Administrative Agent (for and on behalf of itself and the Majority Lenders under the Restated Credit Agreement) (the **Administrative Agent**), under that certain Amended and Restated Guarantee Agreement dated as of August 23, 2007 by and between the Guarantor and the Administrative Agent (for and on behalf of itself and the other Finance Parties from time to time party to the Restated Credit Agreement) (as amended by that certain Amendment No. 1 thereto, dated as of April 25, 2008, and that certain Amendment No. 2 thereto, dated as of October 31, 2008, and as may be further amended, supplemented or otherwise modified from time to time, the **Guarantee Agreement**). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Guarantee Agreement.

WHEREAS, the Guarantor has requested that the Administrative Agent and the Majority Lenders agree to certain amendments to the Guarantee Agreement;

WHEREAS, the Guarantor, the Administrative Agent and the Majority Lenders have agreed to such amendments on the terms and conditions set forth herein;

WHEREAS, concurrently with the amendments to the Guarantee Agreement pursuant to this Confirmation and Amendment, Photronics Imagining Technologies (Shanghai) Co., Ltd., borrower under the Restated Credit Agreement (the **Borrower**), and the Finance Parties have agreed to amend the Restated Credit Agreement pursuant to an Amendment Agreement dated as of the date hereof (the **Amendment to Credit Agreement**);

WHEREAS, it is a condition precedent to the execution and delivery of the Amendment to Credit Agreement by the Finance Parties that the Guarantor consents to the amendments to the Restated Credit Agreement as set forth therein and confirms its guaranty, and the Guarantor is willing to grant such consent and confirmation;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor and the Administrative Agent (for and on behalf of itself and the Majority Lenders under the Restated Credit Agreement) have agreed to enter into this Confirmation and Amendment.

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1. Amendments to Guarantee Agreement. Effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the Guarantee Agreement is hereby amended as follows:

(a) Section 1.1 of the Guarantee Agreement is amended to add the following definitions thereto and, where applicable, to replace the corresponding previously existing definitions:

Capital Expenditures means, without duplication, any cash expenditures for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Guarantor and its Subsidiaries prepared in accordance with GAAP.

Chinese Bridge Facility means the RMB22,500,000 short-term credit facility by and among Photronics Imaging Technologies (Shanghai) Co., Ltd. and JPMorgan Chase Bank, N.A., Shanghai Branch, as lender.

Chinese Facility Sale means any sale of the Guarantor's direct or indirect Equity Interests in the Company or all or a portion of the assets of the Company.

Collateral means all Pledged Equity, all "Collateral" as defined in the Security Agreement and all other property pledged in favor of the Collateral Agent, on behalf of itself and the Holders of Secured Obligations, pursuant to the Mortgages and any other Collateral Document from time to time.

Collateral Documents means, collectively, the Security Agreement, the Pledge Agreements, the Mortgages and all other agreements, instruments and documents executed in connection with this Agreement that are intended to create, evidence or perfect Liens to secure the Secured Obligations.

Consolidated Fixed Charges means, with reference to any period, without duplication, interest payments in cash and scheduled principal payments on Indebtedness made in cash during such period, plus Taxes paid in cash, all calculated for the Guarantor and its Subsidiaries on a consolidated basis.

First Tier Foreign Subsidiary means each Material Subsidiary which is a Foreign Subsidiary and with respect to which any one or more of the Guarantor and its Domestic Subsidiaries directly owns or controls more than 50% of such Foreign Subsidiary's Equity Interests.

Fixed Charge Coverage Ratio has the meaning assigned to such term in Section 7.11(d).

Manchester Facility means the real property and buildings owned by the Guarantor or any Subsidiary located in Manchester, England.

Mortgage means each mortgage, deed of trust or other agreement which conveys or evidences a Lien in favor of the Collateral Agent, for the benefit of the Collateral Agent and the Holders of Secured Obligations, on real property of a Loan Party, including any amendment, restatement, modification or supplement thereto, each in form and substance reasonably acceptable to the Collateral Agent and the Guarantor.

Mortgage Instruments means such title reports, title insurance, flood certifications and flood insurance, opinions of counsel, surveys, appraisals and environmental reports and other similar information and related certifications as are reasonably requested by, and in form and substance reasonably acceptable to, the Collateral Agent from time to time.

Net Proceeds means, with respect to any event, (a) the cash proceeds actually received in respect of such event including (i) any cash received in respect of any non-cash proceeds (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but excluding any interest payments), but only as and when received, (ii) in the case of a casualty, insurance proceeds and (iii) in the case of a condemnation or similar event, condemnation awards and similar payments, net of (b) the sum of (i) all reasonable attorneys' fees, accountants' fees, investment banking fees, survey costs, title policy premiums, and related search and recording charges, transfer taxes, deed or mortgage recording taxes, required payments of other obligations relating to the applicable event on such asset, other customary expenses and brokerage, consultant and other customary fees actually incurred in connection therewith, (ii) in the case of a sale, transfer or other disposition of an asset (including pursuant to a sale and leaseback transaction or a casualty or a condemnation or similar proceeding), the amount of all payments required to be made as a result of such event to repay Indebtedness (other than Loans) secured by such asset or otherwise subject to mandatory prepayment as a result of such event and (iii) the amount of all taxes paid (or reasonably estimated to be

payable) and the amount of any reserves established against any adjustment to the sale price or to fund contingent liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are directly attributable to such event (as determined reasonably and in good faith by a Financial Officer).

Pledge Subsidiary means (i) each Domestic Subsidiary and (ii) each First Tier Foreign Subsidiary that is a Material Subsidiary.

Pledged Equity means all pledged Equity Interests in or upon which a security interest or Lien is from time to time granted to the Collateral Agent, for the benefit of the Holders of Secured Obligations, under the Pledge Agreements.

PRC Collateral Documents means the mortgages, security agreements and all other agreements, instruments and documents executed in connection with the Restated Credit Agreement (as amended by the Amendment to Credit Agreement) that are intended to create, evidence or perfect Liens to secure the "Obligations" as defined thereunder.

Qualified Asset Sales means (i) the Chinese Facility Sale and (ii) the sale, transfer or disposition by the Guarantor or any Subsidiary of all or a portion of the Manchester Facility (in each case excluding sales, transfers or dispositions from the Guarantor or any Subsidiary to the Guarantor, any Subsidiary or any Affiliate thereof).

Qualified Unsecured Indebtedness of the Guarantor or any Subsidiary means unsecured Indebtedness of such Person in an aggregate outstanding principal amount not in excess of $25,000,000 and on terms and conditions satisfactory to the Administrative Agent (it being understood and agreed that the limitations applicable to Subordinated Indebtedness pursuant to Section 7.10 shall also be applicable, *mutatis mutandis*, to Qualified Unsecured Indebtedness).

Secured Obligations means the Obligations and the Indebtedness and other obligations of the Guarantor under the U.S. Facility, and includes without limitation the "Obligations" as defined in the U.S. Facility Agreement.

Security Agreement means that certain Security Agreement (including any and all supplements thereto), dated as of December 12, 2008, between the Loan Parties and the Collateral Agent, for the benefit of the Collateral Agent and the other Holders of Secured Obligations, as the same may be amended, restated or otherwise modified from time to time.

UCC means the Uniform Commercial Code as in effect from time to time in the State of New York or any other state the laws of which are required to be applied in connection with the issue of perfection of security interests.

(b) Section 1.1 of the Guarantee Agreement is amended to delete the defined terms "Financials" and "Permitted Acquisition" appearing therein.

(c) The definition of "Finance Documents" in Section 1.1 of the Guarantee Agreement is amended to delete the reference "Pledge Agreements" and to replace such reference with the reference "Collateral Documents and PRC Collateral Documents".

(d) The definition of "Pledge Agreements" appearing in Section 1.1 of the Guarantee Agreement is amended to delete the reference "6.10 (Pledge Agreements)" therein and to replace such reference with the reference "6.9 (Pledges; Additional Collateral; Further Assurances)".

(e) Section 5.9 of the Guarantee Agreement is amended to add the following at the end thereof: "and Liens under the Collateral Documents and the PRC Collateral Documents."

(f) Section 5.18 of the Guarantee Agreement is amended to delete the reference "the date hereof" appearing therein and to replace such reference with the reference "December 12, 2008, except for representations and warranties which refer expressly to a prior date, which representations and warranties were true and correct as of each such prior date".

(g) Article V of the Guarantee Agreement is amended to add the following as a new Section 5.19 thereof and re-designating Section 5.19 thereof as Section 5.20:

SECTION 5.19 Security Interest in Collateral

The provisions of the Collateral Documents create legal and valid Liens on all the Collateral covered thereby in favor of the Collateral Agent, for the benefit of the Holders of Secured Obligations, and (i) when all appropriate filings, recordings, registrations, stampings or notifications are made and (ii) upon the taking of possession or control by the Collateral Agent of such Collateral with respect to which a security interest may be perfected only by possession or control, such Liens shall constitute perfected and continuing Liens on the Collateral, securing the Secured Obligations, and having priority over all other Liens on the Collateral except in the case of (a) Permitted Encumbrances, to the extent any such Permitted Encumbrances would have priority over the Liens in favor of the Collateral Agent pursuant to any applicable law and (b) Liens perfected only by possession (including possession of any certificate of title) to the extent the Collateral Agent has not obtained or does not maintain possession of such Collateral.

(h) Section 6.3 of the Guarantee Agreement is amended by adding the following at the end thereof:

For the avoidance of doubt, the Guarantor shall not initiate, or permit any other Person to initiate, any liquidation, dissolution, winding-up or other termination of existence of the Company.

(i) Section 6.5 of the Guarantee Agreement is amended and restated in its entirety to read as follows:

SECTION 6.5 Maintenance of Properties; Insurance

(a) The Guarantor will, and will cause each of its Subsidiaries to, (i) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (ii) maintain with financially sound and reputable carriers (1) insurance in such amounts (with no greater risk retention) and against such risks (including loss or damage by fire and loss in transit; theft, burglary, pilferage, larceny, embezzlement, and other criminal activities; business interruption; and general liability) and such other hazards, as is customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations and (2) all insurance required pursuant to the Collateral Documents. The Guarantor will furnish to the Lenders, upon request of the Collateral Agent, information in reasonable detail as to the insurance so maintained.

(b) The Guarantor shall deliver to the Collateral Agent endorsements (x) to all “All Risk” physical damage insurance policies on the Loan Parties’ tangible personal property and assets located in the United States of America and business interruption insurance policies naming the Collateral Agent as lender loss payee, and (y) to all general liability and other liability policies naming the Collateral Agent an additional insured. Each policy for liability insurance shall provide for all losses to be paid on behalf of the Collateral Agent and the Guarantor or its Subsidiaries as their interests may appear. In the event the Guarantor or any of its Subsidiaries at any time or times hereafter shall fail to

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obtain or maintain any of the policies or insurance required herein or to pay any premium in whole or in part relating thereto, then the Collateral Agent, without waiving or releasing any obligations or resulting Default hereunder, may at any time or times thereafter (but shall be under no obligation to do so) obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which the Collateral Agent deems advisable. All sums so disbursed by the Collateral Agent shall constitute part of the

Obligations, payable as provided in this Agreement. The Guarantor will furnish to the Collateral Agent prompt written notice of any casualty or other insured damage to any material portion of the Collateral or the commencement of any action or proceeding for the taking of any material portion of the Collateral or interest therein under power of eminent domain or by condemnation or similar proceeding.

(c) So long as no Event of Default shall have occurred and be continuing, all insurance payments received by the Collateral Agent in connection with any loss, damage or destruction of any property of the Guarantor or any of its Subsidiaries will be released by the Collateral Agent to the applicable Guarantor or such Subsidiary for the repair, replacement or restoration thereof, subject to the prepayment requirements under Section 2.11(c) of the U.S. Facility Agreement and subject to such other terms and conditions with respect to the release thereof as the Collateral Agent may reasonably require.

(j) Section 6.6 of the Guarantee Agreement is amended to (1) add the phrase "including environmental assessment reports and Phase I or Phase II studies," immediately after the phrase "relevant books and records," appearing in the second sentence thereof and (2) add the sentence "The Guarantor acknowledges that the Administrative Agent, after exercising its rights of inspection, may prepare and distribute to the Lenders certain reports pertaining to the Guarantor and its Subsidiaries' assets for internal use by the Administrative Agent and the Lenders." to the end thereof.

(k) Section 6.9 of the Guarantee Agreement is amended and restated in its entirety to read as follows:

SECTION 6.9 Pledges; Additional Collateral; Further Assurances

(a) The Guarantor will cause, and will cause each other Subsidiary qualifying as a Loan Party to cause, within the time periods set forth below with respect to real property, all of its owned property (whether real, personal, tangible, intangible, or mixed) to be subject at all times to first priority and perfected (subject in each case to the qualifications specified in Section 5.19 with respect to priority and perfection) Liens in favor of the Collateral Agent for the benefit of the Holders of Secured Obligations to secure the Secured Obligations in accordance with the terms and conditions of the Collateral Documents, subject in any case to Liens permitted by Section 7.2. Without limiting the generality of the foregoing, the Guarantor (i) will cause the Applicable Pledge Percentage of the issued and outstanding Equity Interests of each Pledge Subsidiary directly owned by the Guarantor or any other Subsidiary qualifying as a Loan Party to be subject at all times to a first priority and perfected (subject in each case to the qualifications specified in Section 5.19 with respect to priority and perfection) Lien in favor of the Collateral Agent to secure the Secured Obligations in

accordance with the terms and conditions of the Collateral Documents; provided that no such pledge of the Equity Interests of a Foreign Subsidiary shall be required hereunder to the extent such pledge is prohibited by applicable law or the Collateral Agent and its counsel reasonably determine that, in light of the cost and expense associated therewith, such pledge would be unduly burdensome or not provide material Pledged Equity for the benefit of the Holders of Secured Obligations pursuant to legally binding, valid and enforceable Pledge Agreements, and (ii) will, and will cause each other Subsidiary qualifying as a Loan Party to, deliver Mortgages and Mortgage Instruments with respect to real property owned by the Guarantor or such Subsidiary to the extent, and within such time period as is, reasonably required by the Collateral Agent. Notwithstanding the foregoing, the Guarantor agrees to use its best efforts to deliver such Mortgages and Mortgage Instruments as soon as practicable after December 12, 2008 but in no event later than February 5, 2009 or such later date as the Collateral Agent may agree in the exercise of its reasonable discretion with respect thereto.

(b) Without limiting the foregoing, the Guarantor will, and will cause each Subsidiary to, execute and deliver, or cause to be executed and delivered, to the Collateral Agent such documents, agreements and instruments, and will take or cause to be taken such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents and such other actions or deliveries of the type required by Section 4.01 of the U.S. Facility Agreement, as applicable), which may be required by law or which the Collateral Agent may, from time to time, reasonably request to carry out the terms and conditions of this Agreement and the other Finance Documents and to ensure perfection and priority of the Liens created or intended to be created by the Collateral Documents, all at the expense of the Guarantor.

(c) If any real property or improvements thereto or any interests therein are acquired by a Loan Party after December 12, 2008 (other than assets already constituting Collateral under the Security Agreement or any Mortgage), the Guarantor will notify the Collateral Agent thereof, and, if requested by the Collateral Agent, the Guarantor will cause such assets to be subjected to a Lien securing the Secured Obligations and will take, and cause the other Loan Parties to take, such actions as shall be necessary or reasonably requested by the Collateral Agent to grant and perfect such Liens, including actions described in paragraph (b) of this Section, all at the expense of the Guarantor.

(l) Article VI of the Guarantee Agreement is amended to add the following as a new Section 6.11 and a new Section 6.12 thereof:

SECTION 6.11 Registration of the Guarantee

The Guarantor must cause the Company to, within 15 days upon the performance of the Guarantee by the Guarantor, effect the foreign debt registration with SAFE in respect of the Guarantee and promptly thereafter deliver to the Administrative Agent a certified copy of the foreign debt registration certificate issued by SAFE.

SECTION 6.12 Depository Banks

The Guarantor and each Subsidiary will, by no later than January 12, 2009, maintain one or more of the Lenders (or their subsidiaries or affiliates) as its principal depository bank, including for the maintenance of operating, administrative, cash management, collection activity, and other deposit accounts for the conduct of its business. In the event that any Lender (or their subsidiary or affiliate) ceases to be a Lender under the Restated Credit Agreement, the Guarantor and its applicable Subsidiaries shall have 30 days, or such longer period as may be agreed by the Collateral Agent in its reasonable discretion, to move its accounts to one or more of the other Lenders (or their subsidiaries or affiliates).

(m) Section 7.1(f) of the Guarantee Agreement is amended to delete the amount "$35,000,000" appearing therein and to replace such amount with the amount "$5,000,000".

(n) Section 7.1(g) of the Guarantee Agreement is amended and restated in its entirety to read as follows:

(g) Subordinated Indebtedness and Qualified Unsecured Indebtedness, in each case so long as, after giving effect to the incurrence thereof, no Default shall have occurred and be continuing and the Borrowers shall be in compliance, on a pro forma basis after giving effect to such incurrence, with the covenants contained in Section 7.11 recomputed as if such incurrence had occurred on the first day of the period for testing such compliance;

(o) Section 7.1(j) of the Guarantee Agreement is amended to delete the word "and" appearing at the end thereof.

(p) Section 7.1(k) of the Guarantee Agreement is amended and restated in its entirety to read as follows:

(j) unsecured Indebtedness in an aggregate principal amount not exceeding $1,000,000 at any time outstanding; and

(q) Section 7.1 of the Guarantee Agreement is amended to add the following as a new clause (l) thereof:

(l) in addition to Indebtedness permitted pursuant to Section 7.1(c), Indebtedness existing on December 12, 2008 and set forth in Schedule 7.1(l) and extensions, renewals and replacements of any such Indebtedness with Indebtedness of a similar type that does not increase the outstanding principal amount thereof.

(r) Section 7.2(a) of the Guarantee Agreement is amended to delete the phrase "the Pledge Agreements" appearing therein and to replace such phrase with the phrase "any Collateral Document or PRC Collateral Document".

(s) Section 7.3(a)(iii) of the Guarantee Agreement is amended to add the phrase “or otherwise dissolve into,” immediately before the phrase “a Loan Party” appearing therein.

(t) Each of clause (D) and clause (E) of Section 7.3(a)(iv) of the Guarantee Agreement is amended and restated in its entirety to read as follows:

(D) enter into Qualified Asset Sales so long as the Net Proceeds resulting thereof are applied in accordance with Section 2.11(c) of the U.S. Facility Agreement and

(E) make any other sales, transfers, leases or dispositions of assets with an aggregate book value that, together with the aggregate book value of all other assets of the Guarantor and its Subsidiaries previously leased, sold or disposed of as permitted by this clause (E) during any fiscal year of the Guarantor, does not exceed 1% of Consolidated Total Assets (as reflected in the most recent consolidated balance sheet of the Guarantor delivered to the Lenders) or as otherwise approved in writing by the Administrative Agent and

(u) Clause (vi) of Section 7.3(a) of the Guarantee Agreement is amended to (1) become clause (v) of Section 7.3(a) of the Guarantee Agreement and (2) insert the phrase “or a Material Subsidiary” immediately after the reference to “Foreign Subsidiary Borrower” appearing therein.

(v) Section 7.4(d) of the Guarantee Agreement is amended and restated in its entirety to read as follows:

(d) investments, loans or advances made by the Guarantor in or to any Subsidiary and made by any Subsidiary to the Guarantor or any other Subsidiary (provided that not more than $1,000,000 in investments, loans or advances or capital contributions may be made and remain outstanding, during the term of this Agreement, by any Loan Party to a Subsidiary which is not a Loan Party but provided further that investments, loans, advances or capital contributions made to (i) effect the servicing of the obligations under the Restated Credit Agreement or the Chinese Bridge Facility and (ii) fund the operating expenses of the Company in the ordinary course of business consistent with past practice, in each case shall not be subject to the foregoing proviso);

(w) Each of Section 7.4(h) and Section 7.4(j) of the Guarantee Agreement is amended and restated in its entirety to read as follows:

(h) [intentionally omitted];

(j) [intentionally omitted];

(x) Section 7.4(k) of the Guarantee Agreement is amended to (1) delete the amount “$10,000,000” appearing therein and to replace such amount with the amount “1,000,000” and (2) change the period appearing at the end thereof to “; and”.

(y) Section 7.4 of the Guarantee Agreement is amended to add the following as a new clause (l) thereof:

(l) in addition to investments permitted pursuant to Section 7.4(i), investments, loans or advances existing on December 12, 2008 and set forth in Schedule 7.4(l) and extensions, renewals and replacements of any such investments, loans or advances with investments, loans or advances of a similar type that do not increase the outstanding amount thereof.

(z) Section 7.6(a) of the Guarantee Agreement is amended to (1) insert a comma immediately after the word “Subsidiaries” appearing in clause (iii) thereof and (2) amend and restate clause (iv) thereof in its entirety to read as follows:

(iv) PSMC may make dividends to its shareholders.

(aa) Clause (iii) of Section 7.6(b) of the Guarantee Agreement is amended and restated in its entirety to read as follows:

(iii) [intentionally omitted];

(bb) Section 7.11 of the Guarantee Agreement is amended and restated in its entirety to read as follows:

SECTION7.11 Financial Covenants

(a) Maximum Senior Leverage Ratio. The Guarantor will not permit the ratio (the **Senior Leverage Ratio**), determined as of the end of each of its fiscal quarters set forth below, of (i) Consolidated Senior Indebtedness to (ii) Consolidated EBITDA for the period of 4 consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for the Guarantor and its Subsidiaries on a consolidated basis, to be greater than the ratio set forth opposite such fiscal quarter:

Fiscal Quarter Ending On or About	Maximum Senior Leverage Ratio
October 31, 2008	2.25 to 1.00
January 31, 2009	2.25 to 1.00
April 30, 2009	2.15 to 1.00
July 31, 2009	2.00 to 1.00
October 31, 2009	1.75 to 1.00
January 31, 2010 and each Fiscal Quarter ending thereafter	1.25 to 1.00

(b) Total Leverage Ratio. The Guarantor will not permit the ratio (the **Total Leverage Ratio**), determined as of the end of each of its fiscal quarters set forth below, of (i) Consolidated Total Indebtedness to (ii) Consolidated EBITDA for the period of 4 consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for the Guarantor and its Subsidiaries on a consolidated basis, to be greater than the ratio set forth opposite such fiscal quarter:

Fiscal Quarter Ending On or About	Maximum Total Leverage Ratio
October 31, 2008	2.50 to 1.00
January 31, 2009	2.50 to 1.00
April 30, 2009	2.40 to 1.00
July 31, 2009	2.25 to 1.00
October 31, 2009	2.00 to 1.00
January 31, 2010 and each Fiscal Quarter ending thereafter	1.50 to 1.00

(c) Minimum Unrestricted Cash Balances. The Guarantor will not permit the aggregate amount of unrestricted cash balances and Permitted Investments maintained by the Guarantor and its Subsidiaries to be less than $50,000,000. For the avoidance of doubt, any cash deposited with the Collateral Agent pursuant to the terms of the Collateral Documents shall be deemed to be unrestricted cash.

(d) Minimum Fixed Charge Coverage Ratio. The Guarantor will not permit the ratio (the **Fixed Charge Coverage Ratio**), determined as of the end of each of its fiscal quarters set forth below, of (i) Consolidated EBITDA minus Capital Expenditures to (ii) Consolidated Fixed Charges, in each case for the period of four (4) consecutive fiscal quarters ending with the end of such fiscal quarter, all calculated for the Guarantor and its Subsidiaries on a consolidated basis, to be less than the ratio set forth opposite such fiscal quarter:

Fiscal Quarter Ending On or About	Minimum Fixed Charge Coverage Ratio
January 31, 2009	1.25 to 1.00
April 30, 2009 and each Fiscal Quarter ending thereafter	1.50 to 1.00

(e) Minimum EBITDA. The Guarantor will not permit Consolidated EBITDA for the fiscal quarters ending on or about the dates set forth below to be less than the corresponding amount set forth opposite such fiscal quarter:

Fiscal Quarter Ending On or About	Minimum Consolidated EBITDA
October 31, 2008	$25,000,000
January 31, 2009	$16,000,000
April 30, 2009	$25,000,000
July 31, 2009 and each Fiscal Quarter ending thereafter	$30,000,000

(f) Maximum Capital Expenditures. The Guarantor will not, nor will it permit any Subsidiary to, make Capital Expenditures in (i) an amount (in the aggregate for the Guarantor and its Subsidiaries) in excess of $12,500,000 during the Guarantor’s fiscal quarter ending on or about October 31, 2008 and (ii) an amount (in the aggregate for the Guarantor and its Subsidiaries) during the period of 4 consecutive fiscal quarters ending as of the end of each of its fiscal quarters (other than the fiscal quarter ending on or about October 31, 2008) in excess of the Relevant Amount. "Relevant Amount" means $65,000,000 as of the end of the Guarantor's fiscal quarter ending on or about January 31, 2009 and $57,500,000 as of the end of each of the Guarantor's fiscal quarters ending thereafter.

(cc) A new Schedule 7.1(l) is hereby added to the Guarantee Agreement as set forth on Annex A hereto.

(dd) A new Schedule 7.4(l) is hereby added to the Guarantee Agreement as set forth on Annex B hereto.

2. Conditions of Effectiveness. The effectiveness of this Confirmation and Amendment is subject to the conditions precedent that (a) the Administrative Agent shall have received counterparts of this Confirmation and Amendment duly executed by the Guarantor and the Administrative Agent (for and on behalf of itself and the Majority Lenders under the Restated Credit Agreement), (b) the Guarantor shall have paid to the Administrative Agent, for the account of each Lender that consents to the amendments herein by such time as is requested by the Administrative Agent, an amendment fee equal to 0.50% of such Lender’s share in the outstanding Loans and undrawn Commitments under the Restated Credit Agreement, (c) the Guarantor shall have paid all of the fees of the Administrative Agent and its affiliates (including, to the extent invoiced, reasonable attorneys’ fees and expenses of the Administrative Agent) in connection with this Confirmation and Amendment and the other Finance Documents and (d) the Guarantor and its Subsidiaries shall have delivered to the Administrative Agent and the Collateral Agent all Collateral Documents and related instruments and documents requested by the Administrative Agent and the Collateral Agent in connection with the effectiveness of this Confirmation and Amendment.

3. Consent to the Amendment to Credit Agreement and Confirmation of Guaranty.

(a) The Guarantor consents to the execution, delivery and performance of the Amendment to Credit Agreement by the Borrower, to the terms and conditions of the Amendment to Credit Agreement, and to the transactions contemplated by the Amendment to Credit Agreement.

(b) The Guarantor confirms, reaffirms and ratifies the Guarantee Agreement, as amended hereby, and acknowledges and agrees that the Guarantee Agreement, as amended hereby, is, and shall remain, the valid and enforceable obligation of the Guarantor and in full force and effect and shall apply to the obligations of the Borrower under the Restated Credit Agreement as amended by the Amendment to Credit Agreement.

(c) The Guarantor confirms and agrees that it has no defenses, counterclaims or set-offs to its obligations under the Guarantee Agreement, as amended hereby, including, without limitation, in respect of the Restated Credit Agreement as amended by the Amendment to Credit Agreement, and hereby waives any such defense, counterclaim or set-off.

4. Representations and Warranties of the Guarantor and Acknowledgements and Confirmations. The Guarantor hereby represents and warrants as follows:

(a) This Confirmation and Amendment and the Guarantee Agreement, as amended hereby, constitute legal, valid and binding obligations of the Guarantor and are enforceable against the Guarantor in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) As of the date hereof and giving effect to the terms of this Confirmation and Amendment, (i) no Default shall have occurred and be continuing and (ii) the representations and warranties of the Guarantor set forth in the Guarantee Agreement, as amended hereby, are true and correct as of the date hereof, except for representations and warranties which expressly refer to an earlier date, in which case such representations and warranties were true and correct as of each such earlier date.

(c) The Guarantor further represents, warrants and confirms that no authorization, approval or consent of, and no filing or registration with, any governmental or regulatory authority or agency (including, without limitation, any registration of this Confirmation and Amendment with the State Administration of Foreign Exchange) is required on the part of the Guarantor for the Guarantor to make and give this Confirmation and Amendment and to perform its obligations under the Guarantee Agreement, as amended hereby, in respect of the transactions contemplated by Restated Credit Agreement, as amended by the Amendment to the Credit Agreement.

(d) The Guarantor hereby acknowledges and confirms that (i) it does not have any grounds, and hereby agrees not to challenge (or to allege or to pursue any matter, cause or claim arising under or with respect to) the effectiveness, genuineness, validity, collectibility or enforceability of the Restated Credit Agreement (as amended by the Amendment to Credit Agreement) or any of the other Finance Documents, the Secured Obligations, the Liens securing such Secured Obligations, or any of the terms or conditions of any Finance Document and (ii) it does not possess (and hereby forever waives, remises, releases, discharges and holds harmless the Lenders, the Agents and their respective affiliates, stockholders, directors, officers, employees, attorneys, agents and representatives and each of their respective heirs, executors, administrators, successors and assigns (collectively, the “Indemnified Parties”) from and against, and agrees not to allege or pursue) any action, cause of action, suit, debt, claim, counterclaim, cross-claim, demand, defense, offset, opposition, demand and other right of action whatsoever, whether in law, equity or otherwise (which it, all those claiming by, through or under it, or its successors or assigns, have or may have) against the Indemnified Parties, or any of them, by reason of, any

matter, cause or thing whatsoever, with respect to events or omissions occurring or arising on or prior to the date hereof and relating to the Restated Credit Agreement (as amended by the Amendment to Credit Agreement) or any of the other Finance Documents (including, without limitation, with respect to the payment, performance, validity or enforceability of the Secured Obligations, the Liens securing the Secured Obligations or any or all of the terms or conditions of any Finance Document) or any transaction relating thereto.

5. Reference to and Effect on the Guarantee Agreement.

(a) Upon the effectiveness hereof, each reference to the Guarantee Agreement in the Guarantee Agreement or any other Finance Document shall mean and be a reference to the Guarantee Agreement as amended hereby.

(b) Except as specifically amended above, the Guarantee Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Confirmation and Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Guarantee Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

6. Governing Law. This Confirmation and Amendment shall be construed in accordance with and governed by the law of the State of New York.

7. Headings. Section headings in this Confirmation and Amendment are included herein for convenience of reference only and shall not constitute a part of this Confirmation and Amendment for any other purpose.

8. Counterparts. This Confirmation and Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Confirmation and Amendment has been duly executed as of the day and year first above written.

PHOTRONICS, INC.,
as the Guarantor

By:____________________
Name:
Title:

JPMORGAN CHASE BANK (CHINA) COMPANY
LIMITED, SHANGHAI BRANCH, as Administrative
Agent (for and on behalf of itself and the Majority
Lenders under the Restated Credit Agreement)

By:____________________
Name:
Title:

Signature Page to Confirmation of Guaranty and Amendment No. 3
Photronics, Inc.
Amended and Restated Guarantee Agreement
dated as of August 23, 2007

SUBSIDIARIES OF PHOTRONICS, INC.

	State or Jurisdiction of Incorporation or Organization
Align-Rite International, Inc.	(California, USA)
Align-Rite, Inc.	(Florida, USA)
Align-Rite International, Ltd.	(United Kingdom)
Photronics (Wales) Limited	(United Kingdom)
Photronics, B.V.	(Netherlands)
Photronics (Heilbronn) GmbH (in liquidation)	(Germany)
Photronics Arizona, Inc.	(Arizona, USA)
Photronics California, Inc.	(California, USA)
Photronics Texas, Inc.	(Texas, USA)
Photronics Texas I, LLC	(Delaware, USA)
Photronics Texas I, LP (1)	(Texas, USA)
Photronics-Toppan Texas, Inc.	(Texas, USA)
Photronics Texas II, LLC	(Delaware, USA)
Photronics Texas II, LP (2)	(Texas, USA)
Photronics MZD, GmbH	(Germany)
Photronics Imaging Technologies (Shanghai) Co., Ltd.	(China)
Photronics Semiconductor Mask Corporation (3)	(Taiwan, R.O.C.)
Photronics Switzerland, S.a.r.L	(Switzerland)
Photronics Singapore Pte, Ltd.	(Singapore)
Photronics UK, Ltd.	(United Kingdom)
Photronics France SAS (4)	(France)
PK, Ltd. (5)	(Korea)
PKLT	(Taiwan)

Note: Entities directly owned by subsidiaries of Photronics, Inc. are indented and listed below their immediate parent. Ownership is 100% unless otherwise indicated.

(1) 99.0% owned by Photronics Texas I, LLC, and 1.0% owned by Photronics Texas, Inc. (directly and indirectly, in the aggregate, wholly owned by Photronics, Inc.).
(2) 99.0% owned by Photronics Texas II, LLC., and 1.0% owned by Photronics Toppan-Texas, Inc. (directly and indirectly, in the aggregate, wholly owned by Photronics, Inc.).
(3) 57.53% owned by Photronics, Inc.
(4) 99% owned by Photronics UK, Ltd., and 1% owned by Photronics MZD, GmbH (directly and indirectly, in the aggregate, wholly owned by Photronics, Inc.).
(5) 79.98% owned by Photronics, Inc., and 19.71% owned by Photronics Singapore Pte Ltd.

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements Nos. 333-02245, 333-42010, 333-50809, 333-86846, 33-78102 and 333-151763 on Form S-8 of our reports dated January 14, 2009 relating to the consolidated financial statements and financial statement schedule of Photronics, Inc. and subsidiaries and the effectiveness of Photronics, Inc. and subsidiaries internal control over financial reporting appearing in this Annual Report on Form 10-K of Photronics, Inc. and subsidiaries for the year ended November 2, 2008.

/s/ Deloitte & Touche LLP
Stamford, Connecticut
January 14, 2009

EXHIBIT 31.1

I, Constantine S. Macricostas, certify that:

1. I have reviewed this Annual Report on Form 10-K of Photronics, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CONSTANTINE S. MACRICOSTAS

Constantine S. Macricostas
Interim Chief Executive Officer
January 14, 2009

EXHIBIT 31.2

I, Sean T. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K of Photronics, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ SEAN T. SMITH

Sean T. Smith
Chief Financial Officer
January 14, 2009

EXHIBIT 32.1

Section 1350 Certification of the Chief Executive Officer

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

(1) the Annual Report on Form 10-K of the Company for the year ended November 2, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ CONSTANTINE S. MACRICOSTAS

Constantine S. Macricostas
Interim Chief Executive Officer
January 14, 2009

EXHIBIT 32.2

Section 1350 Certification of the Chief Financial Officer

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

(1) the Annual Report on Form 10-K of the Company for the year ended November 2, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SEAN T. SMITH

Sean T. Smith
Chief Financial Officer
January 14, 2009