

PHOTONIC PRODUCTS GROUP INC  
Form 10-Q/A  
November 18, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A  
Amendment No. 1

(Mark One)

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

For the quarterly period ended SEPTEMBER 30, 2009

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-11668

PHOTONIC PRODUCTS GROUP, INC.

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

New Jersey  
(State or other jurisdiction of incorporation  
or organization)

22-2003247  
(I.R.S. Employer  
Identification Number)

181 Legrand Avenue, Northvale, NJ 07647

\_\_\_\_\_  
(Address of principal executive offices)  
(Zip Code)

(201) 767-1910

\_\_\_\_\_  
(Registrant's telephone number, including area code)

\_\_\_\_\_  
(Former name, former address and formal fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No  The Registrant is not yet subject to this requirement.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange act).

Yes  No

Common shares of stock outstanding as of November 16, 2009:

11,420,384 shares

---

## Photonic Products Group, Inc. and Subsidiaries

## EXPLANATORY NOTE

This amendment on Form 10-Q/A of Photonic Products Group, Inc. is being filed to replace the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 that was filed on November 16, 2009 solely to adjust the Condensed Consolidated Balance Sheet for incorrect totals that resulted from a typographical error. The sub-total of Shareholders' Equity was previously reported as \$7,325,224 but should be \$7,771,853. Total Shareholders' Equity was previously reported as \$7,771,853 but should be \$7,756,903. The Condensed Consolidated Balance Sheet as included in this Form 10-Q/A for the period ended September 30, 2008 has been adjusted to reflect these corrections.

## INDEX

<b>Part I. CONDENSED FINANCIAL INFORMATION</b>	
<b>Item 1.</b>	<b>Financial Statements:</b>
	Condensed consolidated balance sheets as of September 30, 2009 (unaudited) and December 31, 2008 (audited) 1
	Condensed consolidated statements of operations for the three and nine months ended September 30, 2009 and 2008 (unaudited) 2
	Condensed consolidated statements of cash flows for the nine months ended September 30, 2009 and 2008 (unaudited) 3
	Notes to condensed consolidated financial statements (unaudited) 4
<b>Item 2.</b>	<b>Management's Discussion and Analysis of Financial Condition and Results of Operations 13</b>
<b>Item 3.</b>	<b>Quantitative and Qualitative Disclosures about Market Risk 19</b>
<b>Item 4.</b>	<b>Controls and Procedures 19</b>
<b>Part II. OTHER INFORMATION</b>	
<b>Item 1.</b>	<b>Legal Proceedings 20</b>
<b>Item 1A.</b>	<b>Risk Factors 20</b>
<b>Item 2.</b>	<b>Unregistered Sales of Equity Securities and Use of Proceeds 20</b>
<b>Item 3.</b>	<b>Defaults upon Senior Securities 20</b>
<b>Item 4.</b>	<b>Submission of Matters to a Vote of Security Holders 20</b>
<b>Item 5.</b>	<b>Other Information 20</b>
<b>Item 6.</b>	<b>Exhibits 20</b>

Signatures

21

---

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,753,759	\$ 2,672,087
Certificates of deposit		800,000
Accounts receivable (net of allowance for doubtful accounts of \$15,000 in 2009 and 2008)	1,716,993	2,810,602
Inventories, net	2,440,196	2,732,336
Other current assets	186,778	188,084
Total current assets	8,097,726	9,203,109
Plant and equipment:		
Plant and equipment, at cost	14,584,207	14,445,027
Less: Accumulated depreciation and amortization	(11,834,559)	(11,139,771)
Total plant and equipment	2,749,648	3,305,256
Precious Metals	157,443	112,851
Deferred Income Taxes	408,000	408,000
Goodwill	311,572	1,869,646
Intangible Assets, net	692,657	751,580
Other Assets	47,601	81,707
<b>Total Assets</b>	<b>\$ 12,464,647</b>	<b>\$ 15,732,149</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Current portion of other long term notes	\$ 9,000	\$ 136,892
Accounts payable and accrued liabilities	1,735,910	2,160,665
Customer advances	115,667	456,754
Total current liabilities	1,860,577	2,754,311
Related Party Convertible Notes Payable	2,500,000	2,500,000
Other Long Term Notes, net of current portion	347,167	353,663
Total liabilities	4,707,744	5,607,974
Commitments and Contingencies		
Shareholders' Equity:		
Common stock: \$.01 par value; 60,000,000 authorized shares; 11,414,984 shares issued at September 30, 2009 and 11,230,678 issued at December 31, 2008	114,149	112,306
Capital in excess of par value	17,027,088	16,622,466
Accumulated deficit	(9,369,384)	(6,595,647)
	7,771,853	10,139,125
Less - Common stock in treasury, at cost (4,600 shares respectively)	(14,950)	(14,950)
Total Shareholders' Equity	7,756,903	10,124,175

Total Liabilities and Shareholders' Equity	\$ 12,464,647	\$ 15,732,149
--	---------------	---------------

See Notes to Condensed Consolidated Financial Statements (Unaudited)

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Total revenue	\$ 2,664,963	3,802,935	\$ 8,100,497	\$ 11,974,595
Cost and expenses:				
Cost of goods sold	2,058,433	2,737,511	6,693,182	8,188,376
Selling, general and administrative expenses	746,511	949,125	2,533,442	2,913,853
Goodwill impairment charge	1,558,074	—	1,558,074	—
	4,363,018	3,686,636	10,784,698	11,102,229
(Loss) income from operations	(1,698,055)	116,299	(2,684,201)	872,366
Other expense:				
Interest expense—net	(32,275)	(33,179)	(96,907)	(143,142)
Gain on sale of precious metals	—	—	7,371	—
Gain on sale of fixed assets	—	—	—	9,113
	(32,275)	(33,179)	(89,536)	(134,029)
Net (loss) income before income taxes	(1,730,330)	83,120	(2,773,737)	738,337
Deferred tax provision (benefit)	392,000	(86,000)	—	(216,000)
Net (loss) income	\$ (2,122,330)	\$ 169,120	\$ (2,773,737)	\$ 954,337
Net (loss) income per common share—basic	\$ (0.19)	\$ 0.02	\$ (0.25)	\$ 0.09
Net (loss) income per common share—diluted	\$ (0.19)	\$ 0.01	\$ (0.25)	\$ 0.07
Weighted average shares outstanding—basic	11,404,247	11,209,576	11,311,574	10,824,457
Weighted average shares outstanding—diluted	11,404,247	15,461,922	11,311,574	15,691,982

See Notes to Condensed Consolidated Financial Statements (Unaudited)

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	Nine Months Ended September 30,	
	2009	2008
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (2,773,737)	\$ 954,337
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation and amortization	753,711	802,088
Common stock contribution to retirement plan	179,068	160,181
Goodwill impairment charge	1,558,074	—
Gain on sale of fixed assets	—	(9,113)
Gain on sale of precious metals	(7,371)	—
Deferred income taxes	—	(306,000)
Stock based compensation	86,433	56,569
Changes in operating assets and liabilities:		
Accounts receivable	1,093,609	the performance and experience of each individual;

the scope and strategic impact of the executive officer's responsibilities;

our past business and segment performance and future expectations;

our long-term goals and strategies;

difficulty in, and the cost of, replacing high performing leaders with in-demand skills;

past compensation levels of each individual and of our executives as a group;

relative levels of compensation among the officers;

the amount of each compensation component in the context of the executive officer's total compensation and other benefits;

for each executive officer, other than our President and Chief Executive Officer, the evaluations and recommendations of our President and Chief Executive Officer and each executive officer's self-evaluation;

for our President and Chief Executive Officer, his self-evaluation and the evaluations of each of his direct reports and from each member of our Board of Directors; and

the competitiveness of the compensation packages relative to the selected benchmarks as highlighted by the independent compensation consultant's analysis.

***Role of the Independent Compensation Consultant***

During 2012, Radford reported directly to the Compensation Committee for purposes of advising it on executive compensation matters. The Compensation Committee provided Radford with preliminary instructions regarding the goals of our compensation program and the parameters of the competitive review of executive total direct compensation packages to be conducted by Radford. In addition to reviewing and assisting with the analysis of various peer group alternatives for 2012, Radford was instructed to benchmark all components of compensation for all executive officer positions, including base salary, total target compensation (base salary plus variable cash compensation) and equity-based long-term incentive awards. The Compensation Committee also instructed Radford to review the public disclosure by our peer companies concerning their executive compensation practices and to review our internal compensation model and guidelines and compare them to our peer companies and actual compensation practices. Finally, Radford was instructed to test whether the compensation package for our chief executive officer was competitive with the market and reasonable given our performance relative to our peers by comparing total direct compensation (base salary, variable cash compensation and value of equity at target) to absolute total stockholder return and total stockholder return relative to our peer group companies, each on a one-, three- and five-year basis.

Throughout the fourth quarter of 2011 and the first quarter of 2012, Radford attended meetings of the

Compensation Committee, both with and without members of management present, and interacted with members of our human resources department with respect to its assessment of the compensation packages of our executive officers. Once Radford, working in conjunction with our human resources department, completed its preliminary analysis of our executive compensation, they presented their analysis to the Compensation Committee and discussed the analysis at the Compensation Committee's February and March 2012 meetings.

***Independence of Compensation Consultant***

During 2012, our accounting department engaged Aon Consulting, an affiliate of Aon, Radford's parent company, as a resource to assist us in determining the fair value of our market performance-based awards. Additionally, our treasury department retained Aon to serve as our broker of record for our world-wide insurance lines. Finally, our human resources department purchased commercially available compensation survey reports and a data application from Radford. The services purchased from Aon in 2012 were overseen by the Audit Committee of our Board of Directors and were not approved by the Compensation Committee. In total, fees paid to Aon during 2012 for services not related to Radford's work with our Compensation Committee were approximately \$361,575. Fees paid to Radford during 2012 for services related to recommending the amount and form of executive and director compensation were approximately \$74,343.

In assessing Radford's independence, the Compensation Committee considered the fees paid to Radford and Aon and our policy on independence of the Compensation Committee's consultant and other advisers, which is contained in our Corporate Governance Guidelines and the Compensation Committee's charter. As specified in our Corporate Governance Guidelines and Compensation Committee Charter, the Compensation Committee also considered six independence factors as required by Nasdaq and the SEC, which are specified in the table below.

**INDEPENDENCE FACTOR**

Other services provided to Citrix by Radford  
 Citrix fees received by Radford, as a percentage of Radford's total revenue  
 Radford's policies and procedures that are designed to prevent conflicts of interest

Business or personal relationships between the Compensation Committee's individual compensation adviser and members of the Compensation Committee

Citrix stock owned by the Compensation Committee's individual compensation adviser

Business or personal relationships between the Compensation Committee's individual compensation adviser, or Radford, with a Citrix executive officer

After analyzing each of these factors and our policy on independence relative to Radford's engagement, the Compensation Committee concluded that Radford is independent.

**INFORMATION CONSIDERED**

None other than services described in the preceding paragraph. Modest and represents less than 0.25% of Radford's total revenue. Radford maintains a number of internal mechanisms and policies to ensure its ability to provide objective, third-party advice to its clients and avoid potential conflicts of interest.

The Compensation Committee's individual compensation adviser has no direct business or personal relationships with any member of the Compensation Committee.

Radford has provided consulting services to two companies that are affiliated with members of the Compensation Committee.

The Compensation Committee's individual compensation adviser does not directly own any Citrix stock.

The Compensation Committee's individual compensation adviser has no direct business or personal relationship with any Citrix executive officer.

***Our Use of Benchmarks and Peer Group Analysis***

We annually conduct a competitive analysis of the compensation paid to our executive officers and review the compensation practices of our peer group and of the software industry overall. As in prior years, the analysis for 2012 measured our compensation opportunities for executives and actual compensation paid against information from the following sources:

independent, commercially available surveys on executive compensation within the software industry, tailored to reflect our relative market capitalization and revenue, including:

- i the Radford Global Technology Survey; and

- i the Radford Global Sales Survey; and

an internally-prepared benchmark analysis using commercially available survey data and information from publicly filed reports from a group of 15 peer technology companies, or the peer group, specifically identified by the Compensation Committee.

We annually evaluate the composition of our peer group and adjust the composition of our peer group for factors such as recent acquisitions of peer companies, new markets that we have entered or changes in the technology market landscape. In 2012, the Compensation Committee asked Radford to review and assess various peer group alternatives for its consideration.

As mentioned above, and based on Radford's assessment and our Compensation Committee's review, we refined our peer group to address the dynamics in the markets in which we compete for talent. We believe that the revised peer group is better aligned with our strategic vision and better positions us to attract, retain and engage high performing leaders. The table below lists the companies in the 2012 revised peer group.

Trademarks are the property of their respective owners.

- (1) Provided by Equilar Inc., a compensation research firm, through its 2012 Equilar Executive Compensation Survey service on March 5, 2013.
- (2) Based on the closing stock price on December 31, 2012 and shares of common stock outstanding publicly-reported on or around December 31, 2012.
- (3) Fiscal year end data presented in the table above is for fiscal years ending in 2012.
- (4) Based on 2012 data. At the time of the peer group selection in the fourth quarter of 2011, Citrix's percentile rank was highest for total shareholder return (3 year), 47% for market cap, 43% for revenues and 45% for net income.

Our revised peer group positions Citrix at approximately the median of those financial metrics we view as important in selecting a peer group.

We use the peer group benchmarks as one of several factors that inform our judgment of appropriate compensation parameters for base salary, variable cash compensation and equity-based, long-term incentives. Our executive compensation decisions are

made on a case-by-case basis, and specific benchmark results do not, in and of themselves, determine individual target compensation opportunities. For 2012, the total target cash compensation for our Named Executive Officers fell at approximately the median level of similar compensation provided to executives in similar positions at companies in our peer group.

*Components of Compensation**Base Salary*

As noted above, salary levels for our executive officers are based on many factors, including individual performance and experience, as well as an analysis of compensation data reported for similar positions and roles at companies in our peer group.

In 2012, based on the objectives of our executive compensation programs, our evaluation criteria, Citrix's overall performance and other factors described above, the base salaries of our executive officers were increased, effective April 1, 2012, as follows:

	<b>2011 Base Salary (\$)</b>	<b>2012 Base Salary (\$)</b>	<b>Increase (%)</b>
President and Chief Executive Officer	870,000	890,000	2.3
Executive Vice President, Operations, Chief Financial Officer and Treasurer	500,000	550,000	10.0
Senior Vice President, Sales and Services	430,000	455,000	5.8
General Counsel and Senior Vice President, Human Resources	430,000	450,000	4.7
Senior Vice President, Solutions	385,000	400,000	3.9

*Variable Cash Compensation*

For 2012, our compensation evaluation processes resulted in target awards for our Named Executive Officers under our Variable Cash Compensation Plan that ranged from 70% to 115% of base salary, depending on the role of the executive and the other factors discussed above.

Our Compensation Committee oversees our Variable Cash Compensation Plan, with administrative tasks delegated to management. Consistent with the way we calculate and publicly report our financial results, the financial targets and attainment levels for variable cash compensation are adjusted to exclude certain GAAP measurements, including amortization of intangible assets primarily related to business combinations, non-cash charges associated with the expensing of equity-based compensation, the tax effects related to these items and any other items adjusted from our GAAP results in our reported earnings. In addition, the Compensation Committee and our Board of Directors retain the discretion to decrease or increase payouts to account for extraordinary circumstances and to balance the interests of the plan participants with the interests of our stockholders. In 2012, we did not adjust the resulting payouts under the Variable Cash Compensation Plan or our 2012 market performance-based restricted stock unit awards discussed below.

Participants in our Variable Cash Compensation Plan received variable cash compensation awards for 2012 based upon the achievement of objective financial goals, including targets based on reported revenue

and non-GAAP corporate operating margin. We believe that, for an annual incentive program to be effective, it should be simple. Thus, we use a limited number of financial targets that focus our executives on the key metrics underlying our strategic plan and align performance pay with strictly financial results.

To ensure the integrity of our operating plan, and to safeguard stockholder value, the payout levels under our Variable Cash Compensation Plan are designed to motivate performance that meets or exceeds our financial plan objectives while mitigating undue exposure for under-performance of these objectives. We rigorously test our plan design to ensure that the structure and possible outcomes do not create incentives for our executives to take unnecessary and excessive risks that would impact our long-term value.

Specifically, we model potential award payouts generated by various performance attainment levels against corporate goals for revenue, non-GAAP earnings per share and non-GAAP corporate operating margin. We also model the likely impact on stockholder value based on achieving all possible revenue, non-GAAP earnings per share and corporate operating margin targets. We summarize this analysis in a diagram (please see the graphic below) which shows plan payouts for any combination of revenue (the x axis in the graphic below) and non-GAAP corporate operating margin (the y axis in the graphic below) achievement. The dark gray area in the graphic below represents achievement which results in no payout under the Variable Cash Compensation Plan while the area of lightest gray represents the



maximum payout under the plan of 200%. The medium gray rectangle in the middle of the graphic represents the area of actual plan payouts over the last five years. This modeling helps to inform threshold, target and maximum payout levels for the plan and ensures that awards, when viewed relative

to non-GAAP earnings per share and corporate operating margin goals, are consistent with our overall operating plan for the year and provide the right balance of compensation to our executives for actual results versus returns to the business and our stockholders.

For 2012, each executive's Variable Cash Compensation Plan award was based 100% on the achievement of financial targets established by the Compensation Committee, consistent with our annual operating plan. Our Variable Cash Compensation Plan weighted these financial components as follows:

60% for achieving a reported revenue target of \$2.574 billion; and

40% for achieving a non-GAAP corporate operating margin target of 26.3%.

This represents a 16.6% increase in the revenue target when compared to the revenue target of \$2.208 billion for the 2011 Variable Cash Compensation Plan. This also represents a modest decrease in the operating margin target, which reflects the planned investments in our business necessary to achieve growth, scale and greater market share. Our Variable Cash Compensation Plan provided for a premium in the event of overachievement of targets, capped at 200% of the target payout amount, and a reduction in the event of underachievement of targets, depending on actual results. The following maximum performance amounts would have resulted in a payout of 200% of the target amount:

achievement of reported revenue of \$2.895 billion; and

achievement of a non-GAAP corporate operating margin of 29.6%.

Our Variable Cash Compensation Plan also contained minimum performance requirements that needed to be met before any award could be earned, including:

achievement of reported revenue of no less than \$2.316 billion; and

achievement of a non-GAAP corporate operating margin of no less than 23.7%.

In addition, no payouts could occur under our Variable Cash Compensation Plan if we achieved less than \$2.54 of non-GAAP earnings per share in 2012.

When actual performance falls between the threshold and the target performance level or between the target and maximum performance level, payouts are calculated using a graduated slope to provide for the fair distribution of operating profit for overachievement and appropriate compensation reductions for underachievement, as applicable. This payout structure recognizes that, in a business of this scale, overachievement merits a greater reward while underachievement should be penalized.

*Target Cash Compensation Mix*

The Compensation Committee's decision to increase base salaries for 2012, and to adjust the targets under our Variable Cash Compensation Plan resulted in the

following target mix of cash compensation for our Named Executive Officers, expressed both as a percentage of total targeted cash compensation and in dollars:

	Target Cash Compensation Mix (\$ and % of Total Target Cash Compensation)					
	Base Salary		Target Variable Cash Compensation		Total Target Cash Compensation	
	(\$)	(%)	(\$)	(%)	(\$)	(%)
President and Chief Executive Officer	890,000	46.5	1,023,500	53.5	1,913,500	100
Executive Vice President, Operations, Chief Financial Officer and Treasurer	550,000	51.3	522,500	48.7	1,072,500	100
Senior Vice President, Sales and Services	455,000	50.0	455,000	50.0	910,000	100
General Counsel and Senior Vice President, Human Resources	450,000	58.8	315,000	41.2	765,000	100
Senior Vice President, Solutions	400,000	57.1	300,000	42.9	700,000	100

*Determination of Awards*

Early in the first quarter of 2013, our Executive Vice President, Operations, Chief Financial Officer and Treasurer reviewed and approved the calculations of financial target attainment levels, which were based on, and consistent with, our publicly reported financial results for 2012, and the 2012 award amounts payable to executive officers that were

generated by members of our human resources department in accordance with the terms of our Variable Cash Compensation Plan. At a meeting held in February 2013, our Compensation Committee approved (or, in the case of our Chief Executive Officer, recommended to the Board of Directors for approval) the payouts under our 2012 Variable Cash Compensation Plan, including approval of the following award calculations:

	Goal(1)	Actual	Attainment	Payout	Weighting	Weighted Payout
			<i>(amounts are approximate due to rounding)</i>			
Revenue	\$ 2.574 billion	\$ 2.586 billion	100.5%	103.9%	60%	62.4%
Non-GAAP Operating Margin %	26.3%	25.3%	96.3%	74.4%	40%	29.7%
<b>Total Weighted Payout %</b>						<b>92.1%</b>

(1) In addition, no payouts could occur under our Variable Cash Compensation Plan if we achieved less than \$2.54 of non-GAAP earnings per share in 2012. Our non-GAAP earnings per share in 2012 was \$2.87.

The table below summarizes the payments approved by our Compensation Committee (or, in the case of our Chief Executive Officer, approved by our Board of Directors) under our Variable Cash Compensation Plan compared to each

executive's target award for 2012. Each executive officer listed below received 92.1% of his target award for 2012. We paid each of these executive officers his variable cash compensation award in the first quarter of 2013.

	<b>Target Variable Cash Compensation Award (\$)</b>	<b>Actual Variable Cash Compensation Award Paid (\$)</b>	<b>Difference between Actual and Target Awards (\$)</b>
President and Chief Executive Officer	1,023,500	942,644	(80,856)
Executive Vice President, Operations, Chief Financial Officer and Treasurer	522,500	481,223	(41,277)
Senior Vice President, Sales and Services	455,000	419,055	(35,945)
General Counsel and Senior Vice President, Human Resources	315,000	290,115	(24,885)
Senior Vice President, Solutions	300,000	276,300	(23,700)

*Equity-Based Long-Term Incentives*

The purpose of our equity-based long-term incentives is to attract, retain and engage high performing leaders, further align employee and stockholder interests, and continue to closely link executive compensation with company performance, including against the market. Our equity-based long-term incentive program is an essential component of the total compensation package offered to our executives, reflecting the importance that we place on motivating and rewarding superior results with long-term and performance-based incentives.

*Approach to Equity-Based Awards*

We have historically granted executive officers a portfolio of equity-based awards consisting of a mix of both stock options and restricted stock units (both performance-based and service-based) pursuant to our 2005 Equity Incentive Plan, as amended and/or restated from time to time, or the 2005 Plan. In 2012, we asked Radford to benchmark best practices in designing an equity-based long-term incentive program.

We evaluated the type, structure, terms and timing of equity awards to our executive officers with a view toward designing an equity-based long-term

incentive program, consistent with industry trends, that would further focus our executive officers and align them with the long-term growth of our business and with our stockholders. As a result, we modified our equity-based long-term incentive program to eliminate stock options, so that our annual equity grant program now consists entirely of restricted stock units. Further, consistent with a growing percentage of our peer group, we shifted our portfolio of equity awards granted to executive officers to a mix of just two equity elements, half of which are tied to long-term total stockholder return. Specifically, our equity-based long-term incentive program now consists of 50% market performance-based restricted stock units tied to achievement of total stockholder return metrics against a selected comparator index and 50% service-based restricted stock units. With this shift, our executive s compensation portfolio, including equity awards, consists of a higher percentage of awards tied to objective financial measures than is the case in the compensation portfolios of most of our peer group companies. The shift in our equity-based long-term incentive program is shown below.

The exclusive use of restricted stock units furthers our goals of reducing dilution, burn rate and overhang by reducing the number of shares of our common stock subject to equity-based awards while continuing to provide incentive for our high

performers to remain with us and continue to perform at a high level. Also, the shift in the portfolio of awards to include market performance-based restricted stock units based on the achievement of total return to our stockholders over a three-year

period compared to the return of the chosen comparator index places an even stronger emphasis on performance, which underscores our focus on growth. We believe this plan further aligns our executives' interests with those of our stockholders since our executives must return value to our stockholders over the long-term before half of their awards are released.

#### *Equity-Based Award Grant Levels*

When establishing equity grant levels for our executive officers, the Compensation Committee considers the existing number and value of vested and unvested stock option and restricted stock unit ownership among the executive officers relative to each other and to our employees as a whole, previous grants of equity-based awards to our executive officers, our overhang of equity-based awards and targeted burn rates for equity-based awards and the vesting schedules of previously granted equity-based awards, as well as the various other factors described above. While our Compensation Committee is aware of the accounting costs of equity-based awards, that in itself is not a significant factor in determining individual equity-based awards. In addition, the Compensation Committee reviews the equity-based award grant levels of executive officers in our peer group. Individual awards are then determined generally using the same criteria used to set an executive's variable cash compensation.

#### *Restricted Stock Unit Awards*

Pursuant to the 2005 Plan, we may grant executive officers both market performance-based restricted stock units and service-based restricted stock units. Once vested, each restricted stock unit represents the right to receive one share of our common stock.

In prior years, we granted performance-based awards the attainment levels of which were based on the achievement of an annual non-GAAP operating margin target. While we believe that such performance-based awards linked the executives' performance-based equity compensation with the overall financial performance of our company, we also believe that measuring performance over a longer performance period based on a total return to our stockholders more closely aligns our executives' objectives with those of our stockholders in the long-term, while furthering our retention objectives.

Accordingly, we now include market performance-based awards in the portfolio of annual grants that have the following design elements:

awards are tied to long-term performance against a comparator index;

a payout curve that is based upon the percentage point difference of our return and the comparator index return;

3-year performance cycles with no interim payouts; and

full vesting of achieved awards at the end of the 3-year performance period.

For determining the comparator index by which the market performance-based awards would be tied, we chose to compare ourselves against the index with the strongest statistical correlation to our stock performance since a higher correlation means better alignment of program payout with company performance. Further, a higher correlation minimizes the likelihood of payout at the extreme ends of the payout curve. Using Radford's PeerPicker technology, we analyzed over 6,000 publicly traded company stocks and indices to return the most highly-correlated to our stock over the past three years. The results of this analysis showed that the Nasdaq Composite Total Return Index, or the XCMP, had the highest correlation.

Therefore, for the market performance-based awards, attainment levels are based on our total return to stockholders over a three-year performance period compared to the return of the XCMP. In the case of the market performance-based awards granted in 2012, the performance period is the three-year period ending on December 31, 2014.

The payout curve for our market performance-based awards is based upon the percentage point difference of our return and the XCMP total stockholder return. The following chart depicts the payout curve used for the market performance-based restricted stock units.

Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

Percentage Point

Percentage of

**Differential**

**Target Award Vested**

40% or higher

200%

0%

100%

-20%

50%

<-20%

0

We took extra precautions to limit payouts in the event our return is negative and limited awards in that case. Accordingly, in the event that our return is negative, but we achieve a percentage point differential at or above zero, only 75% of the target award will be payable. If our return is positive and meets or exceeds the XCMP, the number of non-vested stock units issued will be based on interpolation, with the maximum number of non-vested stock units issuable pursuant to the award capped at 200% of the target number of non-vested stock units set forth in the award agreement if our return exceeds the indexed return by 40% or more. If our return over the performance period is positive but underperforms the XCMP, a number of non-vested stock units will be issued, below the target award, based on interpolation. No non-vested stock units, however, will be issued if our return underperforms the XCMP by more than 20% over the performance period. The extent to which an executive will vest in the award, if at all, if he or she is not employed by us at the end of the performance period is dependent

upon the timing and character of the termination as provided in the award agreement. The award will be 100% vested at the end of the performance period.

Further, consistent with our past practice, in March 2012, we also entered into restricted stock unit agreements with our executive officers for service-based restricted stock unit awards that were not subject to performance criteria and that vest over three years, with one-third of the units vesting on the first, second and third anniversaries of the date of the award agreement. The equity-based awards indicated in the table below reflect an equity portfolio of 50% market performance-based restricted stock units and 50% service-based restricted stock units. The difference in actual number of awards granted between market-performance based awards and service-based awards is due to valuation differences between each type of restricted stock unit. The following table summarizes our 2012 equity-based awards to our Named Executive Officers:

	<b>Market-Based Restricted Stock Unit Awards #(1)</b>	<b>Service-Based Restricted Stock Unit Awards (#)</b>
President and Chief Executive Officer	57,000	47,500
Executive Vice President, Operations, Chief Financial Officer and Treasurer	26,400	21,600
Senior Vice President, Sales and Services	22,000	18,000
General Counsel and Senior Vice President, Human Resources	16,500	13,500
Senior Vice President, Solutions	16,500	13,500

(1) Reflects the target number of restricted stock units that our executive officers may earn under the terms of their 2012 market performance-based restricted stock unit agreements.

#### *Equity Award Grant Policy*

In 2007, the Compensation Committee adopted the Citrix Equity Award Grant Policy, or the Awards Policy. The Awards Policy enhances our controls with respect to grants of equity awards by establishing procedures for approving and pre-determining the dates on which awards will be made. Pursuant to the Awards Policy, unless a different date is set by our Board of Directors or the Compensation Committee, annual grants of Full Value Awards are made on the last business day in March on or prior to March 30th. The Awards Policy also establishes fixed grant dates for new hire and performance grants. An employee's eligibility to receive an award as of a particular, fixed grant date is subject to the time of the month in which the employee's employment begins or promotion is effective or, if

later, the date on which all documentation necessary for the approval of the grant is obtained. A copy of our Awards Policy is available on the Corporate Governance section of our website at

<http://www.citrix.com/site/aboutCitrix/governance/> under Governance Documents.

#### *Executive Stock Ownership Guidelines*

To align the interests of our executive officers with the interests of our stockholders, our Board has established stock ownership guidelines for our executive officers. Under our current guidelines, our Chief Executive Officer is expected to own at least 100,000 shares of our common stock, our Chief Financial Officer is expected to own at least 25,000 shares and each other executive officer is expected to own at least 20,000 shares of our common stock.



Each of our executive officers is expected to hold such shares for so long as he or she is one of our executive officers. Executive officers are expected to meet these guidelines within four years of the date of his or her appointment as an executive officer. Failure to satisfy the stock holding guidelines when required to do so will result in suspension of an executive officer's ability to sell shares of our common stock until the requisite ownership levels are reached. Our executive officers may accumulate shares of our common stock through stock option exercises, settlement of restricted stock units or other awards and open market purchases made in compliance with applicable securities laws, our policies or any other equity plans we may adopt from time to time. Shares of our common stock beneficially owned (unless the executive officer disclaims beneficial ownership of the shares) and vested restricted stock (including vested but deferred restricted stock units) count towards the satisfaction of the ownership guidelines.

Additionally, under our policies, our employees, including our executive officers, and directors are not permitted to engage in the following transactions with respect to our stock: sell short; buy or sell puts, calls or other derivatives of our common stock; buy our common stock on margin; hold our stock in an account that is, or is linked to, a margin account; or pledge our common stock as collateral for a loan.

#### ***Policy Regarding 10b5-1 Trading Plans***

Under our policies, our directors and executive officers may not trade in Citrix stock unless pursuant to a trading plan that meets the requirements of the Securities and Exchange Commission's Rule 10b5-1 and our additional policy requirements, unless an exception is approved by the Chair of our Nominating and Corporate Governance Committee. These additional policy requirements include:

a prohibition on any trades earlier than 90 days after the trading plan is approved by Citrix;

a prohibition on any adoption, cancellation, suspension, expansion or other modification to a trading plan during our quarterly earnings blackout periods; and

a minimum one-year term unless the trading plan is exhausted earlier through sales of shares.

On a quarterly basis, we disclose Rule 10b5-1 trading plan adoptions, modifications and cancellations by our directors and executive officers in our annual report on Form 10-K or quarterly reports on Form 10-Q.

#### ***Policy Regarding Change in Control Arrangements***

It is our policy that we will not enter into any new agreements, or materially amend any existing agreements, with our executive officers that provide the executive officer with severance payments following a change in control, except in the case of a double-trigger termination event (that is, upon the termination of the executive's employment without cause or for good reason following a change in control).

#### ***Benefits***

Our executive officers participate in our broad-based employee benefit plans on the same terms as eligible, non-executive employees, subject to any legal limits on the amounts that may be contributed or paid by executive officers under these plans. We offer a stock purchase plan, under which our employees may purchase shares of our common stock at a 15% discount from the fair market value of our common stock on the last business day of the purchase period (determined by reference to the closing price of our common stock on such date), and a 401(k) plan, which allows our employees to invest in a wide array of funds on a pre-tax basis and which provides a matching contribution from our company. We also maintain insurance and other benefit plans for our employees. Our executive officers receive higher life, accidental death and dismemberment and disability insurance benefits than other employees, which reflects industry standards and their relative base salary levels. Our executive officers also receive reimbursement for annual health physicals. During 2012, we did not offer any non-qualified deferred compensation plans or supplemental retirement plans to our executives. For more information, please refer to the *Summary Compensation Table* and the *Nonqualified Deferred Compensation Table* below.

We have always limited the perquisites that are made available to our executives. Our executives are entitled to few benefits that are not otherwise available to all employees and generally provided to ensure comparable coverage levels for insurance and health care relative to market practice in our industry



sector. In this regard, it should be noted that we do not provide pension arrangements or similar benefits to our executives or employees, other than a 401(k) program, in which all of our employees, including our executive officers, may participate and defined

contribution plans required by applicable law in certain jurisdictions outside the United States, in which none of our Named Executive Officers participate.

### Summary of Executive Compensation

The following table sets forth certain information with respect to compensation for the years ended December 31, 2012, 2011 and 2010 earned by or paid to our President and Chief Executive Officer, our Executive Vice President, Operations, Chief Financial Officer and Treasurer, and our three other most highly-compensated executive officers, referred to as our Named Executive Officers, as determined in accordance with applicable SEC rules.

#### SUMMARY COMPENSATION TABLE

#### FOR THE 2012, 2011 AND 2010 FISCAL YEARS

Name and Principal Position	Year	Salary (\$)*	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
<b>Mark B. Templeton</b> President and Chief Executive Officer	2012	885,000		8,875,375		942,644	40,948(2)	10,743,967
	2011	862,500		3,303,752	3,029,225	956,532	19,355	8,171,364
	2010	830,000		4,155,934	2,005,700	1,231,850	19,863	8,243,347
<b>David J. Henshall</b> Executive Vice President, Operations, Chief Financial Officer and Treasurer	2012	537,500		4,079,136		481,223	15,316(3)	5,113,175
	2011	496,250		1,415,904	1,298,239	415,353	13,625	3,639,371
	2010	472,500		1,823,620	911,682	474,164	8,177	3,690,143
<b>Alvaro J. Monserrat</b> Senior Vice President, Sales and Services	2012	448,750		3,399,280		419,055	14,401(4)	4,281,486
	2011	425,000		1,281,031	1,174,597	420,239	23,817	3,324,684
	2010	401,250		1,599,651	759,735	534,453	19,455	3,314,544
<b>David R. Friedman(7)</b> General Counsel and Senior Vice President, Human Resources	2012	445,000		2,549,460		290,115	16,260(5)	3,300,835
<b>J. Gordon Payne(8)</b> Senior Vice President, Solutions	2012	396,250		2,549,460		276,300	16,201(6)	3,238,211
	2011	376,250		1,078,760	989,135	282,195	16,005	2,742,345
	2010	343,750		1,599,651	759,735	342,180	11,500	3,056,816

\* Each year, our salary levels are determined during our first fiscal quarter and become effective April 1. The amounts represented in this table reflect salary actually paid during the fiscal year.

(1)

## Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

These amounts represent the aggregate grant date fair value of restricted stock unit and option awards in the year in which the grant was made. The assumptions we used for calculating the grant date fair value are set forth in Note 7 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the SEC on February 21, 2013. These amounts do not represent the actual amounts paid to or realized by the executive for these awards during fiscal years 2012, 2011 or 2010. The value as of the grant date for restricted stock awards is recognized over the number of days of service required for the grant to become vested. In the case of performance-based and market performance-based restricted stock units, the fair value is reported for the probable outcome, which for this purpose is 100% achievement. The fair value of awards at the maximum level of achievement for market performance-based restricted stock units for 2012 is as follows: Mr. Templeton, \$10,254,300; Mr. Henshall, \$4,749,360; Mr. Monserrat, \$3,957,800; Mr. Friedman, \$2,968,350; and Mr. Payne, \$2,968,350.

- (2) Includes 401(k) matches made by our company (\$7,500), premiums for split-dollar life insurance and disability policies (\$10,473), the value of a company-covered physical examination available to each executive (\$5,000) and reimbursements for spousal travel (\$17,975).
- (3) Includes 401(k) matches made by our company (\$7,500), premiums for split-dollar life insurance and disability policies (\$2,816) and the value of a company-covered physical examination available to each executive (\$5,000).
- (4) Includes 401(k) matches made by our company (\$7,306), premiums for split-dollar life insurance and disability policies (\$2,095) and the value of a company-covered physical examination available to each executive (\$5,000).

- (5) Includes 401(k) matches made by our company (\$7,350), premiums for split-dollar life insurance and disability policies (\$3,910) and the value of a company-covered physical examination available to each executive (\$5,000).
- (6) Includes 401(k) matches made by our company (\$7,500), premiums for split-dollar life insurance and disability policies (\$3,701) and the value of a company-covered physical examination available to each executive (\$5,000).
- (7) Mr. Friedman was not a named executive officer for the fiscal years ended December 31, 2010 and 2011.
- (8) Mr. Payne was not a named executive officer for the fiscal year ended December 31, 2011.

**Grants of Plan-Based Awards**

The following table sets forth certain information with respect to grants of plan-based awards for the year ended December 31, 2012 to the Named Executive Officers. Grants of equity incentive plan awards to each Named Executive Officer were made pursuant to the 2005 Plan, and grants of non-equity incentive plan awards to each Named Executive Officer were made pursuant to our Variable Cash Compensation Plan. There can be no assurance that the Grant Date Fair Value of the Stock Awards listed below will ever be realized.

**GRANTS OF PLAN-BASED AWARDS TABLE FOR THE 2012 FISCAL YEAR**

Name	Grant Date	Comp. Comm. Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(3)
			Threshold (\$)	Target (\$)(1)	Maximum (\$)	Threshold (#)	Target (#)(2)	Maximum (#)				
Mark B. Templeton	3/30/12	3/9/12				28,500	57,000	114,000				5,127,150
	3/30/12	3/9/12							47,500			3,748,225
David J. Henshall	3/30/12	3/9/12				13,200	26,400	52,800				2,374,680
	3/30/12	3/9/12	307,050	1,023,500	2,047,000				21,600			1,704,456
Alvaro J. Monserrat	3/30/12	3/9/12				11,000	22,000	44,000				1,978,900
	3/30/12	3/9/12	156,750	522,500	1,045,000				18,000			1,420,380
David R. Friedman	3/30/12	3/9/12				8,250	16,500	33,000				1,484,175
	3/30/12	3/9/12	94,500	315,000	630,000				13,500			1,065,285
J. Gordon Payne	3/30/12	3/9/12				8,250	16,500	33,000				1,484,175
	3/30/12	3/9/12	90,000	300,000	600,000				13,500			1,065,285

- (1) On February 12, 2013, the Compensation Committee determined that the reported revenue target was 100.5% attained and the non-GAAP corporate operating margin target was 96.3% attained, resulting in a payout of 92.1% and in the following variable cash compensation awards: Mr. Templeton received \$942,644; Mr. Henshall received \$481,223; Mr. Monserrat received \$419,055; Mr. Friedman received \$290,115; and Mr. Payne received \$276,300. See the column labeled *Non-Equity Incentive Plan Compensation* in the *Summary Compensation Table* included in this Proxy Statement.
- (2) The Estimated Future Payouts Under Equity Incentive Plan Awards columns represent the minimum, target and maximum number of restricted stock units that may vest pursuant to 2012 market performance-based restricted stock unit agreements. The attainment level under the awards will be based on the total return to stockholders compared to the return on the XCMP over the three-year performance period ending December 31, 2014.
- (3) The grant date fair value of awards in this column reflects the fair value of such awards, excluding estimated forfeitures. The assumptions we used for calculating the grant date fair value are set forth in Note 7 to the financial statements filed with our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which was filed with the SEC on February 21, 2013. In the case of market performance-based restricted stock units, the fair value is reported for the probable outcome after the three-year performance period, which for this purpose is 100% achievement.

**Discussion of Summary Compensation and Grants of Plan-Based Awards Tables**

Our executive compensation policies and practices, pursuant to which the compensation set forth in the *Summary Compensation Table* and the *Grants of Plan-Based Awards Table* was paid or awarded, are described above under *Compensation Discussion and Analysis*. A description of the application of those policies and practices to each of the Named Executive Officers for the year ended December 31, 2012 is set forth below.

***Cash Compensation Base Salary and Variable Cash Compensation***

*President and Chief Executive Officer*

As President and Chief Executive Officer, Mark Templeton is responsible for overseeing all of our corporate functions, product groups and divisions, go-to-market activities and the attainment of our revenue and profit goals. Working in concert with our Board of Directors, Mr. Templeton formulates current and long-term company plans and objectives and represents us in relations with our customers and the business and non-business communities. Based on a recommendation of the Compensation Committee, our Board of Directors determines compensation for our President and Chief Executive Officer using the same factors it uses for other executives, placing relatively less emphasis on base salary and, instead, creating greater market performance-based opportunities through equity-based long-term and variable cash compensation. In assessing the compensation paid to Mr. Templeton, the Compensation Committee relies on both information from selected benchmarks and its judgment with respect to the factors described above.

In addition, the Compensation Committee uses a formal evaluation process, which includes meetings held in executive session, to help assess the performance of our President and Chief Executive Officer. This process consists of an annual self-evaluation by Mr. Templeton against the performance objectives and targets established at the beginning of the year by Mr. Templeton and our Board of Directors, which is submitted to the Chairperson of the Compensation Committee and the Chairperson of the Nominating and Corporate Governance Committee after the conclusion of each

year. Each member of our Board of Directors and each senior executive officer who reports directly to Mr. Templeton also annually completes an evaluation of Mr. Templeton's performance based upon our internal leadership standards. Following an assessment of Mr. Templeton's performance, the Compensation Committee reviews the total compensation package for Mr. Templeton, including base salary, variable cash compensation and equity-based compensation.

As discussed above, effective April 1, 2012, Mr. Templeton's annual base salary was increased from \$870,000 to \$890,000. As a result, in 2012, Mr. Templeton received base salary compensation of \$885,000.

Mr. Templeton was awarded variable cash compensation of \$942,644 in accordance with our 2012 Variable Cash Compensation Plan, a decrease from his 2011 award of \$956,532. The decrease in Mr. Templeton's 2012 variable cash compensation is due to our 2012 operational performance against the performance targets of our 2012 Variable Cash Compensation Plan, which led to a 92.1% payout of Mr. Templeton's target variable cash compensation award compared to a 97.7% payout in 2011.

For 2012, Mr. Templeton's target variable cash compensation award as a percentage of base salary increased to 115% of his base salary compared to 112.5% in 2011 and 2010. This balance between base compensation and Mr. Templeton's target variable cash compensation award is consistent with our objective of placing relatively more emphasis on variable cash compensation for our President and Chief Executive Officer to ensure close alignment of his interests with the interests of our stockholders.

*Executive Vice President, Operations, Chief Financial Officer and Treasurer*

As Executive Vice President, Operations, Chief Financial Officer and Treasurer, David Henshall is responsible for overseeing our relations with our investors, budgeting and planning, financial accounting, operations, tax, treasury, information technology and supply chain management. Mr. Henshall is also responsible for our overall financial strategy. In this role, Mr. Henshall works closely with our President and Chief Executive

Officer to drive our overall growth and stockholder returns. As discussed above, effective April 1, 2012, Mr. Henshall's annual base salary was increased from \$500,000 to \$550,000. As a result, in 2012, Mr. Henshall received base salary compensation of \$537,500.

For 2012, Mr. Henshall was awarded variable cash compensation of \$481,223 in accordance with our 2012 Variable Cash Compensation Plan, an increase from his 2011 award of \$415,353. Despite a 92.1% payout of Mr. Henshall's target variable cash compensation award compared to a 97.7% payout in 2011, Mr. Henshall's 2012 variable cash compensation increased due to an increase in Mr. Henshall's target variable cash compensation in 2012.

For 2012, Mr. Henshall's target variable cash compensation award as a percentage of base salary increased to 95% of his base salary, as compared to 85% in 2011 and 75% in 2010.

*Senior Vice President, Sales and Services*

As Senior Vice President of our Sales and Services Division, Alvaro Monserrat is responsible for our worldwide sales and services efforts and our channel and distribution network. As discussed above, effective April 1, 2012, Mr. Monserrat's annual base salary was increased from \$430,000 to \$455,000. As a result, in 2012, Mr. Monserrat received base salary compensation of \$448,750.

For 2012, Mr. Monserrat was awarded variable cash compensation of \$419,055 in accordance with our 2012 Variable Cash Compensation Plan, a decrease from his 2011 award of \$420,239. The decrease in Mr. Monserrat's 2012 variable cash compensation is due to our 2011 financial performance against the performance targets of our 2012 Variable Cash Compensation Plan, which led to a 92.1% payout of Mr. Monserrat's target variable cash compensation award compared to a 97.7% payout in 2011.

For 2012, Mr. Monserrat's target variable cash compensation award as a percentage of base salary was maintained at 100% of his base salary, the same level as was set in 2011 and 2010.

*General Counsel and Senior Vice President, Human Resources*

As General Counsel and Senior Vice President, Human Resources, David Friedman is our principal legal and human resources executive. In his General Counsel role, Mr. Friedman is involved in the oversight of acquisitions, commercial transactions, corporate governance initiatives, regulatory, litigation and other legal matters. As our principal human resources executive, Mr. Friedman leads our teams dedicated to hiring and developing best-in-class talent. As discussed above, effective April 1, 2012, Mr. Friedman's annual base salary was increased from \$430,000 to \$450,000. As a result, in 2012, Mr. Friedman received base salary compensation of \$445,000.

For 2012, Mr. Friedman was awarded variable cash compensation of \$290,115 in accordance with our 2012 Variable Cash Compensation Plan, which represents a 92.1% payout of Mr. Friedman's target variable cash compensation award.

For 2012, Mr. Friedman's target variable cash compensation award as a percentage of base salary was set at 70% of his base salary.

*Senior Vice President, Solutions*

As Senior Vice President, Solutions, J. Gordon Payne is responsible for overseeing the company's strategy for its mobility products. As discussed above, effective April 1, 2012, Mr. Payne's annual base salary was increased from \$385,000 to \$400,000. As a result, in 2012, Mr. Payne received base salary compensation of \$396,250.

For 2012, Mr. Payne was awarded variable cash compensation of \$276,300 in accordance with our 2012 Variable Cash Compensation Plan, which represents a 92.1% payout of Mr. Payne's target variable cash compensation award.

For 2012, Mr. Payne's target variable cash compensation award as a percentage of base salary was set at 75% of his base salary.

*Equity-Based Long-Term Incentive Compensation*

On March 30, 2012, each of the Named Executive Officers was awarded a market performance-based restricted stock unit award pursuant to which each such executive is eligible to earn restricted stock units based on the total return to our stockholders



over a three-year performance period compared to the return on the XCMP described above. Attainment levels will be determined within 60 days of the end of the performance period (*i.e.*, December 31, 2014 for the grants made in 2012). In March 2012, these individuals were awarded grants of market performance-based restricted stock units at the following target award levels:

Mr. Templeton 57,000;

Mr. Henshall 26,400;

Mr. Monserrat 22,000;

Mr. Friedman 16,500; and

Mr. Payne 16,500.

Our executives also were awarded service-based restricted stock units, which vest in three equal annual installments as follows:

Mr. Templeton 47,500;

Mr. Henshall 21,600;

Mr. Monserrat 18,000;

Mr. Friedman 13,500; and

Mr. Payne 13,500.

These awards were made in connection with our annual grant process. For Mr. Henshall, Mr. Monserrat, Mr. Friedman and Mr. Payne, the Compensation Committee approved each award. For Mr. Templeton, our Board of Directors, upon the recommendation of the Compensation Committee, approved his awards. The number of restricted stock units potentially awardable under the executive's respective restricted stock unit awards were determined in accordance with the factors discussed above.

### Outstanding Equity Awards

The following table sets forth certain information with respect to the outstanding equity awards at December 31, 2012 for each of the Named Executive Officers.

#### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2012 TABLE

Name	Option Awards Number of Securities Underlying Unexercised Options (#)		Option Exercise Price (\$)	Option Expiration Date(1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Stock Awards	Equity
	Exercisable	Unexercisable					Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)
Mark B. Templeton	17,339		18.05	8/1/2013(3)				
	62,500		32.75	4/30/2013				
	62,500		26.64	7/31/2013				
	137,500		20.09	3/2/2014				
	73,336	9,164	47.03	4/30/2015				
	66,463	16,037	55.02	7/30/2015				
	34,034	27,216	84.34	4/29/2016				
	28,931	32,319	72.04	7/29/2016				
					7,333(4)	481,191		
					25,000(4)	1,640,500		
				14,520(4)	952,802			
				10,889(5)	714,536			
				18,620(5)	1,221,844			
				47,500(6)	3,116,950			
						57,000(7)	3,740,340	
David J. Henshall	55,000		20.09	3/2/2014				
	33,336	4,164	47.03	4/30/2015				
	30,213	7,287	55.02	7/30/2015				
	14,586	11,664	84.34	4/29/2016				
	12,399	13,851	72.04	7/29/2016				
					3,333(4)	218,711		
					10,000(4)	656,200		
					6,600(4)	433,092		
					4,667(5)	306,249		
					7,980(5)	523,648		
				21,600(6)	1,417,392			
						26,400(7)	1,732,368	
Alvaro J. Monserrat	1,736	3,471	47.03	4/30/2015				
	4,340	6,075	55.02	7/30/2015				
	13,199	10,551	84.34	4/29/2016				
	11,219	12,531	72.04	7/29/2016				
					2,777(4)	182,227		
					10,000(4)	656,200		
					5,500(4)	360,910		
					4,222(5)	277,048		
				7,220(5)	473,776			
				18,000(6)	1,181,160			
						22,000(7)	1,443,640	
David R. Friedman	1,388	2,776	47.03	4/30/2015				
	1,388	4,858	55.02	7/30/2015				
	10,420	8,330	84.34	4/29/2016				
	8,857	9,893	72.04	7/29/2016				

Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

2,222(4)	145,808		
10,000(4)	656,200		
4,400(4)	288,728		
3,334(5)	218,777		
5,700(5)	374,034		
13,500(6)	885,870		
		16,500(7)	1,082,730

Name	Option Awards				Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
	Number of Securities Underlying Unexercised Options (#)		Option Exercise Price (\$)	Option Expiration Date(1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)
J. Gordon Payne	1,736	3,471	47.03	4/30/2015			
	4,340	6,075	55.02	7/30/2015			
	11,117	8,883	84.34	4/29/2016			
	9,449	10,551	72.04	7/29/2016			
					2,777(4)	182,227	
					10,000(4)	656,200	
					5,500(4)	360,910	
					3,556(5)	233,345	
					6,080(5)	398,970	
					13,500(6)	885,870	
							16,500(7)
							1,082,730

- (1) Unless otherwise indicated in the table, options vest at a rate of 1/3 of the shares underlying the stock option one year from the date of grant and at a rate of 1/36 monthly thereafter. Vesting, in all applicable cases, will be rounded up to the nearest whole share with the balance vesting on the last vesting date.
- (2) Based on a per share price of \$65.62, which was the closing price per share of our common stock on the last business day of the 2012 fiscal year (December 31, 2012).
- (3) These options vested at a rate of 25% of the shares underlying the option one year from the date of grant and at a rate of 2.08% monthly thereafter.
- (4) These units vested on March 30, 2013.
- (5) 50% of these units vested on March 30, 2013 and the remaining 50% will vest on March 30, 2014.
- (6) These units vest in three equal annual installments with 33.4% having vested on March 30, 2013, and 33.3% vesting on each of March 30, 2014 and 2015.
- (7) Represents the target number of restricted stock units that will vest on December 31, 2014 if the percentage point difference of our return and the XCMP total stockholder return is 0%.

#### Option Exercises and Stock Vested

The following table sets forth certain information regarding stock option exercises and restricted stock unit vesting, during the year ended December 31, 2012 under our equity incentive plans for the Named Executive Officers.

#### OPTION EXERCISES AND STOCK VESTED TABLE

#### FOR THE 2012 FISCAL YEAR

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
Mark B. Templeton	37,500	1,347,358	113,716	7,896,790
David J. Henshall	30,342	1,357,564	43,399	3,056,716
Alvaro J. Monserrat	26,904	1,033,588	45,219	3,122,836
David R. Friedman	57,779	1,996,213	31,530	2,221,982
J. Gordon Payne	80,624	3,507,768	34,171	2,418,790

- (1) Based on the closing price per share of our common stock on the date upon which the restricted stock units vested.



### Nonqualified Deferred Compensation

The following table sets forth certain information regarding non-tax qualified compensation deferred during the year ended December 31, 2012, under our equity incentive plans for the Named Executive Officers. The deferred compensation consists of shares of our common stock that will be issued with respect to vested restricted stock units under a long-term incentive program, or LTIP, that we instituted in 2009. The LTIP's design and structure were intended to, and ultimately did, reward executives for generating both relative and absolute stockholder returns. The number of restricted stock units issuable upon settlement of the LTIP awards was determined after the end of a three-year period ending

December 31, 2011, and these restricted stock units were issuable to the executive only if the executive remained employed by us throughout the three-year period.

The number of shares of common stock issuable upon settlement of the LTIP restricted stock units was determined by comparing the performance of our common stock to the performance of the specified market indices over the same three-year period. Although these restricted stock units have vested, the units will not be settled in shares of our common stock until the earlier of (1) six months and one day following termination of the executive's employment for any reason other than cause, (2) the executive's death, or (3) the effective date of a change in control of our company.

### NONQUALIFIED DEFERRED COMPENSATION TABLE

#### FOR THE 2012 FISCAL YEAR

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE \$(1)
Mark B. Templeton					7,694,601
David J. Henshall					2,600,586
Alvaro J. Monserrat					3,202,847
David R. Friedman					1,854,027
J. Gordon Payne					1,990,517

- (1) Based on a per share price of \$65.62, which was the closing price per share of our common stock on the last business day of the 2012 fiscal year (December 31, 2012) and reflects balance of restricted stock units currently outstanding that were issued under the LTIP that vested on December 31, 2011, net of any underlying shares that were withheld to satisfy minimum tax withholding obligations that arose upon the vesting of the stock units. The number of restricted stock units on a net basis for each of the Named Executive Officers is as follows: Mr. Templeton, 117,260 restricted stock units; Mr. Henshall, 39,631 restricted stock units; Mr. Monserrat, 48,809 restricted stock units; Mr. Friedman, 28,254 restricted stock units; and Mr. Payne, 30,334 restricted stock units. The grant date fair value of the LTIP awards was included in the *Stock Awards* column of the *Summary Compensation Table* for 2009.

### Potential Payments upon Termination or Change in Control

Our executives are at will employees and are not offered contractual severance arrangements. We, however, have entered into change in control agreements with our President and Chief Executive Officer as well as with our other Named Executive Officers, referred to as our Senior Executive Officers.

Specifically, these agreements continue in full force until the earliest of the following events:

## Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

the date we terminate the employment of the executive for cause or the failure by the executive to perform his full-time duties by reason of his death or disability;  
the resignation or termination of the executive's employment for any reason prior to a change in control;

the termination of the executive's employment with us after a change in control for any reason other than the occurrence of a terminating event; or

the date which is 18 months after a change in control if the executive is still employed by us.

These agreements are intended to provide for continuity of management during a change in control and align the interest of our executives with those of our stockholders so as to maximize the value to stockholders from any such change in control. These agreements provide for certain benefits in the event

that the executive's employment is terminated following a change in control of our company, including severance payments, benefit continuation and acceleration of vesting on outstanding equity-based awards.

In the event Mr. Templeton is terminated without cause or if Mr. Templeton resigns his position for any reason in the twelve-month period following a change in control, he is entitled to receive a lump sum payment equal to two times the sum of his annual base salary plus his target variable cash compensation for the then-current fiscal year, both determined as of the date his employment is terminated or, if higher, as of immediately prior to the change in control. Additionally, Mr. Templeton will receive certain benefits, including health, dental and life insurance, for two years following the date of termination. In 2009, we adopted a policy against entering into any new single-trigger severance or change of control agreements, or materially amending any existing single-trigger severance or change of control agreements.

In the event that, during the twelve-month period following a change in control, any of our Senior Executives are terminated, other than for cause, or any of our Senior Executives terminates his employment for good reason, such Senior Executive is entitled to receive a lump sum payment equal to one and a half times his annual base salary plus his target variable cash compensation for the then-current fiscal year, both determined as of the date such Senior Executive's employment is terminated or, if higher, as of immediately prior to the change in control. Additionally, our Senior Executives will receive certain benefits, including health, dental and life insurance, for 18 months following the date of termination.

Under the change in control agreements, a change in control would include any of the following events:

any person, as defined in the Exchange Act, as amended, acquires 30% or more of our voting securities;

the consummation of a consolidation, merger or sale or other disposition of all or substantially all of our assets in which our stockholders would beneficially own less than 50% of our voting securities after such transaction;  
a majority of our incumbent directors are replaced; and

our stockholders approve a plan or proposal for our liquidation or dissolution.

In addition, upon a change in control, all stock options and other equity-based awards, such as restricted stock units, granted to Mr. Templeton will immediately accelerate and become fully exercisable as of the effective date of the change in control. In the event that, during the twelve-month period following a change in control, any of our Senior Executives are terminated, other than for cause, or any of our Senior Executives terminates his employment for good reason, all stock options and other equity-based awards, such as restricted stock units, granted to our Senior Executives will immediately accelerate and become fully exercisable. For each performance equity-based award for which the number of options, units or shares has not yet been determined, the performance criteria set forth in the award agreement will be deemed to be 100% attained, and that executive will be issued the base number of options, units or shares set forth in his award agreement.

Each of Mr. Templeton and our Senior Executives is also subject to the terms of a Non-Solicitation, Non-Compete and Confidentiality and Employee Non-Disclosure Agreement with us, and the terms of these agreements survive the termination of the executive's employment after a change in control for a period of one year.

In the event that any payments made in connection with a change in control or termination would be subjected to the excise tax imposed by Section 4999 of the Internal Revenue Code, the payments to Mr. Templeton and our Senior Executives would be reduced to the maximum amount that can be paid under the Code without the imposition of an excise tax under Section 4999 of the Internal Revenue Code, but only if such reduction provides a higher benefit on an after-tax basis to Mr. Templeton and our Senior Executives. Under no circumstances would we provide any gross-up payments to Mr. Templeton or our Senior Executives in connection with a change in control.

Under the individual change in control agreements with Mr. Templeton and our Senior Executives, each executive officer would be entitled to receive the

following estimated payments and benefits. These disclosed amounts are estimates only and do not necessarily reflect the actual amounts that would be paid to the executive officers, which would only be known at the time that they become eligible for payment and would only be payable if a change in

control or termination, as applicable, were to occur. The table reflects the amount that could be payable to Mr. Templeton and our Senior Executives, assuming that the change in control and, if applicable, termination of the Senior Executive's employment, occurred at December 31, 2012.

Name	Severance Amount (\$)(1)	Value of Benefits(\$)	Early Vesting of Stock Options (\$)(2)	Early Vesting of Restricted Stock Units (\$)(2)	Total(\$)
Mark B. Templeton	3,827,000	58,165	340,351	11,868,165	16,093,681
David J. Henshall	1,608,750	28,189	154,651	5,287,660	7,079,250
Alvaro J. Monserrat	1,365,000	34,164	128,921	4,574,961	6,103,046
David R. Friedman	1,147,500	36,887	103,101	3,652,147	4,939,635
J. Gordon Payne	1,050,000	36,572	128,921	3,800,252	5,015,745

- (1) The severance amounts represent the maximum amounts payable under Mr. Templeton's and the Senior Executives' change in control agreements. These agreements provide that severance payments may be reduced to avoid the application of taxes imposed under the Internal Revenue Code and, therefore, Mr. Templeton or the Senior Executives may elect to receive an amount less than the amount reflected in this table.
- (2) Based on a per share price of \$65.62, which was the closing price per share of our common stock on the last business day of the 2012 fiscal year (December 31, 2012). The value of the early vesting of stock options is calculated using the difference between the \$65.62 per share price and the option exercise price per share. For a detailed listing of the exercise prices of these options, please see the *Outstanding Equity Awards at Fiscal Year-End Table* above.

#### Director Compensation

The following table sets forth a summary of the compensation earned by or paid to our non-employee directors in 2012.

#### DIRECTOR COMPENSATION TABLE

#### FOR THE 2012 FISCAL YEAR

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)(2)	Option Awards (\$)(1)(3)	Total (\$)
Thomas F. Bogan	105,000	283,160		388,160
Nanci E. Caldwell	50,000	283,160		333,160
Murray J. Demo	80,000	283,160		363,160
Stephen M. Dow	90,000	283,160		373,160
Asiff S. Hirji	60,000	283,160		343,160
Gary E. Morin	60,000	283,160		343,160
Godfrey R. Sullivan	70,000	283,160		353,160

- (1) These amounts represent the aggregate grant date fair value of restricted stock unit awards in the year in which the grant was made. The assumptions we used for calculating the grant date fair value are set forth in Note 7 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the SEC on February 21, 2013. These amounts do not represent the actual amounts paid to or realized by our directors for these awards during fiscal year 2012.
- (2) Consists solely of restricted stock units. As of December 31, 2012, each of our non-employee directors held restricted stock unit awards representing 1,998 shares of our common stock issuable upon the vesting of such outstanding restricted stock unit awards; in addition, each of Mr. Bogan, Ms. Caldwell, Mr. Dow and Mr. Morin elected to defer his or her 2012 restricted stock unit award as part of the Outside Directors' Deferred Compensation Program discussed below, resulting in the deferral of 2,002 of his or her restricted stock units as of December 31, 2012.

## Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

- (3) As of December 31, 2012, the aggregate number of shares of our common stock subject to outstanding option awards held by our non-employee directors was as follows: Mr. Bogan, 30,000 shares; Ms. Caldwell, 38,000 shares; Mr. Demo, 15,000 shares; Mr. Dow, 50,000 shares; Mr. Hirji, no shares; Mr. Morin, 10,000 shares; and Mr. Sullivan, 20,000 shares.

*2012 Non-Employee Director Cash Compensation*

It is our policy that our employee-directors do not receive cash compensation for their service as members of our Board of Directors. Non-employee members of our Board of Directors receive annual retainer fees, which are paid in cash in semi-annual installments. Each non-employee Director was entitled to receive the retainers detailed in the table

below (provided that committee chairpersons were only entitled to receive one such chair retainer and were not entitled to the non-chair membership retainer for the committee(s) he or she chairs). In addition, non-employee Directors were reimbursed for their reasonable out-of-pocket expenses incurred in attending meetings of our Board of Directors or any of its committees that are conducted in person.

The following table summarizes the cash retainers paid to our non-employee Directors in 2012:

<b>Compensation Element</b>	<b>2012 Cash Compensation</b>
Annual Board Member Retainer	\$40,000
Board Chair Retainer	\$75,000
<b>Committee Chair Retainers</b>	
Audit Chair	\$30,000
Compensation Chair	\$20,000
Finance Chair	None (incumbent is also Audit Chair)
Nominating and Corporate Governance Chair	\$10,000
Strategy Chair	\$20,000
<b>Committee Member Retainers</b>	
Audit	\$20,000
Compensation	\$10,000
Finance	None
Nominating and Corporate Governance	\$10,000
Strategy	\$10,000

*Non-Employee Director Equity-Based Compensation*

Equity awards to our non-employee Directors are made under the 2005 Plan.

Commencing in 2011, after a review by our Compensation Committee of our non-employee Director equity compensation, each non-employee Director is eligible to receive an annual grant consisting of 4,000 restricted stock units. As in prior years, these grants are made on the first business day of the month following our annual meeting of stockholders and vest in equal monthly installments over a one-year period. Beginning in 2011, newly appointed non-employee Directors will be entitled to receive 10,000 restricted stock units upon his or her initial election to our Board of Directors, which shall vest in accordance with our standard three-year vesting schedule. New non-employee Directors are not entitled to receive an annual grant of restricted stock units in the same calendar year in which they receive their initial grant.

*Outside Directors' Deferred Compensation Program*

In 2011, our Board of Directors adopted the Outside Directors' Deferred Compensation Program to

govern the deferral of restricted stock units awarded to non-employee Directors under the 2005 Plan. In advance of an award and in compliance with the program's requirements, a non-employee Director may elect to defer the receipt of all of his or her restricted stock units until ninety days after such Director's separation from service from us or upon a change in control. Each of Mr. Bogan, Ms. Caldwell, Mr. Dow and Mr. Morin elected to defer his or her 2012 restricted stock unit award as part of the Outside Directors' Deferred Compensation Program.

*Director Stock Ownership Guidelines*

## Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

To further align the interests of members of our Board of Directors with our stockholders, our Board of Directors adopted stock ownership guidelines for our non-employee Directors. Pursuant to these guidelines, each non-employee Director is expected to hold at least 8,000 shares of our common stock (which includes vested but deferred restricted stock units) for so long as he or she is a Director or, in the case of certain shares acquired upon the exercise of a stock option, for nine months after termination of his or her service on our Board of Directors. In addition, if a Director exercises a stock option, it is expected that such Director would, from such option exercise,

maintain ownership of at least a number of shares equal to twenty percent of the net value of the shares acquired (after deducting the exercise price and taxes) if such Director has not satisfied the share holding requirement. New Directors are expected to meet the standards set forth in the guidelines within

three years after the date of his or her election to our Board of Directors. Current Directors are expected to meet the guideline requirements within five years after the date of their election to the Board of Directors.

**Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides information (in thousands, except option price) as of December 31, 2012, with respect to the securities authorized for issuance to our employees and directors under our equity compensation plans, consisting of the:

1995 Stock Plan;

Amended and Restated 1995 Non-Employee Director Stock Option Plan;

2000 Director and Officer Stock Option and Incentive Plan;

2005 Plan;

2005 Employee Stock Purchase Plan (which we refer to as the 2005 ESPP); and

Certain other equity compensation plans that we have assumed in connection with acquisitions.

**EQUITY COMPENSATION PLAN INFORMATION TABLE**

(In thousands, except column B)

Plan category	(A) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(B) Weighted-average exercise price of outstanding options, warrants and rights	(C) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders(1)	10,409	\$ 57.05	18,802
Equity compensation plans not approved by security holders(2)	1,104	\$ 13.37	

Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

Total	11,513	\$	52.86	18,802
-------	--------	----	-------	--------

- (1) Includes securities issuable upon exercise of outstanding options, warrants and rights that were issued pursuant to our 1995 Stock Plan, the 2000 Director and Officer Stock Option and Incentive Plan, and our Amended and Restated 1995 Non-Employee Director Stock Option Plan. No additional awards will be granted under these plans. Also includes securities issuable upon exercise of outstanding options, warrants and rights that have been issued pursuant to the 2005 Plan and 2005 ESPP, which are currently available for future grants.
- (2) Consists of the following plans assumed by us in acquisitions: Vapps, Inc. s 2007 Stock Plan, the NetScaler, Inc. 1997 Stock Plan, VMLogix, Inc. s 2006 Stock Incentive Plan, Amended and Restated Paglo Labs Inc. 2007 Stock Option/Stock Issuance Plan, Kaviza Inc. Amended and Restated 2008 Stock Incentive Plan (as amended), Kaviza Inc. 2010 Restricted Stock Unit Plan, Cloud.com, Inc. 2008 Stock Incentive Plan (as amended), Cloud.com, Inc. 2011 Restricted Stock Unit Plan, RingCube Technologies, Inc. 2011 Restricted Stock Unit Plan, Novel Labs, Inc. Amended and Restated 2007 Stock Incentive Plan, Novel Labs, Inc. 2011 Restricted Stock Unit Plan, App-DNA Group Limited 2011 Restricted Stock Unit Plan, Apere, Inc. Amended and Restated 2004 Stock Incentive Plan, Apere, Inc. 2012 Restricted Stock Unit Plan, Podio ApS 2012 Restricted Stock Unit Plan, Todd Hsu Consultants Inc. 2012 Restricted Stock Unit Plan, Knowlity International Corporation 2012 Restricted Stock Unit Plan and Virtual Computer, Inc. 2012 Restricted Stock Unit Plan.

### **Equity Compensation Plans**

Please see *Proposal 2 Approval of an Amendment to Our Amended and Restated 2005 Equity Incentive Plan* for a summary of our 2005 Plan. We are currently granting stock-based awards from both our 2005 Plan and our 2005 ESPP. Both the 2005 Plan and the 2005 ESPP are administered by the Compensation Committee of our Board of Directors.

### **Compensation Committee Interlocks and Insider Participation**

From January through December 2012, Messrs. Bogan and Morin and Ms. Caldwell served as members of the Compensation Committee. No member of the Compensation Committee was an employee or former employee of our company or any of our subsidiaries. During the past year, none of our executive officers served as: (1) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on the Compensation Committee; (2) a director of another entity, one of whose executive officers served on the Compensation Committee; or (3) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a Director on our Board of Directors.

### **Related Party Transactions Policies and Procedures and Transactions with Related Persons**

In accordance with its written charter, the Nominating and Corporate Governance Committee reviews, approves and ratifies any related person transaction. The term "related person transaction" refers to any transaction required to be disclosed in our filings with the SEC pursuant to Item 404 of Regulation S-K.

In considering any related person transaction, the Nominating and Corporate Governance Committee considers the facts and circumstances regarding such transaction, including, among other things, the amounts involved, the relationship of the related person (including those persons identified in the instructions to Item 404(a) of Regulation S-K) with our company and the terms that would be available in

a similar transaction with an unaffiliated third-party. The Nominating and Corporate Governance Committee also considers its fiduciary duties, our obligations under applicable securities law, including disclosure obligations and director independence rules, and other applicable law in evaluating any related person transaction. The Nominating and Corporate Governance Committee reports its determination regarding any related person transaction to our full Board.

No new potential related person transactions were brought to the Nominating and Corporate Governance Committee for consideration in 2012, except that Godfrey R. Sullivan, one of our directors, is the Chairman and Chief Executive Officer of Splunk, Inc. During 2012, we purchased approximately \$267,000 in licenses from Splunk at rates generally charged by Splunk to third-party customers in arms length transactions.

### **Report of the Compensation Committee of the Board of Directors**

This report is submitted by the Compensation Committee of the Board of Directors. The Compensation Committee has reviewed the Compensation Discussion and Analysis included in this Proxy Statement and discussed it with management. Based on its review of the Compensation Discussion and Analysis and its discussions with management, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

No portion of this Compensation Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that Citrix specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.

Respectfully submitted by the Compensation Committee,

Gary E. Morin (Chair)

Thomas F. Bogan

Nanci E. Caldwell



**PROPOSAL 2**

**APPROVAL OF AN AMENDMENT TO OUR**

**AMENDED AND RESTATED 2005 EQUITY INCENTIVE PLAN**

We are asking you to adopt an amendment to our Amended and Restated 2005 Equity Incentive Plan to increase the aggregate number of shares of our common stock issuable pursuant to Full Value Awards by an additional 7,000,000 shares of our common stock, which we refer to as the Plan Amendment. The Plan Amendment does not modify, alter or revise any other term or provision of our amended and restated 2005 Plan, nor does it increase the total number of shares of our common stock reserved for issuance under the 2005 Plan. The closing sales price of our common stock on April 1, 2013 was \$ [ ] per share.

The Compensation Committee approved the Plan Amendment, subject to stockholder approval, and our Board recommended the Plan Amendment for approval by our stockholders, in March 2013. Also, in March 2013, the Compensation Committee approved an amendment to shorten the term of options and stock appreciation rights granted after that date from 10 years to 5 years.

Currently, there are 48,600,000 shares of our common stock reserved for issuance under the 2005 Plan. As of the record date, an aggregate of [ ] shares of our common stock remained available for future grants under the 2005 Plan. As of December 31, 2012, there were 18,810,748 shares of our common stock available for grant under the 2005 Plan. Of this total, 3,429,434 were available for grant as Full Value Awards.

Our Board believes it important to our continued success that we have an adequate reserve of shares available for issuance as Full Value Awards under the 2005 Plan for use in attracting, motivating and retaining qualified employees, officers, consultants and directors.

**Purpose of the 2005 Plan and Plan Amendment**

The 2005 Plan allows us, under the direction of the Compensation Committee, to make grants of stock options, restricted stock, restricted stock units, stock awards, performance units and stock appreciation rights, any of which may or may not require the satisfaction of performance objectives, to employees and to non-employee directors through March 24,

2015. The purpose of these stock awards is to attract and retain talented employees, further align employee and stockholder interests, continue to closely link employee compensation with our performance, and maintain a culture of ownership. The 2005 Plan provides an essential component of the total compensation package offered to employees, reflecting the importance that we place on motivating and rewarding superior results with long-term, performance-based incentives. The Plan Amendment will allow us to continue to provide performance-based incentives to our eligible employees and non-employee directors and will provide us with the ability to award a greater number of Full Value Awards, which would further our goals of reducing dilution, burn rate and overhang. Approval of the amendment to the 2005 Plan is intended to enable us to achieve the following objectives:

*The continued ability to offer stock-based incentive compensation to our eligible employees and non-employee directors:*

In 2012, we used, and intend to continue using, restricted stock units as our primary means of providing equity compensation to our employees. We will continue to evaluate other equity-based compensation vehicles, such as restricted stock and stock appreciation rights, and may return to more widespread option granting in the future, as a means of providing additional equity compensation to our employees. We maintain an equity plan in which all employees are eligible to participate. Equity-based grants awarded to our five most highly-compensated executives, excluding awards assumed by us in acquisitions, accounted for just 0.35%, 0.22% and 0.14% of our total outstanding shares for 2010, 2011, and 2012, respectively. In 2013, the Compensation Committee intends to continue to grant equity awards to certain of our officers and to our non-employee directors, and intends that these awards will be in the form of restricted stock units. Grants of restricted stock units to officers will be subject to performance-based and/or service-based vesting requirements, whereas grants of restricted stock units to directors will be subject to service-based vesting requirements only. In order to continue to offer restricted stock units to our employees, we will need an increase in the cap on awards of Full Value Shares.

*Proactive steps to reduce our total stock dilution:*

In the past, we have actively taken steps to reduce our dilution by focusing participation in our equity program to a key group of employees based upon performance and strategic impact on the business and reducing the life of options granted from 10 to 5 years.

Since 2009, our overhang has substantially decreased. This reduction in overhang was due in part to an increase in stock option exercise activity as a result of an increase in our per share stock price as well as our continuing efforts to reduce the number of equity awards we issue. We believe our efforts to control share usage by targeting awards to our most talented employees and by periodically adjusting our grant guidelines based on the changes in the underlying value of our stock have helped us to control our overhang. Our overhang (inclusive of stock-based awards assumed in our acquisitions) was 6.18% as of December 31, 2012, as compared to 7.0% as of December 31, 2011 and 6.98% as of December 31, 2010. Excluding the stock-based awards assumed in our 2012, 2011 and 2010 acquisitions, the reduction in our dilution is even greater, with overhang of 5.58% as of December 31, 2012, as compared to 6.18% as of December 31, 2011 and 6.76% as of December 31, 2010.

Our efforts to control share usage resulted in a burn rate of 2.80% in 2012 as compared to a burn rate of 2.89% in 2011 and 3.32% in 2010. We continue to actively manage our use of shares each year to maintain an acceptable burn rate. Including forfeitures, our net burn rate was 2.55%, 1.6% and 2.0%, respectively, for the same periods.

*Continuation of responsible compensation and governance best practices:*

Our 2005 Plan, indeed all our stock plans, prohibits stock option re-pricing, as well as the use of discounted stock options and reload option grants without stockholder approval, and contains no evergreen features (which provide for automatic replenishment of authorized shares available under the plan). In the interest of good corporate governance, we have neither re-priced stock options nor conducted an exchange program for underwater stock options. Had we done so in the past, this would have also significantly reduced our overhang.

Our total overhang has also been impacted by an active stock repurchase program, which was initiated in July 2000. During the thirteen-year period ended December 31, 2012, we have repurchased approximately 101 million shares under this program. We believe that our stock repurchase program represents a valuable use of cash that has improved stockholder value. Overhang is calculated as total options outstanding in addition to unreleased Full Value Shares divided by the total shares outstanding. Because overhang increases as total shares outstanding decrease, the effect of our stock repurchase program has been to increase our overhang by more than 54%. Specifically, if we had not repurchased approximately 101 million shares under the program, overhang as of December 31, 2012 would have been 4.01% instead of 6.18%.

**Background on our Stock Compensation**

Our compensation programs include base salary, variable cash compensation tied to our financial and individual goals, as well as stock-based compensation. We have a long history of linking employee compensation to our long-term stock performance. For over twenty-five years, we have been granting equity awards to employees. Annual grants are made to a subset of all eligible employees in connection with a focused evaluation of strategic value and in cases of high-level performance. We believe that stock-based compensation should not be limited to senior management and that all employees demonstrating high performance and a strategic impact on the business should have a stake in our future. Excluding stock-based awards assumed in our acquisitions, over the last five years, a total of only 11.03% of all stock-based compensation awards were made to our five most highly-compensated executive officers. We believe that our focus on pay-for-performance, as well as employee participation as stockholders, have been key contributing factors in enabling our growth and will be important to our ability to achieve consistent performance in the years ahead. We believe that consistent performance is achieved through the ability to attract, retain and motivate the employee talent critical to attaining long-term improved company performance and stockholder returns. Therefore, we consider approval of the amendment to the 2005 Plan vital to our future success.

### Summary of the 2005 Plan

The following is a summary of certain significant features of the 2005 Plan. This summary is subject to the specific provisions contained in the full text of the Amended and Restated 2005 Equity Incentive Plan filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, the First Amendment to the Amended and Restated 2005 Equity Incentive Plan filed as Exhibit 10.1 to the Current Report on Form 8-K filed May 28, 2010, the Second and Third Amendments to the Amended and Restated 2005 Equity Incentive Plan filed as Exhibits 10.1 and 10.2, respectively, to the Current Report on Form 8-K filed June 2, 2011, the Fourth Amendment to the Amended and Restated 2005 Equity Incentive Plan filed as Exhibit 10.1 to the Current Report on Form 8-K filed May 31, 2012 and the Plan Amendment set forth in Exhibit A to this Proxy Statement.

#### *Eligibility*

Only our employees and the employees of our subsidiaries and affiliates, our consultants and our non-employee directors are eligible to receive awards under the 2005 Plan. The Compensation Committee determines which employees and directors will participate in the 2005 Plan. As of the record date, there were approximately [ ] employees and [ ] non-employee directors who were eligible to participate in the 2005 Plan.

#### *Awards*

Our 2005 Plan allows the Compensation Committee to grant stock options, stock appreciation rights or Full Value Awards, any or all of which may be made contingent upon the achievement of performance criteria. Subject to plan limits, the Compensation Committee has the discretionary authority to determine the size of an award. The addition of performance-based requirements will be considered in light of our total compensation program and the significant level of pay-for-performance requirements already incorporated into our compensation practices. As of the record date, under the 2005 Plan, there were:

48,600,000 shares of common stock authorized;

[ ] shares of common stock issued upon the exercise of previously granted options or released upon the vesting of previously granted restricted stock units;

[ ] shares available;

[ ] shares of common stock issuable upon exercise of outstanding but unexercised options with a weighted average exercise price of \$ [ ] per share and a weighted average remaining term of [ ] years;

[ ] shares underlying outstanding restricted stock units; and

[ ] shares of common stock available for grant, of which [ ] shares may be issued as Full Value Awards.

Pursuant to the terms of the 2005 Plan, shares of stock that are tendered by a plan participant or that we withhold as full or partial payment in connection with any award under the 2005 Plan that is settled in stock, as well as any shares of stock tendered by a plan participant or withheld by us to satisfy the tax withholding obligations related to any award under the 2005 Plan that is settled in stock, may not again be made available for issuance as awards under the 2005 Plan. Further, shares of common stock not issued or delivered as a result of the net settlement of an outstanding stock appreciation right may not again be made available for issuance as awards under the 2005 Plan.

#### *Shares Authorized for Full Value Awards*

Currently, the 2005 Plan provides that the number of shares of common stock issued pursuant to Full Value Awards cannot exceed 9,000,000 shares of common stock (subject to certain provisions of the 2005 Plan). The Plan Amendment would increase the aggregate number of shares of our common stock issuable pursuant to Full Value Awards by 7,000,000 shares of our common stock to a maximum of 16,000,000 shares of common stock.

#### *Vesting and Exercise of Stock Options*

Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

The exercise price of stock options granted under the 2005 Plan may not be less than the market value of our common stock on the date of grant (fair market value is the closing price for our common stock as reported on the Nasdaq Global Select Market, or on

any national securities exchange on which our common stock is then listed, for that date or, if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported). The option term may not be longer than five years. The Compensation Committee determines at the time of grant when each stock option becomes exercisable, including the establishment of required performance vesting criteria, if any. Since 2006, stock options granted under the 2005 Plan have been granted with a standard three-year vesting schedule with no vesting until the first anniversary of the grant date. We may require, prior to issuing our common stock under the 2005 Plan, that the participant remit an amount in cash or our common stock sufficient to satisfy tax withholding requirements.

*Vesting of Restricted Stock and Stock Unit Awards*

The Compensation Committee may make the grant, issuance, retention and/or vesting of restricted stock and stock unit awards contingent upon continued employment with us, the passage of time, or such performance criteria and the level of achievement versus such criteria as it deems appropriate. Under the 2005 Plan, Full Value Awards contingent solely upon continued employment with us generally will vest not less than three years from the date of grant (but may provide for pro rata vesting over such time). Similarly, Full Value Awards contingent upon the achievement of performance criteria generally will have a vesting period as specified in the agreement for such Full Value Awards of not less than three years from the date of grant (and generally vest only at the end of such performance period). We may grant Full Value Awards with shorter vesting periods, so long as such awards do not exceed five percent of the shares of our common stock authorized for issuance under the 2005 Plan. Historically, the only Full Value Awards granted by the Compensation Committee under the 2005 Plan have been in the form of restricted stock units.

*Eligibility under Section 162(m)*

Awards may, but need not, include performance criteria that satisfy Section 162(m) of the Internal Revenue Code, which we refer to as the Tax Code. To the extent that awards are intended to qualify as performance-based compensation under Section 162(m), the performance criteria may include

one of the criteria listed below, either individually, alternatively or in any combination, applied to either Citrix as a whole or to a business unit or subsidiary, either individually, alternatively, or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Compensation Committee in the award. Among other things, these criteria include:

1. Operating margin, gross margin or profit margin
2. Performance relative to peers
3. EPS or pro forma EPS
4. Divisional or operating segment financial and operating performance
5. Revenue or bookings
6. Total return on shares of common stock relative to increase in appropriate stock index selected by the Compensation Committee
7. Expenses or operating expenses
8. Attainment of strategic and operational objectives

Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

9. Customer satisfaction indicators
  
  10. Cash flow
  
  11. Net income, operating income, pre-tax income, earnings before interest and taxes, and earnings before interest, taxes, depreciation and amortization
  
  12. Stock price increase
  
  13. Market share
  
  14. Return on assets, capital, equity or sales
  
  15. Growth or growth rates with respect to any of the foregoing measures
  
  16. Any combination of the foregoing
- To the extent that an award under the 2005 Plan is designated as a performance award, but is not intended to qualify as performance-based compensation under Section 162(m), the performance criteria can include the achievement of strategic objectives or financial measures as determined by the Board. Performance awards may be paid in the form

of shares of our common stock or cash. The maximum performance award payment to any one participant under the 2005 Plan for a performance period is 1,000,000 shares of our common stock, or, if the award is paid in cash, the fair market value of 1,000,000 shares of our common stock on the date of grant. In no event shall the number of shares of our common stock covered by options or other awards granted under the 2005 Plan, including stock appreciation rights, granted to any one person in any one calendar year exceed 1,000,000 shares of common stock.

The Compensation Committee may appropriately adjust any evaluation of performance under the performance criteria to exclude any of the following events that occur during a performance period:

asset write-downs or impairment;

litigation or claim judgments or settlements;

the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results;

accruals for reorganization and restructuring programs;

any extraordinary non-recurring items including those described in The Financial Accounting Standards Board's authoritative guidance on extraordinary and unusual items and/or in management's discussion and analysis of financial condition and results of operations appearing in our annual report to stockholders for the applicable year; and

any other extraordinary items adjusted from our U.S. GAAP results in the Compensation Committee's discretion.

Notwithstanding satisfaction or completion of any performance criteria described above, to the extent specified at the time of grant of an award, the number of shares of common stock, stock options or other benefits granted, issued, retainable and/or vested under an award on account of satisfaction of performance criteria may be reduced by the Compensation Committee on the basis of such further considerations as the Compensation Committee, in its sole discretion, determines.

#### *Transferability*

Unless otherwise determined by the Compensation Committee, awards granted under the 2005 Plan are not transferable except by will or the laws of descent and distribution. The Compensation Committee will have sole discretion to permit the transfer of an award.

#### *Administration*

The Compensation Committee administers the 2005 Plan. The Compensation Committee is made up entirely of independent directors. The Compensation Committee determines who receives awards, determines the number of shares covered thereby, and, subject to the terms and limitations expressly set forth in the 2005 Plan, establishes the terms, conditions and other provisions of the grants. The Compensation Committee may interpret the 2005 Plan and establish, amend and rescind any rules relating to the 2005 Plan. The Compensation Committee has delegated to our Chief Executive Officer and our Chief Financial Officer limited authority to grant awards under the 2005 Plan to employees who are not executive officers in accordance with applicable law and guidelines that have been established by the Compensation Committee, which may be revised at any time or from time to time.

#### *Amendments*

The Board may at any time terminate the 2005 Plan or make such modifications to the 2005 Plan as it shall deem advisable; provided that the Board will not modify or amend the 2005 Plan without stockholder approval to the extent required by the Tax Code or the rules of Nasdaq or the SEC. In addition, the Board will not amend the provisions prohibiting re-pricing or reload grants without stockholder approval. Unless the Board otherwise expressly provides at the time of grant, no amendment of the 2005 Plan shall affect the terms of any award outstanding on the date of such amendment.

Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

In March 2013, the Compensation Committee approved the Plan Amendment (and our Board recommended the Plan Amendment for approval by our stockholders) to increase the aggregate number of shares of common stock issuable pursuant to Full Value Awards by 7,000,000 shares of common stock.

We are now requesting that our stockholders vote to approve the Plan Amendment to increase the number of shares issuable pursuant to Full Value Awards by 7,000,000 shares.

*Adjustments*

In the event of a stock dividend, recapitalization, stock split, combination of shares, extraordinary dividend of cash or assets, reorganization, or exchange of our common stock or any similar event affecting our common stock, the Compensation Committee shall adjust the number and kind of shares available for grant under the 2005 Plan, and subject to the various limitations set forth in the 2005 Plan, the number and kind of shares subject to outstanding awards under the 2005 Plan, and the exercise or settlement price of outstanding stock options and of other awards.

*Acquisitions*

Effective upon the consummation of an Acquisition (as defined below), the Compensation Committee or the board of directors of the surviving or acquiring entity, shall, as to outstanding awards (on the same basis or on different bases as the Compensation Committee shall specify), make appropriate provision for the continuation of such awards by us or the assumption of such awards by the surviving or acquiring entity and by substituting on an equitable basis for the shares then subject to such awards either (1) the consideration payable with respect to the outstanding shares of our common stock in connection with the Acquisition (net of any exercise price of such awards), (2) shares of stock of the surviving or acquiring entity, or (3) such other securities or other consideration as the Compensation Committee deems appropriate, the fair market value of which shall not materially differ from the fair market value of the shares of our common stock subject to such awards immediately preceding the Acquisition. In the event such surviving or acquiring entity (if any) does not assume or substitute awards, such awards shall become exercisable in full prior to the consummation of the Acquisition at such time and on such conditions as the Compensation Committee determines, and if such awards are not exercised prior to the consummation of the Acquisition, they shall terminate at such time as determined by the Compensation Committee.

In addition to or in lieu of the foregoing, with respect to outstanding options, the Compensation Committee may, upon written notice to the affected optionees, provide that one or more options then outstanding must be exercised, in whole or in part, within a specified number of days of the date of such notice, at the end of which period such options shall terminate, or provide that one or more options then outstanding, in whole or in part, shall be terminated in exchange for a cash payment equal to the excess of the fair market value for the shares subject to such options over the exercise price thereof. Unless otherwise determined by the Compensation Committee, and assuming there is no acceleration of vesting as provided above, any repurchase rights or other rights of ours that relate to an option or other award shall continue to apply to consideration, including cash, that has been substituted, assumed or amended for an option or other award. We may hold in escrow all or any portion of any such consideration in order to effectuate any continuing restrictions.

Notwithstanding anything to the contrary in the 2005 Plan, the Compensation Committee may provide that the vesting of any or all awards shall accelerate upon an Acquisition. In such case, such awards shall become exercisable in full prior to the consummation of the Acquisition at such time and on such conditions as the Compensation Committee determines, and if such awards are not exercised prior to the consummation of the Acquisition, they shall terminate at such time as determined by the Compensation Committee.

Notwithstanding anything to the contrary in the 2005 Plan, in the event of an involuntary termination of services for any reason other than death, disability or Cause (as defined in the 2005 Plan) within six months following the consummation of an Acquisition, any awards assumed or substituted in an Acquisition which are subject to vesting conditions and/or a right of repurchase in favor of Citrix or a successor entity, shall accelerate in full. All such accelerated awards shall be exercisable for a period of one year following termination, but in no event after the expiration date of such award.

In the event of an Acquisition while a participant is a non-employee director, the vesting of any and all awards held by such participant shall become exercisable in full prior to the consummation of the Acquisition at such time and on such conditions as

the Compensation Committee determines, and if such awards are not exercised prior to the consummation of the Acquisition, they shall terminate at such time as determined by the Compensation Committee.

Under the 2005 Plan, an Acquisition is defined as a (1) merger or consolidation of Citrix into another person (i.e., in which merger or consolidation we do not survive), (2) the sale, transfer, or other disposition of all or substantially all of our assets to one or more other persons in a single transaction or series of related transactions (other than in a spin-off or similar transaction), unless, in the case of foregoing clauses (1) and (2), securities possessing more than 50% of the total combined voting power of the survivor s or acquiror s outstanding securities (or the securities of any parent thereof) are held by a person or persons who held securities possessing more than 50% of the total combined voting power of our outstanding securities immediately prior to that transaction, or (3) any person or group directly or indirectly acquires beneficial ownership of securities possessing more than 30% of the total combined voting power of our outstanding securities pursuant to a tender or exchange offer made directly to our stockholders that our Board does not recommend the stockholders accept.

#### *U.S. Tax Consequences*

Stock option grants under the 2005 Plan may be incentive stock options designed to qualify under Section 422 of the Tax Code or may be non-qualified stock options governed by Section 83 of the Tax Code. Generally, no federal income tax is payable by a participant upon the grant of a stock option and no deduction is taken by us at the time of grant. Under current tax laws, if a participant exercises a non-qualified stock option, he or she will have taxable income equal to the difference between the market price of the common stock on the exercise date and the stock option grant price. We will be entitled to a corresponding deduction on our income tax return. A participant will have no taxable income upon exercising an incentive stock option (except that alternative minimum tax may apply), and we will receive no deduction when an incentive stock option is exercised. The treatment for a participant of a disposition of shares acquired through the exercise of an option depends on how long the shares were held and on whether the shares were acquired by exercising an incentive stock option or a non-

qualified stock option. We may be entitled to a deduction in the case of a disposition of shares acquired under an incentive stock option before the applicable holding periods have been satisfied.

Restricted stock is also governed by Section 83 of the Tax Code. Generally, no taxes are due when the award is initially made, but the award becomes taxable when it is no longer subject to a substantial risk of forfeiture (that is, becomes vested or transferable). Income tax is paid on the value of the stock at ordinary income rates when the restrictions lapse, and then at capital gain rates when the shares are sold. Restricted stock units are not taxable until they are settled in stock. Income tax is paid on the value of the stock at ordinary income rates when the stock is issued to the participant.

As described above, awards granted under the 2005 Plan may qualify as performance-based compensation under Section 162(m) in order to preserve federal income tax deductions by Citrix with respect to annual compensation required to be taken into account under Section 162(m) that is in excess of \$1,000,000 and paid to one of our five most highly-compensated executive officers. To so qualify, options and other awards must be granted under the 2005 Plan by a committee consisting solely of two or more outside directors (as defined under Section 162(m) regulations), must be granted at fair market value in the case of options and stock appreciation rights and must satisfy the 2005 Plan s limit on the total number of shares that may be awarded to any one participant during any calendar year. In addition, for awards other than options and stock appreciation rights to qualify, the grant, issuance, vesting or retention of the award must be contingent upon satisfying one or more of the performance criteria described above, as established and certified by a committee consisting solely of two or more outside directors. While the 2005 Plan allows the Compensation Committee to structure awards to qualify as performance-based compensation, it will do so only in instances where the Compensation Committee determines it to be appropriate.

The vesting of any portion of an option or other award that is accelerated in connection with a change in control of Citrix may cause all or a portion of the payments with respect to such accelerated award to be treated as parachute payments as defined in the

Tax Code. Any such parachute payments may be non-deductible to Citrix, in whole or in part, and may subject the recipient to a non-deductible 20% federal tax on all or a portion of such payment (in addition to any other taxes ordinarily payable).

**Recommendation of the Board**

**THE BOARD RECOMMENDS THAT YOU VOTE *FOR* THE AMENDMENT TO THE CITRIX SYSTEMS, INC. AMENDED AND RESTATED 2005 EQUITY INCENTIVE PLAN.**

**PROPOSAL 3**

**ADOPTION AND APPROVAL OF AN AMENDED AND RESTATED**

**CERTIFICATE OF INCORPORATION**

**TO DECLASSIFY OUR BOARD OF DIRECTORS AND**

**PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS**

We are asking you to adopt an Amended and Restated Certificate of Incorporation to declassify the Board. Our Certificate of Incorporation currently provides that the Board be divided into three classes, with members of each class of directors serving a three-year term. The classification of the Board results in staggered elections, with a different class of directors standing for election each year.

If the Amended and Restated Certificate of Incorporation is approved by the stockholders and adopted, the declassification of our Board would be phased-in commencing with the 2014 annual meeting of stockholders, whereupon directors standing for reelection, or their successors, will be elected for one-year terms. The unexpired three-year terms of directors elected prior to the effectiveness of the Amended and Restated Certificate of Incorporation (including directors elected at the 2013 Annual Meeting) would not change and would result in the Board being fully declassified (and all Board members standing for annual elections) commencing with the 2016 annual meeting of stockholders.

The Board and the Nominating and Corporate Governance Committee believe the classified structure has helped to ensure continuity of our business strategies and has reinforced a commitment

to long-term stockholder value. Although these are important benefits, the Board and the Nominating and Corporate Governance Committee considered the view of some stockholders who believe that classified boards have the effect of reducing the accountability of directors to stockholders. The Nominating and Corporate Governance Committee believes that the Board would continue to be effective in protecting stockholder interests under an annual election system. Accordingly, the Nominating and Corporate Governance Committee recommended to the Board (and the Board unanimously approved) that a proposal to declassify the Board be submitted to stockholders at this Annual Meeting.

This description of the effect of the proposed Amended and Restated Certificate of Incorporation is a summary and is qualified by the full text of the Amended and Restated Certificate of Incorporation, which is attached to this Proxy Statement as Exhibit B. The attached Amended and Restated Certificate of Incorporation is marked to show changes made to declassify our Board.

The affirmative vote of at least 75% of the shares outstanding and entitled to vote on the record date is required for the approval of the Amended and Restated Certificate of Incorporation.

**Recommendation of the Board**

**THE BOARD RECOMMENDS THAT YOU VOTE *FOR* ADOPTION AND APPROVAL OF OUR**

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION DECLASSIFYING OUR BOARD OF DIRECTORS AND PROVIDING FOR THE ANNUAL ELECTION OF DIRECTORS.**

**PROPOSAL 4****RATIFICATION OF APPOINTMENT OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has retained the firm of Ernst & Young LLP, to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2013. Ernst & Young has served as our independent registered public accounting firm since 1989. The Audit Committee reviewed and discussed its selection of, and the performance of, Ernst & Young for the fiscal year ending December 31, 2013. As a matter of good corporate governance, the Audit Committee has determined to submit its selection to our stockholders for ratification. Even if the selection of Ernst & Young is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year, if it determines that such a change would be in the best interests of Citrix and our stockholders.

The Audit Committee has implemented procedures under our Audit Committee Pre-Approval Policy for Audit and Non-Audit Services, which we refer to as the Pre-Approval Policy, to ensure that all audit and permitted non-audit services to be provided to Citrix have been pre-approved by the Audit Committee. Specifically, the Audit Committee pre-approves the use of our independent registered public accounting firm for specific audit and non-audit services, within approved monetary limits. If a proposed service has

not been pre-approved pursuant to the Pre-Approval Policy, then it must be specifically pre-approved by the Audit Committee before the service may be provided by our independent registered public accounting firm. Any pre-approved services exceeding the pre-approved monetary limits require specific approval by the Audit Committee. All of the audit-related, tax and all other services provided to us by Ernst & Young in 2012 and 2011 were approved by the Audit Committee by means of specific pre-approvals or pursuant to the procedures contained in the Pre-Approval Policy. All non-audit services provided in 2012 and 2011 were reviewed with the Audit Committee, which concluded that the provision of such services by Ernst & Young was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. For additional information concerning the Audit Committee and its activities with Ernst & Young, see *The Board of Directors and its Committees and Report of the Audit Committee of the Board of Directors*.

We expect that a representative of Ernst & Young will attend our Annual Meeting, and the representative will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from stockholders.

**Fees Paid to Ernst & Young**

The following table shows the aggregate fees for professional services rendered to us by Ernst & Young during the fiscal years ended December 31, 2012 and December 31, 2011.

	<b>2012</b>	<b>2011</b>
Audit Fees	\$ 4,380,873	\$ 3,569,000
Audit-Related Fees	226,476	549,000
Tax Fees	2,569,192	2,271,000
All Other Fees		
<b>Total</b>	<b>\$ 7,176,541</b>	<b>\$ 6,389,000</b>

*Audit Fees*

Audit Fees for both years consist of fees for professional services associated with the annual consolidated financial statements audit, review of the interim consolidated financial statements included in our quarterly reports on Form 10-Q, and services in connection with international statutory audits, regulatory filings and accounting consultations. Audit Fees for both years also include fees for professional services rendered for the audit of the effectiveness of internal control over financial reporting as promulgated by Section 404 of the Sarbanes-Oxley Act.

*Audit-Related Fees*

Audit-Related Fees for 2012 and 2011 consist of fees for services for the annual audits of employee benefit

plans. Audit-Related Fees for 2012 and 2011 also include fees for professional services rendered for potential business combinations, internal control reviews and assistance with assessing the impact of proposed standards, rules or interpretations proposed by standard-setting bodies.

*Tax Fees*

Tax Fees consist of fees for professional services rendered for assistance with federal, state, local and international tax compliance and consulting. Tax compliance fees were approximately \$707,321 for 2012 and \$655,000 for 2011. Tax Fees also include fees of approximately \$1,861,871 for 2012 and \$1,616,000 for 2011 for services rendered for tax examination assistance, tax research and tax planning services in the countries in which we do business.

**Recommendation of the Board**

**THE BOARD RECOMMENDS THAT YOU VOTE *FOR* THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG AS CITRIX'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2013.**

**PROPOSAL 5**

**ADVISORY VOTE TO APPROVE THE COMPENSATION  
OF OUR NAMED EXECUTIVE OFFICERS**

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, known as the Dodd-Frank Act, this proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to vote to approve or not approve, on an advisory basis, the compensation of our named executive officers. This vote is not intended to address any specific item of compensation or the compensation of any particular officer, but rather the overall compensation of our named executive officers and our compensation philosophy, policies and practices.

As discussed under Compensation Discussion and Analysis beginning on page [ ], we believe that our executive compensation programs emphasize sustainable growth through a pay-for-performance orientation and a commitment to both operational and organizational execution. We believe that our compensation programs for our named executive officers is instrumental in helping us achieve our strong strategic and financial performance. Accordingly, we are asking our stockholders to vote **FOR** the following resolution at our Annual Meeting:

**RESOLVED**, that Citrix's stockholders approve, on an advisory basis, the compensation of Citrix's named executive officers, as disclosed pursuant to the SEC's compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and the narrative disclosures that accompany the compensation tables).

The vote is advisory, and therefore not binding on Citrix, the Compensation Committee or our Board. However, our Board and our Compensation Committee value the opinions of our stockholders and will take into account the outcome of the vote when considering future compensation decisions for our named executive officers.

We will hold a stockholder advisory vote to approve the compensation of our named executive officers annually until the next vote on the frequency of such stockholder advisory votes, which will occur no later than our 2017 annual meeting of stockholders.

**Recommendation of the Board**

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF, ON AN ADVISORY BASIS, THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.**

#### **OTHER MATTERS**

The Board knows of no other matters to be brought before the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons appointed in the accompanying proxy intend to vote the shares represented thereby in accordance with their best judgment on such matters, under applicable laws.

#### **STOCKHOLDER PROPOSALS**

Proposals of stockholders intended for inclusion in the Proxy Statement to be furnished to all stockholders entitled to vote at our 2014 annual meeting of stockholders, pursuant to Rule 14a-8 promulgated under the Exchange Act by the SEC, must be received at our principal executive offices not later than December [ ], 2013. Under our bylaws, stockholders who wish to make a proposal at the 2014 annual meeting other than one that will be included in our Proxy Statement must notify us between November [ ], 2013 and December [ ], 2013. If a stockholder makes a timely notification, discretionary voting authority with respect to the stockholder's proposal may be conferred upon the persons selected by management to vote the proxies under circumstances consistent with the SEC's proxy rules. In order to curtail controversy as to the date on which a proposal was received by Citrix, it is suggested that proponents submit their proposals by Certified Mail, Return Receipt Requested, to our principal executive offices at Citrix Systems, Inc., 851 West Cypress Creek Road, Fort Lauderdale, FL 33309, Attention: Secretary.

#### **EXPENSES AND SOLICITATION**

The cost of solicitation of proxies will be borne by Citrix and, in addition to soliciting stockholders by mail and via the Internet through our regular employees, we may request banks, brokers and other custodians, nominees and fiduciaries to solicit their customers who have stock of Citrix registered in the names of a nominee and, if so, will reimburse such banks, brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket costs. Solicitation by our officers and employees may also be made of some stockholders in person or by mail, telephone, e-mail or telegraph following the original solicitation. We have retained MacKenzie Partners, a proxy solicitation firm, to assist in the solicitation of proxies for a fee of approximately \$17,500, plus reimbursement of expenses.

#### **DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS**

If you share an address with any of our other stockholders, your household might receive only one copy of the Proxy Statement, Annual Report and Notice, as applicable. To request individual copies of any of these materials for each stockholder in your household, please contact the Investor Relations, Citrix Systems, Inc., 851 West Cypress Creek Road, Fort Lauderdale, Florida 33309 (telephone: 954-229-5758). We will deliver copies of the Proxy Statement, Annual Report and/or Notice promptly following your written or oral request. To ask that only one copy of any of these materials be mailed to your household, please contact your broker.

**SIXTH AMENDMENT TO  
CITRIX SYSTEMS, INC.  
AMENDED AND RESTATED  
2005 EQUITY INCENTIVE PLAN**

WHEREAS, Citrix Systems, Inc. (the Company) desires to amend the Citrix Systems, Inc. Amended and Restated 2005 Equity Incentive Plan (as amended and in effect, the Plan) to increase the aggregate number of shares of Common Stock issuable pursuant to restricted stock, restricted stock units, performance units or stock grants by 7,000,000 shares of Common Stock (the Plan Amendment); and

WHEREAS, on March 1, 2013, subject to stockholder approval, the Compensation Committee of the Board of Directors of the Company approved the Plan Amendment.

NOW THEREFORE, in accordance with Section 15 of the Plan, the Plan is hereby amended as follows:

1. Section 4 of the Plan is hereby amended by deleting the second sentence of the first paragraph thereof in its entirety and substituting the following in lieu thereof:  
In addition to the foregoing, at no time shall the number of shares of Stock issued pursuant to Restricted Stock, Restricted Stock Units, Performance Units or Stock Grants exceed 16,000,000 shares of Stock; subject, however, to the provisions of Section 8 of the Plan.
2. The Plan Amendment shall be effective upon approval of the stockholders of the Company at the 2013 Annual Meeting of Stockholders. If the Plan Amendment is not so approved at such meeting, then the amendment to the Plan set forth herein shall be void *ab initio*.
3. Except herein above provided, the Plan is hereby ratified, confirmed and approved in all respects.

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**

**OF**

**CITRIX SYSTEMS, INC.**

\* \*

I, Mark B. Templeton, President and Chief Executive Officer of Citrix Systems, Inc. (the Corporation), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, do hereby certify that the Restated Certificate of Incorporation of Citrix Systems, Inc., as amended, has been further amended, and restated as amended, in accordance with provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware, and, as amended and restated, is set forth in its entirety as follows:

**FIRST.** The name of the Corporation is Citrix Systems, Inc.

**SECOND.** The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

**THIRD.** The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

**FOURTH.** The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 1,005,000,000 shares, consisting of 1,000,000,000 shares of Common Stock with a par value of \$.001 per share (the Common Stock) and 5,000,000 shares of Preferred Stock with a par value of \$.01 per share (the Preferred Stock).

A description of the respective classes of stock and a statement of the designations, powers, preferences and rights, and the qualifications, limitations and restrictions of the Preferred Stock and Common Stock are as follows:

**A. COMMON STOCK**

**1. General.** All shares of Common Stock will be identical and will entitle the holders thereof to the same rights, powers and privileges. The rights, powers and privileges of the holders of the Common Stock are subject to and qualified by the rights, power and preferences of holders of the Preferred Stock.

**2. Dividends.** Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

**3. Dissolution, Liquidation or Winding Up.** In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, each issued and outstanding share of Common Stock shall entitle the holder thereof to receive an equal portion of the net assets of the Corporation available for distribution to the holders of Common Stock, subject to any preferential rights of any then outstanding Preferred Stock.

**4. Voting Rights.** Except as otherwise required by law or this Amended and Restated Certificate of Incorporation, each holder of Common Stock shall have one vote in respect of each share of stock held of record by such holder on the books of the Corporation for the election of directors and on all matters submitted to a vote of stockholders of the Corporation. Except as otherwise required by law or provided herein, holders of Common Stock shall vote together with holders of the Preferred Stock as a single class, subject to any special or preferential voting rights or powers of any then outstanding Preferred Stock. There shall be no cumulative voting.

**B. PREFERRED STOCK**

The Preferred Stock may be issued in one or more series at such time or times and for such consideration or considerations as the Board of Directors of the Corporation may determine. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series and classes. Except as otherwise provided in this Amended and Restated Certificate of Incorporation, different series of Preferred Stock shall not be construed to constitute different classes of shares for the purpose of voting by classes.

The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the undesignated Preferred Stock in one or more series, each with such designations, preferences, voting powers (or special, preferential or no voting powers), relative, participating, optional or other special rights and privileges and such qualifications, limitations or restrictions thereof as shall be stated in the resolution or resolutions adopted by the Board of Directors to create such series, and a certificate of said resolution or resolutions (a Certificate of Designation ) shall be filed in accordance with the General Corporation Law of the State of Delaware. The authority of the Board of Directors with respect to each such series shall include, without limitation of the foregoing, the right to provide that the shares of each such series may be:

(i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock of the Corporation at such price or prices or at such rates of exchange and with such adjustments, if any; (v) entitled to the benefit of such limitations, if any, on the issuance of additional shares of such series or shares of any other series of Preferred Stock; or (vi) entitled to such other preferences, powers, qualifications, rights and privileges, all as the Board of Directors may deem advisable and as are not inconsistent with law and the provisions of this Amended and Restated Certificate of Incorporation.

**FIFTH.** The Corporation is to have perpetual existence.

**SIXTH.** The following provisions are included for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its Board of Directors and stockholders:

1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation.
2. The Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the By-laws of the Corporation, subject to any limitation thereof contained in the By-laws. The stockholders shall also have the power to adopt, amend or repeal the By-laws of the Corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66 2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the By-laws of the Corporation.
3. Stockholders of the Corporation may not take any action by written consent in lieu of a meeting.
4. Special meetings of stockholders may be called at any time only by the President, the Chairman of the Board of Directors (if any), or a majority of the Board of Directors. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.
5. The books of the Corporation may be kept at such place within or without the State of Delaware as the By-laws of the Corporation may provide or as may be designated from time to time by the Board of Directors of the Corporation.

**SEVENTH.**

**1. Number of Directors.** The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of a majority of the Board of Directors, but in no event shall the number of directors be less than three. The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the term of one or more directors. The directors shall be elected at the annual meeting of stockholders by such stockholders as have the right to vote on such election. Directors need not be stockholders of the Corporation.

**2. Classes of Directors.** ~~The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class.~~ **Terms of Office.** At the annual meeting of stockholders of the Corporation that is held in calendar year 2014 (the 2014 Annual Meeting ), the directors whose terms expire at the 2014 Annual Meeting (or such directors successors) shall be elected to hold office for a one-year term expiring at the annual meeting of stockholders of the Corporation that is held in calendar year 2015 (the 2015 Annual Meeting ); at the 2015 Annual Meeting, the directors whose terms expire at that meeting (or such directors successors) shall be elected to hold office for a one-year term expiring at the annual meeting of stockholders of the Corporation that is held in calendar year 2016 (the 2016 Annual Meeting ); and at the 2016 Annual Meeting and each annual meeting of stockholders of the Corporation thereafter, all directors shall be elected to hold office for a one-year term expiring at the next annual meeting of stockholders of the Corporation. For the avoidance of doubt, each person appointed by the directors of the Corporation or elected by the stockholders of the Corporation to the Board of Directors before the 2014 Annual Meeting shall serve for the full term to which he or she was appointed or elected before the 2014 Annual Meeting. Directors shall hold office until their successors are duly elected and qualified or until their earlier resignation or removal.

**3. Election of Directors.** Elections of directors need not be by written ballot except as and to the extent provided in the By-laws of the Corporation.

**4. Terms of Office.** ~~Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that each initial director in Class I shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 1995; each initial director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 1996; and each initial director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 1997.~~

**5. Allocation of Directors Among Classes in the Event of Increases or Decreases in the Number of Directors.** ~~In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as director of the class of which he or she is a member until the expiration of such director's current term or his or her prior death, retirement or resignation and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to ensure that no one class has more than one director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the directors then in office, though less than a quorum. No decrease in the number of directors constituting the whole Board of Directors shall shorten the term of an incumbent Director.~~

**4. 6. Tenure.** Notwithstanding any provisions to the contrary contained herein, each director shall hold office until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

**5. 7. Newly Created Directorships and Vacancies.** Unless and until filled by the stockholders, any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the

Board of Directors, may be filled only by vote of a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, if applicable, ~~and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen~~ and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal. No decrease in the number of directors constituting the whole Board of Directors shall shorten the term of an incumbent Director.

**6, 8: Quorum.** A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no case shall less than one-third (1/3) of the number so fixed constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

**7, 9: Action at Meeting.** At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law or the Corporation's By-laws.

**8, 10: Removal.** Any one or more or all of the directors may be removed without cause only by the holders of at least seventy-five percent (75%) of the shares then entitled to vote at an election of directors. Any one or more or all of the directors may be removed with cause only by the holders of at least a majority of the shares then entitled to vote at an election of directors.

**9, 11: Stockholder Nominations and Introduction of Business, Etc.** Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided in the By-laws of the Corporation.

**10, 12: Rights of Preferred Stock.** The provisions of this Article are subject to the rights of the holders of any series of Preferred Stock from time to time outstanding.

**EIGHTH.** No director (including any advisory director) of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that, to the extent provided by applicable law, this provision shall not eliminate the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

#### NINTH.

**1. Actions, Suits and Proceedings Other than by or in the Rights of the Corporation.** The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best

interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. Notwithstanding anything to the contrary in this Article, except as set forth in Section 6 below, the Corporation shall not indemnify an Indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation.

**2. Actions or Suits by or in the Right of the Corporation.** The Corporation shall indemnify any Indemnitee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware or such other court shall deem proper.

**3. Indemnification for Expenses of Successful Party.** Notwithstanding the other provisions of this Article, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, he shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purpose hereof to have been wholly successful with respect thereto.

**4. Notification and Defense of Claim.** As a condition precedent to his right to be indemnified, the Indemnitee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the Corporation to the Indemnitee of its election so to assume such defense, the Corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Section 4. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and the Indemnitee in the conduct of the

defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article. The Corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

**5. Advance of Expenses.** Subject to the provisions of Section 6 below, in the event that the Corporation does not assume the defense pursuant to Section 4 of this Article of any action, suit, proceeding or investigation of which the Corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid by the Corporation in advance of the final disposition of such matter, provided, however, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article. Such undertaking may be accepted without reference to the financial ability of such person to make such repayment.

**6. Procedure for Indemnification.** In order to obtain indemnification or advancement of expenses pursuant to Section 1, 2, 3 or 5 of this Article, the Indemnitee shall submit to the Corporation a written request, including in such request such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the Corporation of the written request of the Indemnitee, unless with respect to requests under Section 1, 2 or 5 the Corporation determines, by clear and convincing evidence, within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Section 1 or 2, as the case may be. Such determination shall be made in each instance by (a) a majority vote of the directors of the Corporation who are not at that time parties to the action, suit or proceeding in question ( disinterested directors ), even though less than a quorum, (b) if there are no such disinterested directors, or if such disinterested directors so direct, by independent legal counsel (who may be regular legal counsel to the corporation) in a written opinion, (c) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, or (d) the Delaware Court of Chancery.

**7. Remedies.** The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period referred to above in Section 6. Unless otherwise provided by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the Corporation. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Section 6 that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee's expenses (including attorneys' fees) incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the Corporation.

**8. Subsequent Amendment.** No amendment, termination or repeal of this Article or of the relevant provisions of the General Corporation Law of the State of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

**9. Other Rights.** The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee. Nothing contained in this Article shall be deemed to prohibit, and the Corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

**10. Partial Indemnification.** If an Indemnitee is entitled under any provision of this Article to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled.

**11. Insurance.** The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

**12. Merger or Consolidation.** If the Corporation is merged into or consolidated with another corporation and the Corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the Corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

**13. Savings Clause.** If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by an applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

**14. Definitions.** Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of the State of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

**15. Subsequent Legislation.** If the General Corporation Law of the State of Delaware is amended after adoption of this Article to expand further the indemnification permitted to Indemnitees, then the Corporation shall indemnify such persons to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

**TENTH.** The Corporation reserves the right to amend or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation, provided, however, that in addition to the vote of the holders of any class or series of stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, but in addition to any vote of the holders of any class or series of stock of the Corporation required by law, this Amended and Restated Certificate of Incorporation or a Certificate of

Designation with respect to a series of Preferred Stock, the affirmative vote of the holders of shares of voting stock of the Corporation representing at least seventy-five percent (75%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to (i) reduce or eliminate the number of authorized shares of Common Stock or the number of authorized shares of Preferred Stock set forth in Article Fourth or (ii) amend or repeal, or adopt any provision inconsistent with, Parts A and B of Article FOURTH And Articles FIFTH, SIXTH, SEVENTH, EIGHTH, NINTH, and this Article TENTH of this Amended and Restated Certificate of Incorporation.

IN WITNESS WHEREOF, the undersigned has hereunto signed his name and affirms that the statements made in this Amended and Restated Certificate of Incorporation are true under the penalties of perjury this            day of            , 2013.

By:  
Mark B. Templeton, President and Chief Executive  
Officer

B-8

**VOTE BY INTERNET** [www.proxyvote.com](http://www.proxyvote.com)

*CITRIX SYSTEMS, INC.*

*ATTN: LEGAL DEPARTMENT*

*14 CROSBY DRIVE*

*BEDFORD, MA 01730*

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have the 12 Digit Control Number available when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by Citrix Systems, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE** 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have the 12 Digit Control Number available when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: x

M57404 -P36210 KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**CITRIX SYSTEMS, INC.**

**The Board of Directors recommends you vote FOR  
the following nominees and proposals:**

1. Election of Directors	For	Against	Abstain
<b>Nominees:</b>			
1a. Mark B. Templeton	..	..	..
1b. Stephen M. Dow	..	..	..

Edgar Filing: PHOTONIC PRODUCTS GROUP INC - Form 10-Q/A

1c. Godfrey R. Sullivan	..	..	..			
				<b>For</b>	<b>Against</b>	<b>Abstain</b>
2. Approval of an amendment to the Amended and Restated 2005 Equity Incentive Plan	..	..	..			
3. Approval of an Amended and Restated Certificate of Incorporation to declassify the Board of Directors	..	..	..			
4. Ratification of Ernst & Young LLP as the company's independent registered public accounting firm for 2013	..	..	..			
5. Advisory vote to approve the compensation of the company's named executive officers	..	..	..			

**NOTE:** In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment thereof.

For address change/comments, mark here. ..

(see reverse for instructions)

Please indicate if you plan to attend this meeting. ..  
**Yes      No**

This proxy should be marked, dated and signed by the stockholder(s) exactly as his or her name(s) appear(s) hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign.

Signature [PLEASE SIGN WITHIN BOX]Date

Signature (Joint Owners)

Date

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Annual Report, Notice & Proxy Statement and any other proxy materials are available at [www.proxyvote.com](http://www.proxyvote.com).

M57405-P36210

**Proxy**

**Citrix Systems, Inc.**

**Proxy for Annual Meeting of Stockholders on May 23, 2013**

**SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned stockholder of Citrix Systems, Inc., a Delaware corporation (the Company), hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated April [ ], 2013, and hereby appoints Mark B. Templeton and David J. Henshall, and each of them, proxies and attorneys-in-fact, with full power of substitution to each, on behalf and in the name of the undersigned, to represent the undersigned at the Annual Meeting of Stockholders of the Company to be held at The Hilton Anaheim, 777 W. Convention Way, Anaheim, California 92802, United States, on May 23, 2013 at 4:00 p.m. local time, and at any adjournments or postponements thereof, and to vote all shares of Common Stock which the undersigned would be entitled to vote if then and there personally present, on the matters set forth on the reverse side.

**THESE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND FOR THE PROPOSALS IN ITEMS 2, 3, 4 AND 5. THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED IN THE DISCRETION OF THE PROXY HOLDER ON ANY MATTER INCIDENTAL TO THE FOREGOING OR ON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF.**

**Address change/comments:**

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**