

PHOTONIC PRODUCTS GROUP INC
Form PRE 14A
April 18, 2008

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

SCHEDULE 14A INFORMATION

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

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

PHOTONIC PRODUCTS GROUP, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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| (2) | Aggregate number of securities to which transaction applies: |
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| (1) | Amount Previously Paid: |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party: |
| (4) | Date Filed: |
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PHOTONIC PRODUCTS GROUP, INC.

181 Legrand Avenue

Northvale, New Jersey 07647

Notice of Annual Meeting of Shareholders

To be held on Tuesday, June 3, 2008

To The Shareholders of Photonic Products Group, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of PHOTONIC PRODUCTS GROUP, INC. (the Company) will be held at the offices of Lowenstein Sandler PC, 1251 Avenue of the Americas, 18th Floor, New York, NY 10020, on Tuesday, June 3, 2008 at 10:00 a.m. for the following purposes:

1. To approve a change to the Restated Certificate of Incorporation of the Company (the Certificate of Incorporation) to change the term of the Directors, commencing with the two Directors standing for election at this meeting, to a term of one year.
2. To elect two Directors, to hold office for a term of one year if Item 1 is approved.
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on Friday, April 4, 2008, as the date for determining the shareholders of record entitled to receive notice of, and to vote at, the Annual Meeting. Whether or not you expect to be present at the Annual Meeting, you are requested to complete and sign the enclosed proxy and return it in the enclosed envelope as promptly as possible. Shareholders who are present at the meeting may revoke their proxies and vote in person. We hope you will attend.

By Order of the Board of Directors

William J. Foote, Secretary

Northvale, New Jersey
April 29, 2008

PHOTONIC PRODUCTS GROUP, INC.

181 Legrand Avenue

Northvale, NJ 07647

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

June 3, 2008

This proxy statement is being furnished in connection with the solicitation of proxies by the Board of Directors of PHOTONIC PRODUCTS GROUP, INC., a New Jersey corporation with its principal offices at 181 Legrand Avenue, Northvale, New Jersey 07647 (the Company), to be used at the Annual Meeting of Shareholders of the Company to be held at the offices of Lowenstein Sandler PC, 1251 Avenue of the Americas, 18th Floor, New York, NY 10020 on Tuesday, June 3, 2008 at 10:00 a.m. This Proxy Statement and the enclosed form of proxy are first being sent to shareholders on or about April 29, 2008.

Shareholders Entitled to Vote

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Only shareholders of record at the close of business on April 4, 2008, the record date fixed by the Board of Directors, will be entitled to notice of, and to vote at, the Annual Meeting. At the close of business on the record date, there were 10,908,341 shares of the Company's Common Stock, par value \$.01 per share (the "Common Stock"), outstanding and entitled to vote at the meeting. Each share is entitled to one vote.

The presence in person or by proxy of owners of a majority of the outstanding shares of the Company's Common Stock will constitute a quorum for the transaction of business at the Company's Annual Meeting. Assuming that a quorum is present, the approval of the change in the Corporation's Certificate of Incorporation will require the affirmative vote of the holders of at least two-thirds of the outstanding shares of the Company's Common Stock and the election of two Directors, to hold office for one year, if Proposal 1 is approved, will require the vote of a plurality of the shares of Common Stock represented and entitled to vote at the Annual Meeting.

For purposes of determining the votes cast with respect to any matter presented for consideration at the Annual Meeting, only those cast "for" are included. Abstentions and broker non-votes are counted only for the purpose of determining whether a quorum is present at the Annual Meeting. With respect to the proposal to amend the Certificate of Incorporation, abstentions and broker non-votes will count as votes against, since two-thirds of the outstanding shares must approve the amendment. Owners of Common Stock are not entitled to cumulative voting in the election of directors.

Voting: Revocation of Proxies

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A form of proxy is enclosed for use at the Annual Meeting if a shareholder is unable to attend in person. Each proxy may be revoked at any time before it is exercised by giving written notice of revocation to the Secretary of the Company by filing a later dated proxy with the Secretary at any time prior to its exercise or by voting at the meeting. The presence at the meeting of a stockholder who has given a proxy does not revoke the proxy unless the stockholder files a notice of revocation or votes by written ballot. All shares represented by valid proxies pursuant to this solicitation (and not revoked before they are exercised) will be voted as specified in the form of proxy. If no specification is given, the shares will be voted in favor of the amendment to the Certificate of Incorporation and in favor of the Board's nominees for director described in this Proxy Statement.

Costs of Solicitation

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The entire cost of soliciting these proxies will be borne by the Company. In following up the original solicitation of proxies by mail, the Company may make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy materials to the beneficial owners of the stock and may reimburse them for their expenses in so doing. If necessary, the Company may also use its officers and their assistants to solicit proxies from the shareholders, either personally or by telephone or special letter.

PROPOSAL ONE

AMENDMENT OF CERTIFICATE OF INCORPORATION TO

CHANGE THE TERM OF DIRECTORS

We are seeking the approval of our stockholders for proposed amendments to Article IV of our Restated Certificate of Incorporation to phase out the present classified terms of our directors and provide instead for the annual election of all directors. Under the present, staggered board structure, our directors are divided into three classes, with each class to serve for its original appointed one, two or three year term and each class elected thereafter to serve three-year terms.

If the proposed amendments are approved by the necessary vote of stockholders, directors elected prior to the annual meeting will serve out the balance of their terms and directors elected at the annual meeting or at any future annual meeting or to fill a vacancy on the Board will be elected for a one-year term that will expire at the following annual meeting or until their successor is elected and qualified, and the classification of our board will be completely eliminated beginning with our 2010 annual meeting. If the proposed amendments are not approved by the necessary vote of stockholders, our Board of Directors will remain classified and the Class I directors elected at this annual meeting will serve for a three year term that will expire at our 2011 annual meeting or until their successors are elected and qualify. Specifically, it is proposed that Article IV of the Restated Certificate of Incorporation be changed to read as follows:

Article IV

The number of directors of the Corporation shall be specified in the by-laws of the Corporation and fixed from time to time by the Board.

Except as otherwise provided by law, each director shall be elected at the annual meeting of the shareholders to serve a one-year term and until his or her successor is elected and qualified; provided, however, that any director who prior to the annual meeting of shareholders in 2008 was elected to a term that continues beyond the date of the annual meeting of shareholders in 2008, shall continue in office for the remainder of his or her elected term or until his or her earlier death, resignation or removal.

If the proposed amendments in this Item 1 are approved by the necessary vote of holders of two-thirds of our Common Stock, we will file an amendment to our Restated Certificate of Incorporation with the State of New Jersey immediately following the shareholders' meeting and prior to the election of directors under Proposal 2.

Unless you instruct us via proxy to vote differently, we will vote valid proxies FOR the approval of the proposed amendments.

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Classified, or staggered, boards have a long history of use as a defensive measure under state corporate law. Proponents cite, among other things, that classified boards provide stability of board membership, promote a longer-term perspective for board members and enhance a company's bargaining leverage with unsolicited bidders because of an inability to replace the entire board in a single election.

On the other hand, critics view classified boards as reducing board accountability to stockholders because they limit the ability of stockholders to change directors on an annual basis when they are dissatisfied with the performance of incumbent directors. In addition, critics argue that classified boards have the potential effect of eroding stockholder value by deterring acquisition proposals and/or preventing stockholders who want to negotiate with a potential acquirer from having the opportunity to do so and generally permit the entrenchment of the board and management. Similar arguments have been expressed in recent years in stockholder proposals asking publicly traded companies to eliminate classified board structures.

The Board believes to be in the best interests of stockholders and consistent with emerging best practices for corporate governance to eliminate the staggered board. After weighing the various arguments for and against maintaining a classified board structure, our Board approved the proposed amendments to our certificate of incorporation. Among other things, our Board considered a growing trend among larger companies to elect directors on an annual basis and thus to allow stockholders to review and express their opinions on the performance of all directors each year. Because there is no limit to the number of terms an individual director may serve, we do not expect eliminating our classified board structure will negatively impact the continuity and stability of our Board's membership and our policies and long-term strategic planning.

THE AFFIRMATIVE VOTE OF THE HOLDERS OF AT LEAST 66.67% OF THE TOTAL VOTING POWER OF ALL SHARES OF OUR OUTSTANDING COMMON STOCK IS REQUIRED TO APPROVE THIS ITEM 1.

The Board of Directors unanimously recommends that you vote for the adoption of the change to the Certificate of Incorporation detailed above.

PROPOSAL TWO

ELECTION OF DIRECTORS

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The following table sets forth the name and age of the current members of the Board of Directors, the principal occupation or employment of the director for the past five or more years, the principal business of the organization in which said occupation is or was carried on, the name or any other public corporation for which each director served as a Board member, and the period during which each director has served as a director of the Company.

Nominated for Election to Board of Directors:

Name and Age	Since	Term Ends	Positions; Business Experience
Thomas H. Lenagh, 83	1998	2008	Class I Director of the Company Chairman of the Board of Directors of the Company (May 2000-August 2004) Management Consultant (1990 - Present) Past Chairman and Chief Executive Officer, Systems Planning Corporation Treasurer and Chief Investment Officer, The Ford Foundation Captain, US Navy Reserve (Ret.)
Daniel Lehrfeld, 64	1999	2008	Class I Director of the Company (1999-present) President and Chief Executive Officer of the Company (2000-present), President and Chief Operating Officer of the Company (1999-2000), Vice President/General Manager, Raytheon/GM Hughes Electro-Optics Center (1995-1999) President, New England Research Center (1989-2000) Deputy General Manager, Magnavox Electronic Systems, Division of Philips Electronics, NV (1989-1995)

The Board of Directors unanimously recommends that you vote for the election of Thomas H. Lenagh and Daniel Lehrfeld for a one year term.

Other Continuing Elected Directors:

Name and Age	Since	Term Ends	Positions; Business Experience
John C. Rich, 70	2000	2009	Chairman of the Board of Directors (September 2004 to present) Class II Director of the Company (2000 to August, 2004) Vice President/General Manager, Power Electronics Division, C & D Technologies (1999-2002) President, Raytheon/GM Hughes Optical Systems (1990-1999) Vice President, Perkin Elmer Microlithography, Electro-Optics and Systems (1983-1989) Colonel, Commander, Air Force Avionics Laboratory and Air Force Weapons Laboratory (Ret.)
Luke P. LaValle, Jr., 66	2005	2009	Class II Director of the Company (2005-present) President and Chief Executive Officer, American Capital Management Inc. (1980-present) Senior Investment Officer, United States Trust Company of NY (1967-1980) Lt. Colonel, US Army Reserve (Ret.)
Jan M. Winston, 71	2000	2010	Class III Director of the Company

Principal, Winston Consulting (1997-present)
Division Director/General Manager IBM Corporation (1981-1997)
Executive positions held in Development, Finance and Marketing

Compensation of Directors

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Directors' compensation consists of two components: cash (i.e. meeting attendance fees, retainer and cash bonuses) and stock option grants. Cash bonus grants and stock option grants and restricted stock unit grants are made by the Compensation Committee. Equity-based grants are intended to align the interests of the Company's directors with that of other shareholders. The Company does not require its directors to own stock.

Fees for non-employee directors were \$500 during fiscal years 2006 and 2005 for each board meeting attended in person, and \$250 for each meeting in which they participated via telephone.

At the January 19, 2007 meeting of the Compensation Committee the Committee approved, and at the meeting of the full Board on February 16, 2007 the Board ratified the addition of an annual retainer fee to all Directors, paid in quarterly installments, in addition to fees for each meeting, effective January 1, 2007. The annual retainer is \$15,000 for the Chairman and \$10,000 for each of the other outside Directors.

The table that follows provides information on components of Director Compensation in 2007.

Director Compensation in Fiscal Year 2007

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Name	Fees and bonuses paid in cash (\$)	Restricted Stock Unit Grants (\$ (1))	Total (\$)
John C. Rich	27,250	10,000	37,250