VEECO INSTRUMENTS INC
Form DEF 14A
November 04, 2013

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

SCHEDULE 14A

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:

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

Veeco Instruments 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):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4)	Proposed maximum aggregate value of transaction:
(5)	Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed:

VEECO INSTRUMENTS INC.

Terminal Drive

Plainview, NY 11803

NOTICE OF ANNUAL MEETING

Dear Veeco Stockholder:

On December 10, 2013, Veeco will hold its 2013 Annual Meeting of Stockholders at 333 South Service Road, Plainview, NY 11803, at 8:30 a.m. local time, to consider and vote upon the following matters and to transact such other business as may be properly presented at the meeting or any adjournment or postponement thereof:

1. Election of two directors to hold office until the 2016 Annual Meeting of Stockholders;

2. Amendment and Restatement of the Veeco Instruments Inc. 2010 Stock Incentive Plan;

3. Advisory vote to approve executive compensation; and

4. Ratification of the appointment of our independent registered public accounting firm for 2013.

Only stockholders who own stock at the close of business on October 22, 2013 can vote at this meeting or any adjournments that may take place. For ten days prior to the annual meeting, a list of these stockholders will be available for inspection at our principal executive offices, Terminal Drive, Plainview, NY 11803. A stockholder may examine the list for any legally valid purpose related to the meeting.

Your Board of Directors recommends that you vote FOR both of the listed nominees for Director and FOR proposals 2, 3 and 4 above, which proposals are further described in this proxy statement. This proxy statement also outlines the corporate governance practices at Veeco, discusses our compensation practices and philosophy, and describes the Audit Committee s recommendations to the Board regarding our 2012 financial statements. We encourage you to read these materials carefully.

Whether or not you expect to attend the meeting, we urge you to vote promptly.

The approximate date of mailing for this proxy statement and card as well as a copy of Veeco s Annual Report is November 6, 2013. For more information about Veeco, please visit our website at www.veeco.com.

By order of the Board of Directors,

Gregory A. Robbins
Senior Vice President, General Counsel and Secretary

November 6, 2013

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on December 10, 2013: The Proxy Statement and Annual Report to Stockholders are available at www.veeco.com.

TABLE OF CONTENTS

PROXY STATEMENT

QUESTIONS AND ANSWERS

Q1. What matters will be voted on at the Annual Meeting?

The following matters will be voted on at the Annual Meeting:

- Proposal 1: Election of two directors to hold office until the 2016 Annual Meeting of Stockholders;
- Proposal 2: Amendment and Restatement of the Veeco Instruments Inc. 2010 Stock Incentive Plan;
- Proposal 3: Advisory vote on executive compensation;
- Proposal 4: Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2013; and
- Such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

Q2. How does the board of directors recommend that I vote?

The board of directors recommends that you vote:

- FOR the election of the two directors nominated by our board of directors and named in this proxy statement;
- FOR the approval of an amendment and restatement of the Veeco Instruments Inc. 2010 Stock Incentive Plan as described in this proxy statement;

- FOR the approval, on an advisory basis, of the compensation of our named executive officers; and

- FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2013.

Q3. Why am I receiving these materials?

Our board of directors has delivered these proxy materials to you in connection with the solicitation of proxies for use at Veeco s 2013 Annual Meeting of stockholders, which will take place on Tuesday, December 10, 2013, at 8:30 a.m. local time, at 333 South Service Road, Plainview, NY 11803. As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement.

Q4. Who is entitled to vote?

You may vote if our records show that you owned shares of Veeco common stock on October 22, 2013, the record date for the meeting. At such time, 39,246,279 shares of Veeco common stock were issued and outstanding. You are entitled to one vote for each share that you own.

Q5. How can I vote if I own shares directly?

If your shares are registered directly in your name with our transfer agent, then you are considered the stockholder of record with respect to those shares and these proxy materials are being sent directly to you. Stockholders of record may vote by (1) marking, signing, dating and mailing each proxy card in the envelope provided or (2) attending the meeting and voting in person.

Q6. How can I vote if my shares are held through a brokerage, bank or similar organization?

If your shares are held in street name (that is, they are held in the name of a broker, bank or similar organization), you are considered the beneficial holder of such shares and these proxy materials are being forwarded to you by such organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct the stockholder of record on how to vote the shares in your account. If you hold your shares through a broker and you do not give instructions to the record holder on how to vote, the record holder will be entitled to vote your shares in its discretion on certain matters considered routine. The New York Stock Exchange (NYSE) will determine whether the proposals presented at the Annual Meeting are routine or not routine. If a proposal is routine, a broker holding shares for an owner in street name may vote in its discretion on the proposal without receiving voting instructions from the owner. If a proposal is not routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when the broker is unable to vote on a proposal because the proposal is not routine and the street name owner does not provide any voting instructions. Please follow the voting instructions provided by the organization holding your shares to ensure your vote is counted. Under the rules of the NYSE, your broker does not have the discretion to vote your shares on non-routine matters such as Proposals 1, 2 and 3. However, your broker does have discretion to vote your shares on routine matters such as Proposal 4. If you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from the stockholder of record.

Q7. What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your Veeco shares will be voted FOR the election of the nominees for director, FOR the approval of an amendment to the Veeco Instruments Inc. 2010 Stock Incentive Plan, FOR the approval, on an advisory basis, of the compensation of our named executive officers, and FOR the ratification of the selection of Ernst & Young LLP as Veeco s independent registered public accounting firm for the fiscal year ending December 31, 2013. If any other matter is properly presented at the meeting or any adjournment or postponement thereof, your proxy (one of the individuals named on your proxy card) will vote your shares using his best judgment.

Q8. How do I revoke or change my vote?

If you are a stockholder of record, you may revoke or change your vote by:

(1) notifying Veeco s transfer agent, American Stock Transfer and Trust Company, Operations Center, 6201 15th Avenue, Brooklyn, NY 11219, in writing at any time before the meeting;

(2) submitting a later-dated proxy at any time before the meeting; or

(3) voting in person at the meeting.

The latest-dated, timely, properly completed proxy that you submit before the meeting will count as your vote. If a vote has been recorded for your shares and you submit a proxy card that is not properly signed and dated, the previously recorded vote will stand.

If your shares are held in street name, consult the voting instructions provided by the organization holding your shares or contact such organization for instructions on how to revoke or change your vote.

Q9. What is a quorum ?

There must be a quorum for the meeting to be held. A quorum will be present if stockholders holding at least a majority of the outstanding shares are present at the meeting or represented by proxy. If you submit a timely, properly executed proxy or vote instruction card, then you will be considered part of the quorum, even if you abstain from voting. In addition, shares represented by proxies designated as broker non-votes will be counted for purposes of determining a quorum.

Abstentions: Abstentions are not counted in the tally of votes FOR or AGAINST a proposal. A WITHHELD vote is the same as an abstention. Abstentions and withheld votes are counted as shares present and entitled to be voted.

Broker Non-Votes: Brokers or other nominees who hold shares of our common stock for a beneficial owner have the discretion to vote on routine proposals when they have not received voting instructions from the beneficial owner at least ten days prior to the Annual Meeting. A broker non-vote occurs when a broker or other nominee does not receive voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares. Broker non-votes will be counted for purposes of calculating whether a quorum is present at the Annual Meeting, but will not be counted for purposes of determining the number of votes present in person or represented by proxy and entitled to vote with respect to a particular proposal. Thus, a broker non-vote will not impact our ability to obtain a quorum and will not otherwise affect the outcome of the vote on a proposal that requires the approval of a majority of the votes present in person or represented by proxy and entitled to vote (Proposals 1, 2, 3 and 4).

Q10. How many votes are needed to approve each proposal?

Proposal:	Vote Required:	Broker Discretionary Voting Allowed?
Proposal 1 Election of two directors	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	No
Proposal 2 Amendment and Restatement of the Veeco Instruments Inc. 2010 Stock Incentive Plan	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	No
Proposal 3 Advisory vote on executive compensation	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	No
Proposal 4 Ratification of auditors for Fiscal Year 2013	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	Yes

With respect to Proposals 2, 3 and 4, you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN from voting on any of these Proposals, the abstention will have the same effect as an AGAINST vote.

With respect to Proposal 1, you may vote FOR both nominees, WITHHOLD your vote as to both nominees, or FOR both nominees except the specific nominee from whom you WITHHOLD your vote. The two nominees receiving the most FOR votes will be elected. A properly executed proxy marked WITHHOLD with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Proxies may not be voted for more than two directors and stockholders may not cumulate votes in the election of directors.

If you abstain from voting on Proposal 1, the abstention will not have an effect on the outcome of the vote.

Q11. How will voting on any other business be conducted?

Although we do not know of any business to be considered at the 2013 Annual Meeting other than the proposals described in this proxy statement, if any other business is presented at the Annual Meeting or any adjournment or postponement thereof, your signed proxy or vote instruction card gives authority to John R. Peeler, Veeco s Chairman and Chief Executive Officer, and David D. Glass, Veeco s Executive Vice President and Chief Financial Officer, to vote on such matters at their discretion.

Q12. Who will count the vote?

Votes will be tabulated by an independent inspector of elections appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

Q13. How can I find out the results of the voting at the Annual Meeting?

Voting results will be announced at the Annual Meeting and are expected to be posted shortly after the Meeting on our website at *www.veeco.com*. Voting results will also be reported in a Current Report on Form 8-K, which is expected to be filed with the Securities and Exchange Commission (the SEC) within four business days after the Meeting.

Q14. Who can attend the Annual Meeting?

All stockholders who owned shares on October 22, 2013 may attend.

Q15. What does it mean if I get more than one proxy or vote instruction card?

If your shares are registered in more than one name or in more than one account, you may receive more than one card. Please complete and return all of the proxy or vote instruction cards you receive to ensure that all of your shares are voted.

Q16. I have Veeco shares that are held in street name, as do others in my household. We received only one copy of the proxy materials. How can I obtain additional copies of these materials?

In an effort to reduce printing costs and postage fees, we have adopted a practice approved by the SEC called householding. Under this practice, stockholders who have the same address and last name will receive only one copy of our proxy materials, unless one or more of these stockholders notifies us that he or she wishes to continue receiving individual copies. Stockholders who participate in householding will continue to receive separate proxy cards.

If you share an address with another stockholder and received only one set of proxy materials, and would like to request a separate paper copy of these materials, please: (1) go to www.proxyvote.com and follow the instructions provided; (2) send an e-mail message to investorrelations@veeco.com with Request for Proxy Materials in the subject line and provide your name, address and the control number that appears in the box on the Stockholders Meeting Notice; or (3) call our Investor Relations department at 1-516-677-0200.

Q17. When are stockholder proposals for the 2014 Annual Meeting due?

In accordance with Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act), stockholders who wish to present proposals for inclusion in the proxy materials prepared by the Company in connection with the 2014 Annual Meeting must submit their proposals so that they are received by the Secretary, Veeco, Terminal Drive, Plainview, NY 11803 by January 6, 2014. Any such proposal must comply with the requirements of our Fourth Amended and Restated Bylaws, as amended (Bylaws), and Rule 14a-8 under the Exchange Act, which lists the requirements for the inclusion of stockholder proposals in company-sponsored proxy materials.

Generally, timely notice of any director nomination or other proposal that any stockholder intends to present at the 2014 Annual Meeting, but does not intend to have included in the proxy materials prepared by the Company in connection with the 2014 Annual Meeting, must be delivered in writing to the Secretary at the address above not less than 90 days nor more than 120 days before the first anniversary of the prior year s meeting. However, since we are not holding the 2014 Annual Meeting on a date that is within 30 days before or 60 days after such anniversary date, we must receive the notice no later than 10 days after the earlier of the date we first provide notice of the meeting to stockholders or announce it publicly. In addition, the stockholder s notice must set forth the information required by our Bylaws with respect to each stockholder making the proposal and each proposal that such stockholder intends to present at the 2014 Annual Meeting.

For more information, including the information required to be included in a stockholder proposal, please refer to our Fourth Amended and Restated Bylaws, filed as exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on October 27, 2008, the amendment thereto filed as exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on May 26, 2010, and the amendment thereto filed as exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on October 24, 2011.

Q18. What is Veeco s process for nominating director candidates?

Veeco s Board of Directors is currently comprised of seven directors divided into three classes of Directors serving staggered three-year terms. Approximately one-third of Veeco s directors are elected each year by its stockholders at the annual meeting of stockholders. The Board of Directors is responsible for filling vacancies that may occur on the Board at any time during the year and for nominating director nominees to stand for election at the annual meeting of stockholders. The Governance Committee of the Board of Directors reviews all potential director candidates, and recommends potential director candidates to the full Board. Director candidates may be identified by current directors of the Company, as well as by stockholders. The Governance Committee is comprised entirely of independent directors, as defined by The Nasdaq Stock Market, Inc. Pursuant to our Corporate Governance Guidelines, the Governance Committee will evaluate the suitability of potential nominees for membership on the Board, taking into consideration the Board s current composition, including expertise, diversity, and balance of inside, outside and independent directors, and considering the general qualifications of the potential nominees, including those characteristics described in the Corporate Governance Guidelines as in effect from time to time. In selecting the director nominees, the Board endeavors to establish a diversity of background and experience in a number of areas of core competency, including business judgment, management, accounting and finance, knowledge of the industries in which the Company operates, understanding of manufacturing and services, strategic vision, knowledge of international markets, marketing, research and development, and other areas relevant to the Company s business. Under our Corporate Governance Guidelines, the Board periodically conducts a critical self-evaluation of the Board, including an assessment of the make-up of the Board as a whole. In any particular situation, the committee may focus on persons possessing a particular background, experience or qualifications which the committee believes would be important to enhance the effectiveness of the Board. The full Board reviews and has final approval authority on all potential director candidates being recommended to the stockholders for election. The evaluation process for candidates recommended by stockholders is the same as for candidates from any other source. See the answer to Question 19 below regarding the process for stockholder nominations of director candidates.

Q19. Can a stockholder nominate someone to be a director of Veeco?

As a stockholder, you may recommend any person as a nominee for director of Veeco for consideration by the Governance Committee by submitting the name and supporting information in writing to the Governance Committee of the Board of Directors, c/o Secretary, Veeco, Terminal Drive, Plainview, NY 11803. The deadlines for submitting stockholder nominations of directors are the same as those set forth in Question 17. In addition, the recommending stockholder must submit a written recommendation that sets forth the information required by our Bylaws with respect to the recommending stockholder and such stockholder s nominee, including the following:

- The candidate s name, age, address, principal occupation or employment, the number of shares of Common Stock such candidate beneficially owns, a brief description of any direct or indirect relationships with the Company, and the information that would be required in a proxy statement soliciting proxies for the election of the candidate as a director;
- A signed consent of the nominee to cooperate with reasonable background checks, requests for information and personal interviews, to be named in the proxy statement as a nominee and to serve as a director, if elected; and

- A description of all relationships or arrangements between the recommending stockholder and the candidate and any other person or persons (including their names) pursuant to which the recommendation is being made, as well as a list of all other companies that the stockholder has recommended the candidate to for election as a director in that year.

Q20. How can stockholders communicate with Veeco s Directors?

Stockholders may address communications to one or more members of the Board (other than sales or employment-related communications) by letter addressed to the Secretary, Veeco, Terminal Drive, Plainview, NY 11803. The Secretary will forward copies of all letters (other than sales or employment-related communications) to each Board member to whom they are addressed.

Q21. How much will this proxy solicitation cost?

MacKenzie Partners, Inc. was hired by Veeco to assist in the distribution of proxy materials and the solicitation of votes for a fee of $12,500, plus reimbursement of out-of-pocket expenses. The expense of soliciting proxies will be borne by Veeco. In addition, Veeco may reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders. MacKenzie Partners may contact stockholders by mail, telephone, fax and personal interviews. Veeco has agreed to indemnify MacKenzie against certain liabilities and expenses in connection with such solicitation, including liabilities under the federal securities laws. Some personal solicitations also may be made by directors, officers and employees of Veeco without special compensation, other than reimbursement for expenses.

Q22. Who is soliciting my vote?

Your vote is being solicited by the Board of Directors of Veeco, on behalf of the Company, for the 2013 Annual Meeting of Stockholders to be held on Tuesday, December 10, 2013 at 8:30 a.m.

Q23. What proxy materials are available on the internet?

The proxy statement and our 2012 Annual Report on Form 10-K are available on our website at www.veeco.com.

CORPORATE GOVERNANCE

Veeco s Board of Directors and management are committed to responsible corporate governance to ensure that Veeco is managed for the long-term benefit of its stockholders. To that end, the Board of Directors and management review published guidelines and recommendations of institutional stockholder organizations and current best practices of similarly situated public companies. The Board and management periodically evaluate and, when appropriate, revise Veeco s corporate governance policies and practices in light of these guidelines and practices and to comply with the requirements of the Sarbanes-Oxley Act of 2002 and the rules and listing standards issued by the Securities and Exchange Commission (SEC) and The Nasdaq Stock Market, Inc. (Nasdaq).

Corporate Governance Policies and Practices

Veeco has instituted a variety of policies and practices to foster and maintain corporate governance, including the following:

Corporate Governance Guidelines **-** Veeco adheres to written Corporate Governance Guidelines, adopted by the Board and reviewed by the Governance Committee from time to time. The Corporate Governance Guidelines relate to director qualifications, conflicts of interest, succession planning, periodic board and committee self-assessment and other governance matters.

Code of Business Conduct **-** Veeco maintains written standards of business conduct applicable to all of its employees worldwide.

Code of Ethics for Senior Officers **-** Veeco maintains a Code of Ethics that applies to its Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer.

Environmental, Health & Safety Policy Veeco maintains a written policy that applies to all of its employees with regard to environmental, health and safety matters.

Director Education Policy - Veeco has adopted a written policy under which it encourages directors to attend, and provides reimbursement for the cost of attending, director education programs.

Disclosure Policy **-** Veeco maintains a written policy that applies to all of its employees with regard to the dissemination of information.

Board Committee Charters **-** Each of Veeco s Audit, Compensation, Governance and Strategic Planning Committees has a written charter adopted by Veeco s Board that establishes practices and procedures for each committee in accordance with applicable corporate governance rules and regulations.

Copies of each of these documents can be found on the Company s website (www.veeco.com) via the Investors page.

Independence of the Board of Directors

Veeco s Corporate Governance Guidelines provide that at least two-thirds of the Board of Directors must be independent in accordance with the Nasdaq listing standards. In addition, service on other boards must be consistent with Veeco s conflict of interest policy and the nature and time involved in such service is reviewed when evaluating suitability of individual directors for election.

Independence of Current Directors. Veeco s Board of Directors has determined that all of the directors are independent within the meaning of the applicable Nasdaq listing standards, except Mr.

Peeler, the Company s Chairman and Chief Executive Officer, and Mr. Braun, the Company s former Chairman and former Chief Executive Officer.

Independence of Committee Members. All members of Veeco s Audit, Compensation and Governance Committees are required to be and are independent in accordance with Nasdaq listing standards.

Compensation Committee Interlocks and Insider Participation. During 2012, none of Veeco s executive officers served on the board of directors of any entity whose executive officers served on Veeco s Compensation Committee. No current or past executive officer of Veeco serves on our Compensation Committee. The members of our Compensation Committee are Messrs. D Amore, Hunter and McDaniel.

Board Access to Independent Advisors. The Board members have full and free access to officers and employees of Veeco and are permitted to retain independent legal, financial or other advisors as the Board or a Committee deems necessary.

Director Resignation Upon Change in Employment. The Corporate Governance Guidelines provide that a director shall submit his resignation if he changes his principal employment from what it was when he was elected as a director or undergoes a change affecting his qualification as a director or fails to receive the required number of votes for re-election. Upon such submission, the Board shall determine whether to accept or reject the resignation. If the resignation is tendered for failure to receive the required number of votes for re-election, the Governance Committee will also inform the Board of any other action it recommends be taken.

Board Leadership Structure

On May 4, 2012, Mr. Peeler, the Company s Chief Executive Officer, was appointed Chairman of the Board. We currently have a separate Chairman of the Board and Lead Director. Although we do not have a formal policy addressing the topic, we believe that when the Chairman of the Board is an employee of the Company or otherwise not independent, it is important to have a separate Lead Director, who is an independent director.

Mr. McDaniel serves as the Lead Director. In that role, he presides over the Board s executive sessions, during which our independent directors meet without management, and serves as the principle liaison between management and the independent directors of the Board. Mr. McDaniel has served as a Veeco director since 1998.

We believe the combination of Mr. Peeler as our Chairman of the Board and Mr. McDaniel as our Lead Director is an effective structure for the Company. The division of duties and the additional avenues of communication between the Board and our management associated with having Mr. Peeler serve as Chairman of the Board and Mr. McDaniel as Lead Director provides the basis for the proper functioning of our Board and its oversight of management.

Oversight of Risk Management

The Board has an active role, as a whole and also at the committee level, in overseeing management of the Company s risks. The Board regularly reviews information regarding the Company s strategy, finances and operations, as well as the risks associated with each. The Audit Committee is responsible for oversight of Company risks relating to accounting matters, financial reporting, internal controls and legal and regulatory compliance. The Audit Committee undertakes, at least annually, a review to evaluate these risks. Individual members of the Audit Committee are each assigned an area of risk to oversee. The members then meet separately with management responsible for such area, including the Company s chief accounting officer, internal auditor and general counsel, and report to the Committee on any matters identified during such discussions with management. In addition, the Governance Committee manages risks associated with the independence of the Board and potential conflicts of interest. The Company s Compensation Committee is responsible for overseeing the management of risks relating to the Company s executive compensation plans and arrangements. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks.

Compensation Risk

Our Compensation Committee conducted a risk-assessment of our compensation programs and practices and concluded that our compensation programs and practices, as a whole, are appropriately structured and do not pose a material risk to the Company. Our compensation programs are intended to reward the management team and other employees for strong performance over the long-term, with consideration to near-term actions and results that strengthen and grow our Company. We believe our compensation programs provide the appropriate balance between short-term and long-term incentives, focusing on sustainable operating success for the Company. We consider the potential risks in our business when designing and administering our compensation programs and we believe our balanced approach to performance measurement and compensation decisions works to mitigate the risk that individuals will be encouraged to undertake excessive or inappropriate risk. Further, our compensation program administration is subject to considerable internal controls, and when determining the principal outcomes performance assessments and compensation decisions we rely on principles of sound governance and good business judgment.

Board Meetings and Committees

During 2012, Veeco s Board held ten meetings. Each Director attended at least 75% of the meetings of the Board and Board committees on which such Director served during 2012. It is the policy of the Board to hold executive sessions without management at every regular quarterly board meeting and as requested by a Director. The Lead Director presides over these executive sessions. All members of the Board are welcome to attend the Annual Meeting of Stockholders. In 2012, Mr. Peeler was the only director who attended the Annual Meeting of Stockholders. The Board has established the following committees: an Audit Committee, a Compensation Committee, a Governance Committee and a Strategic Planning Committee.

Audit Committee. As defined in Section 3(a)(58)(A) of the Exchange Act, the Company has established an Audit Committee which reviews the scope and results of the audit and other services provided by Veeco s independent registered public accounting firm. The Audit Committee consists of Messrs. Jackson, McDaniel and Simone (Chairman). The Board has determined that all members of the Audit Committee are financially literate as that term is defined by Nasdaq and by applicable SEC rules. The Board has determined that each of Messrs. Jackson, McDaniel and Simone is an audit committee financial expert as defined by applicable SEC rules. During 2012, the Audit Committee met fourteen times.

10

Compensation Committee. The Compensation Committee sets the compensation levels of senior management and administers Veeco s stock incentive plans. All members of the Compensation Committee are non-employee directors (within the meaning of Rule 16b-3 of the Exchange Act), and outside directors (within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code)). None of the members of the Compensation Committee has interlocking relationships as defined by the SEC. The Compensation Committee consists of Messrs. D Amore, Hunter and McDaniel (Chairman). During 2012, the Compensation Committee met six times.

Governance Committee. The Company s Governance Committee addresses Board organizational issues and develops and reviews corporate governance principles applicable to Veeco. In addition, the committee searches for persons qualified to serve on the Board of Directors and makes recommendations to the Board with respect thereto. The Governance Committee currently consists of Messrs. Hunter (Chairman) and Simone. During 2012, the Governance Committee met three times.

Strategic Planning Committee. The Company s Strategic Planning Committee oversees the Company s strategic planning process. The Strategic Planning Committee consists of Messrs. Braun (Chairman), D Amore, Hunter and Peeler. During 2012, the Strategic Planning Committee met five times.

Compensation of Directors

The following table provides information on compensation awarded or paid to the non-employee directors of Veeco for the fiscal year ended December 31, 2012.

Name	**Fees Earned or Paid in Cash ($)(1)**	**Stock Awards ($)(2)(3)**	**All Other Compensation ($) (4)**	**Total ($)**
Edward H. Braun (5)	113,652	99,976	2,668	216,296
Richard A. D Amore	66,000	99,976		165,976
Joel A. Elftmann (6)	36,221			36,221
Gordon Hunter	78,556	99,976		178,532
Keith D. Jackson	59,111	119,115		178,226
Roger D. McDaniel	109,000	99,976		208,976
Peter J. Simone	103,000	99,976		202,976

(1) Represents quarterly retainers and meeting fees paid for Board service during 2012. Includes payments for service and attendance at certain meetings held at the end of 2012 for which payments were made during the first quarter of 2013. For Mr. Braun, includes payments under the Service Agreement dated January 1, 2012, which sets forth the compensation to be paid to Mr. Braun for his service on the Board.

(2) Reflects awards of 2,837 shares of restricted stock to each director on May 7, 2012, other than Mr. Jackson, who received an award of 3,403 shares of restricted stock on February 24, 2012, the date on which he joined the Board, and an award of 543 shares of restricted stock on May 7, 2012. These restricted stock awards vest on the earlier of the first anniversary of the date of grant and the date of the next annual meeting of stockholders (with the exception of Mr. Jackson s February 24, 2012 award, which vested on the date immediately preceding the date of the 2012 annual meeting of stockholders). In accordance with SEC rules, the amounts shown reflect the grant date fair value of the award, which was $35.24 per share for awards made on May 7, 2012, and $29.38 per share for Mr. Jackson s award on February 24, 2012.

(3) As of December 31, 2012, there were outstanding the following aggregate number of stock awards and option awards held by each non-employee director of the Company:

Outstanding Equity Awards at Fiscal Year End

Name	Stock Awards (#)	Option Awards (#)
Edward H. Braun	2,837	50,000
Richard A. D Amore	2,837	
Gordon Hunter	2,837	
Keith D. Jackson	543	
Roger D. McDaniel	2,837	
Peter J. Simone	2,837	

(4) All Other Compensation consists of a 401(k) matching contribution ($1,385) and premiums for group term life insurance ($1,283) payable to Mr. Braun under the Service Agreement dated January 1, 2012.

(5) Reflects the compensation paid to Mr. Braun as a Director under the Service Agreement dated January 1, 2012, including fixed compensation ($97,847) and meeting fees paid during 2012 ($15,805).

(6) Mr. Elftmann left the Board upon expiration of his term as a Director on May 4, 2012.

Director Compensation Policy

Veeco s Director Compensation Policy provides that members of the Board of Directors who are not employees of Veeco shall be paid a retainer of $10,000 per quarter, plus additional retainers of $2,500 per quarter for the chairman of the Compensation Committee and the chairman of the Governance Committee, $3,750 per quarter for the chairman of the Audit Committee, and $3,750 per quarter for the Lead Director. In addition, non-employee Directors receive a fee of $2,000 for attending each board, committee or stockholder meeting held in person and $1,000 for participating in each board or committee meeting held by conference call. Each non-employee Director also receives an annual grant of shares of restricted stock having a fair market value in the amount determined by the Compensation Committee from time to time. The Compensation Committee has determined that the value of this annual award should be $100,000 per director. The restrictions on these shares lapse on the earlier of the first anniversary of the date of grant and the date of the next annual meeting of stockholders. In addition, the Company s Director Compensation Policy gives the Board the authority to compensate Directors who perform significant additional services on behalf of the Board or a Committee. Such compensation shall be determined by the Board in its discretion, taking into consideration the scope and extent of such additional services. Directors who are employees, such as Mr. Peeler, do not receive additional compensation for serving as Directors or for attending board, committee or stockholder meetings.

Braun Service Agreement

Mr. Braun, the Company s former Chairman and former CEO, serves on the Board and is compensated for such service pursuant to a Service Agreement dated January 1, 2012 (which amended and replaced a Service Agreement dated July 24, 2008). The Service Agreement provides that, during the period from January 1, 2012 through May 4, 2012 (the 2012 Service Period), Mr. Braun shall be compensated at a rate of $200,000 per year, pro-rated as appropriate. The Service Agreement further provides that, during the 2012 Service Period, (a) Mr. Braun shall be entitled to participate in all group health and insurance programs available generally to senior executives of the Company, including, in the case of health programs, continued coverage for Mr. Braun s spouse and eligible dependents, and (b) Mr. Braun shall not be entitled to any additional compensation, including, without limitation, bonuses, equity awards, meeting fees, retainers or other compensation for his service on the Board. Following the expiration of the 2012 Service Period, the Company shall pay Mr. Braun such compensation and equity awards as are consistent with the Company s then current Board Compensation Policy, provided that any annual and/or quarterly cash retainers shall be paid through the Company s regular, bi-weekly payroll process. In addition, Mr. Braun shall be entitled to participate in all group health and insurance programs available generally to senior executives of the Company. While serving on the Board, Mr. Braun shall be treated as an employee for purposes of the Company s stock incentive plans and any prior employment agreements which Mr. Braun had with the Company.

Certain Contractual Arrangements with Directors and Executive Officers

Veeco has entered into indemnification agreements with each of its directors, executive officers and certain senior officers and anticipates that it will enter into similar agreements with any future directors and executive officers. Generally, the indemnification agreements are designed to provide the maximum protection permitted by Delaware law with respect to indemnification of a director or executive officer. The indemnification agreements provide that Veeco will indemnify such persons against certain liabilities that may arise by reason of their status or service as a director or executive officer of the Company and that the Company will advance expenses incurred as a result of proceedings against them as to which they may be indemnified. Under the indemnification agreements, a director or executive officer will receive indemnification if he or she is found to have acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of Veeco and with respect to any criminal action, if he or she had no reasonable cause to believe his or her conduct was unlawful.

Certain Relationships and Related Transactions

The Company s Audit Committee charter provides that the Audit Committee, or one or more of its members, has the authority and responsibility to review and, if appropriate, approve all proposed related party transactions. For purposes of the Audit Committee s review, a related party transaction is a transaction, arrangement or relationship between the Company and any Related Party where the aggregate amount will or may be expected to exceed $120,000 and any Related Party had, has or will have a direct or indirect material interest (as such terms are used in Item 404 of Regulation S-K under the Exchange Act). A Related Party is: (i) any director, nominee for director or executive officer (as such term is used in Section 16 of the Exchange Act) of the Company; (ii) any immediate family member of a director, nominee for director or executive officer of the Company; (iii) any person (including any group as such term is used in Section 13(d) of the Exchange Act) who is known to the Company as a beneficial owner of more than five percent of the Company s voting common stock (a significant stockholder); and (iv) any immediate family member of a significant stockholder.

When reviewing a related party transaction, the Audit Committee will take into consideration all of the relevant facts and circumstances available to it, including (if applicable), but not limited to:

- the material terms and conditions of the transaction or transactions;
- the Related Party s relationship to the Company;
- the Related Party s interest in the transaction, including their position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction;

- the approximate dollar value of the transaction;

- the availability from other sources of comparable products or services; and

- an assessment of whether the transaction is on terms that are comparable to the terms available to the Company from an unrelated third party.

During 2012, the Company did not engage in any related party transactions.

PROPOSAL 1

ELECTION OF DIRECTORS

Veeco s Certificate of Incorporation provides for a Board of Directors elected by the stockholders which is divided into three classes of Directors serving staggered terms. Currently, the Board of Directors is comprised of seven members, consisting of two Class I Directors, two Class II Directors and three Class III Directors. The Class I Directors are up for re-election in 2013.

Based on the recommendation of the Governance Committee, the Board of Directors has nominated the following Directors for re-election to the classes noted below:

Name	Nominated for Re-Election to:	For a Term Expiring at the Annual Meeting of Stockholders in:
Roger D. McDaniel	Class I	2016
John R. Peeler	Class I	2016

The following Directors will continue in their current positions for the term specified:

Name	Continuing in:	Term Expires at the Annual Meeting of Stockholders in:
Gordon Hunter	Class II	2014
Peter J. Simone	Class II	2014
Edward H. Braun	Class III	2015
Richard A. D Amore	Class III	2015
Keith D. Jackson	Class III	2015

The Company does not contemplate that the nominees for Director will be unable to serve, but, if such a situation should arise, it is the intention of the persons named in the accompanying proxy to vote for the election of such other person or persons to fill the vacancy created thereby as the remaining members of the Board of Directors may recommend.

The Board of Directors recommends a vote FOR approval of the Director nominees named above.

MEMBERS OF THE BOARD OF DIRECTORS

The Directors of Veeco, and their ages, year they joined the Board and committee memberships as of October 18, 2013, are:

			Committee Membership			
Name	**Age**	**Director since**	**Audit**	**Compensation**	**Governance**	**Strategic Planning**
Edward H. Braun	73	1990				Chair
Richard A. D Amore	60	1990		X		X
Gordon Hunter	62	2010		X	Chair	X
Keith D. Jackson	58	2012	X			
Roger D. McDaniel (A)	74	1998	X	Chair		
John R. Peeler	58	2007				X
Peter J. Simone	66	2004	Chair		X	

(A) Mr. McDaniel also serves as Lead Director.

Edward H. Braun was Chairman and Chief Executive Officer of Veeco from January 1990 through July 2007, and Chairman from July 2007 through May 2012. Mr. Braun led a management buyout of a portion of Veeco s predecessor in January 1990 to form the Company. He joined the predecessor in 1966 and held numerous executive positions during his tenure there. Mr. Braun is a Director Emeritus of Semiconductor Equipment and Materials International (SEMI), a trade association, of which he was Chairman of the Board in 1993. In addition, within the past five years, Mr. Braun served as a director of Axcelis Technologies, Inc. and Cymer, Inc.

Mr. Braun has been associated with Veeco and Veeco s predecessor for over 40 years and brings to the Board extensive knowledge about our business operations and our served markets. Mr. Braun also brings to the Board significant executive leadership and operational experience. Mr. Braun s prior business experience and board service, along with his long tenure at Veeco, give him a broad and extensive understanding of our operations and the proper role and function of the Board.

Richard A. D Amore has been a General Partner of North Bridge Venture Partners, a venture capital firm, since 1994. In addition, during the past five years, Mr. D Amore served as a director of Phase Forward Incorporated and Solectron Corporation.

Mr. D Amore brings a strong business background to Veeco, having worked in the venture capital field for over 30 years. Mr. D Amore has experience as a certified public accountant and gained substantial experience in overseeing the management of diverse organizations, having served as a board member on other public company boards and numerous private company boards. As a result of this service, Mr. D Amore has a broad understanding of the operational, financial and strategic issues facing public companies. He has served on our Board for 20 years and through that service has developed extensive knowledge of our business.

Gordon Hunter is Chairman, President and Chief Executive Officer of Littelfuse, Inc., a provider of circuit protection products and solutions. He also serves on the Council of Advisors of Shure Incorporated. Mr. Hunter has been a director of Littelfuse since June 2002 and became Chairman, President and Chief Executive Officer of Littelfuse in January 2005. Prior to joining Littelfuse, Mr. Hunter was Vice President of

Intel Communications Group and General Manager of Optical Products Group. At Intel, Mr. Hunter was responsible for Intel s access and optical communications business segments within the Intel Communications Group. Prior to joining Intel in February 2002, he served as President of Elo TouchSystems, a subsidiary of Raychem Corporation. Mr. Hunter also served in a variety of positions during a 20 year career at Raychem Corporation, including Vice President of Commercial Electronics and a variety of sales, marketing, engineering and management positions. Mr. Hunter also serves on the Board of Littelfuse and CTS Corporation.

Mr. Hunter has substantial leadership and management experience, having served as the Chairman, President and Chief Executive Officer of Littelfuse and in various leadership roles at a of a number of other companies. He has a strong background and valuable experience in the technology industry, gained from his tenure at Littelfuse, Intel and Raychem. Mr. Hunter brings a broad understanding of the operational, financial and strategic issues facing public and private companies to the board as a result of his service on other public and private boards.

Keith D. Jackson is President and Chief Executive Officer of ON Semiconductor Corporation, appointed in November 2002. Mr. Jackson has over 30 years of semiconductor industry experience. Before joining ON Semiconductor, he was with Fairchild Semiconductor Corporation, serving as Executive Vice President and General Manager, Analog, Mixed Signal, and Configurable Products Groups beginning in 1998, and, more recently, was head of its Integrated Circuits Group. From 1996 to 1998, he served as President and a member of the board of directors of Tritech Microelectronics in Singapore, a manufacturer of analog and mixed signal products. From 1986 to 1996, Mr. Jackson worked for National Semiconductor Corporation, most recently as Vice President and General Manager of the Analog and Mixed Signal division. He also held various positions at Texas Instruments Incorporated, including engineering and management positions, from 1973 to 1986. Mr. Jackson has served on the board of directors of the Semiconductor Industry Association since 2008.

Mr. Jackson has extensive international experience in product development, manufacturing, marketing and sales. Mr. Jackson is uniquely qualified to bring strategic insight and industry knowledge to the Board, having served in numerous management positions in our industry. In addition, Mr. Jackson brings to the Board his perspective as a director of other corporate boards.

Roger D. McDaniel, currently retired, was President and Chief Executive Officer of IPEC, Inc., which manufactured chemical-mechanical planarization (CMP) equipment for the semiconductor industry, from 1997 to April 1999. Through August 1996, Mr. McDaniel was Chief Executive Officer of MEMC Electronic Materials, Inc., a producer of silicon wafers. Mr. McDaniel is a past Chairman of SEMI and also serves on the board of Entegris, Inc.

Mr. McDaniel has significant experience in the process equipment and materials industry, having served as chief executive officer at several companies operating in this field. Mr. McDaniel has also served on public and private boards, both domestic and international, which has resulted in a broad understanding of the operational, financial and strategic issues facing public and private companies. Mr. McDaniel s in-depth knowledge of our business and his extensive management experience are important aspects of his service on the Board.

John R. Peeler has been Chief Executive Officer and a Director of Veeco since July 2007, and Chairman since May 2012. Prior thereto, he was Executive Vice President of JDS Uniphase Corp. (JDSU) and President of the Communications Test & Measurement Group of JDSU, which he joined upon the closing of JDSU s merger with Acterna, Inc. (Acterna) in August 2005. Before joining JDSU, Mr. Peeler served as President and Chief Executive Officer of Acterna. Mr. Peeler joined a predecessor of Acterna in 1980 and served in a series of increasingly senior leadership roles including Vice President of Product Development, Executive Vice President and Chief Operating Officer, and President and CEO of TTC, the Communications Test equipment company. Mr. Peeler also serves on the board of IPG Photonics Corporation.

Mr. Peeler has substantial industry and management experience, having served in senior management positions for the last 30 years culminating in his appointment as our Chief Executive Officer in 2007. He has experience in managing diversified global companies and has a broad understanding of the challenges and opportunities facing public companies.

Peter J. Simone is a retired executive who currently serves as an independent consultant to several private companies and the investment community. From June 2001 to December 2002, Mr. Simone was Executive Chairman of SpeedFam-IPEC, Inc., a semiconductor equipment company which was acquired by Novellus Systems, Inc. From August 2000 to February 2001, Mr. Simone was President and a director of, and from January 2000 to August 2000 was a consultant to, Active Control eXperts, Inc., a supplier of precision motion control and smart structures technology. From April 1997 to January 2000, Mr. Simone served as President and Chief Executive Officer and a director of Xionics Document Technologies, Inc. Prior thereto, Mr. Simone spent 17 years with GCA Corporation, a manufacturer of semiconductor photolithography capital equipment, where he held various management positions, including president and director. Mr. Simone is also a director of Monotype Imaging, Inc. and Newport Corporation. Additionally, during the past five years, he served as a director of Cymer, Inc., Inphi Corporation and Sanmina-SCI Corporation.

Mr. Simone has held numerous executive positions in the technology and semiconductor industries. Mr. Simone has also worked in the consulting field, advising private companies and the investment community. Mr. Simone has served on a number of public and private boards and his experiences have resulted in a broad understanding of the operational, financial and strategic issues facing public and private companies. He brings significant financial and operational management, as well as financial reporting, experience to the Board.

PROPOSAL 2

AMENDMENT AND RESTATEMENT OF THE VEECO INSTRUMENTS INC.

2010 STOCK INCENTIVE PLAN

The Board has unanimously approved for submission to a vote of the stockholders a proposal to amend and restate the Veeco Instruments Inc. 2010 Stock Incentive Plan (the 2010 Plan) to increase the reserve of shares available under the 2010 Plan by 3,250,000, including up to 212,200 shares subject to awards granted under the Company s 2013 Inducement Stock Incentive Plan (the Inducement Plan), and to obtain stockholder re-approval of the material terms of the performance goals that may be considered when granting certain awards under the 2010 Plan intended to constitute performance-based compensation for purposes of Internal Revenue Code of 1986, as amended (the Code) Section 162(m).

The purpose of the 2010 Plan is to retain key employees, consultants and directors of the Company having experience and ability, to attract new employees, consultants and directors whose services are considered valuable, to encourage the sense of proprietorship and to stimulate the active interest of such persons in the development and financial success of the Company and its subsidiaries. The Board believes that equity grants may become an increasingly important means to retain and compensate employees, consultants and directors. As we anticipated when the stockholders originally approved the 2010 Plan on May 14, 2010, we are asking for an increase to the share reserve this year. The amendment and restatement of the 2010 Plan will only become effective if approved by the Company s stockholders.

If approved by the stockholders, a total of 3,250,000 shares of Common Stock, including up to 221,200 shares of Common Stock underlying awards granted under the Inducement Plan (124,500 such shares subject to options and 87,700 shares subject to RSUs), will be added to the reserve under the 2010 Plan for a total of up to 6,750,000 shares (the original reserve of 3,500,000 shares plus the currently proposed 3,250,000 additional shares). The number of shares of Common Stock available under the 2010 Plan will be subject to adjustment in the event of a stock split, stock or other extraordinary dividend, or other similar change in the Common Stock or capital structure of the Company. Capitalized terms used but not defined in this description of Proposal 2 shall have the same meaning as in the 2010 Plan unless otherwise indicated.

We believe that equity incentives are critical to attracting and retaining the most talented employees in our industry. As of September 30, 2013, 482,490 shares had been issued under the 2010 Plan, 1,724,571 shares were subject to awards under the 2010 Plan, and 631,097 shares remained available for grant.(1) The amendment and restatement of the 2010 Plan will allow us to continue to provide such incentives. In connection with our equity compensation programs, we seek to balance the need to maintain a talented resource pool in a highly competitive business with efforts to closely monitor our equity award burn rate, which is defined as the number of shares subject to equity awards granted in a fiscal year divided by the weighted average common shares outstanding for that fiscal year. In connection with the amendment and restatement of the 2010 Plan and in order to address potential stockholder concerns regarding the number of stock awards we intend to grant in a given year, we intend to limit the burn rate under the 2010 Plan over the next three fiscal years, beginning with the fiscal year ending December 31, 2013, to no more than the industry mean plus one standard deviation, as calculated by Institutional Shareholder Services at the time of the equity proposal, or 6.58% per year on average, subject to business conditions.

A summary of the key features, background and a general description of the amended and restated 2010 Plan as proposed is set forth below. This summary is qualified in its entirety by the terms of the

---

(1) As of September 30, 2013, there were: (i) 39,248,209 common shares outstanding; (ii) 2,243,390 options outstanding (under all of the Company s equity plans) with a weighted average exercise price of $28.53 and a weighted average remaining term of 5.66 years; and

(iii) 754,259 unvested full value awards outstanding (under all of the Company s equity plans).

amended and restated 2010 Plan, a copy of which is attached to this Proxy Statement as Appendix A and is incorporated herein by reference.

Key Features of the 2010 Plan:

- Awards are merit-based as part of our overall compensation program.
- An independent committee of the Board of Directors administers the 2010 Plan.
- Awards other than stock options and stock appreciation rights are charged against the 2010 Plan share reserve at the rate of 1.5 shares for each share actually granted.
- Awards may not be granted later than 10 years from the effective date of the 2010 Plan.
- Awards may be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units and dividend equivalents.
- Stock options and stock appreciation rights may not be repriced without prior approval of our stockholders.
- Stock options and stock appreciation rights may not be granted below fair market value.
- Shares tendered in payment of a stock option, shares withheld for taxes and shares repurchased by the Company generally are not available again for grant under the 2010 Plan.
- The 2010 Plan reserve is reduced by the full amount of shares granted as stock appreciation rights, regardless of the number of shares upon which payment is made.
- Awards granted under the Inducement Plan will be satisfied from the 2010 Plan reserve. If the amendment and restatement is approved by the stockholders, no further awards will be granted under the Inducement Plan.

- As discussed more fully below, the material terms of the performance goals for which we are seeking re-approval relate to the maximum number of certain awards that may be granted as performance-based compensation under the 2010 Plan, and the performance criteria that may be used. For awards of restricted stock and restricted stock units that are intended to be performance-based compensation under Section 162(m) of the Code, the maximum number of shares subject to such awards that may be granted to a participant during a calendar year is two hundred thousand (200,000) shares. The performance criteria that may be considered in granting awards intended to be performance based compensation under Code Section 162(m) are: (1) share price, (2) earnings per share, (3) total stockholder return, (4) operating margin, (5) gross margin, (6) return on equity, (7) return on assets, (8) return on investment, (9) operating income, (10) net operating income, (11) pre-tax profit, (12) cash flow, (13) revenue, (14) expenses, (15) earnings before interest, taxes and depreciation, (16) economic value added, (17) market share, (18) net income, (19) personal goals, (20) sales, (21) improvements in capital structure, (22) earnings before interest, taxes and amortization**,** (23) budget comparisons, (24) controllable profits, (25) expense management, (26) improvements in capital structure, (27) profit margins, (28) operating or gross margin, (29) profitability of an identifiable business unit or product, (30) cash flow, operating cash flow, or cash flow or operating cash flow per share, (31) reduction in costs, (32) return on capital, (33) improvement in or attainment of expense levels or working capital level, and (34) earnings before interest, taxes, depreciation and amortization.

Background Regarding Equity Grants and Expected Grant Practices

- As of September 30, 2013, only 631,097 shares remained available for the grant of future awards under the 2010 Plan.

- We have managed and expect to continue to manage overhang prudently. Overhang is the sum of total awards outstanding and shares available for grant as a percentage of the sum of common shares outstanding, awards outstanding and shares available for grant. If the 2010 Plan is approved by stockholders, the maximum overhang would be 20%.

- We have adhered and expect to continue to adhere to a burn rate (number of shares granted as a percentage of the shares outstanding) of no more than the industry mean plus one standard deviation, as calculated by Institutional Shareholder Services at the time of the equity proposal, or 6.58% per year on average over the next three years, subject to business conditions.

- Awards other than stock options and stock appreciation rights are charged against the 2010 Plan share reserve at the rate of 1.5 shares for each share actually granted.

- The proposed share reserve is expected to last three years, at which point we envision returning to stockholders for further approval of an appropriate share reserve for equity incentives. The original share reserve, which was approved by stockholders on May 14, 2010, was expected to, and did, last for three years.

General Description of 2010 Plan

Purpose. The purpose of the amended and restated 2010 Plan is to provide the Company s employees, consultants and directors, whose present and potential contributions are important to the success of the Company and its affiliates, an incentive, through ownership of the Company s Common Stock, to continue in service to the Company or an affiliate, and to help the Company and its affiliates compete effectively with other enterprises for the services of qualified individuals. As of September 30, 2013, approximately 200 individuals would be eligible to participate in the 2010 Plan.

Shares Reserved for Issuance under the 2010 Plan. If the amendment and restatement is approved by the stockholders, a total of 6,750,000 shares of Common Stock would be reserved for issuance under the 2010 Plan, including the addition of 3,250,000 shares (which includes up to 212,200 shares underlying awards granted under the Inducement Plan, consisting of 124,500 shares subject to options and 87,700 shares subject to RSUs); *provided*, *however*, that the total number of shares of Common Stock that may be granted pursuant to incentive stock options under the 2010 Plan is 3,000,000 shares. Notwithstanding the foregoing, any shares issued in connection with awards other than options and stock appreciation rights shall be counted against the limit set forth herein as one-and-a-half (1.5) shares for every one (1) share issued in connection with such award (and shall be counted as one-and-a-half (1.5) shares for every one (1) share returned or deemed not have been issued from the 2010 Plan). The number of shares of Common Stock available under the 2010 Plan will be subject to adjustment in the event of a stock split, stock or other extraordinary dividend, or other similar change in the Common Stock or capital structure of the Company. The shares to be issued pursuant to awards under the 2010 Plan may be authorized, but unissued, or reacquired Common Stock. As of October 30, 2013, the closing price of Common Stock on The NASDAQ Global Select Market was $29.86 per share.

Any shares subject to an award or portion of an award (including an award originally granted under the Inducement Plan) which is forfeited, canceled or expires shall be deemed not to have been issued for purposes of determining the maximum aggregate number of shares which may be issued under the 2010 Plan. Shares that have been issued under the 2010 Plan pursuant to an award shall not be returned to the 2010 Plan and shall not become available for future issuance under the 2010 Plan, except that if unvested shares are forfeited, or repurchased by the Company at the lower of their original purchase price or their fair market value at the time of repurchase, such shares shall become available for future grant under the Plan. Shares tendered or withheld in payment of an option exercise price or withheld by the Company to satisfy any tax withholding obligation shall not be returned to or become available for future issuance under the 2010 Plan. All shares covered by the portion of an SAR that is exercised (whether or not shares are actually issued upon exercise of the SAR) shall be considered issued pursuant to the 2010 Plan.

The maximum number of shares with respect to which options and stock appreciation rights may be granted to a participant during a calendar year is three hundred thousand (300,000) shares. For awards of restricted stock and restricted stock units that are intended to be performance-based compensation under Section 162(m) of the Code, the maximum number of shares subject to such awards that may be granted to a participant during a calendar year is two hundred thousand (200,000) shares. The foregoing limitations shall be adjusted proportionately by the Administrator in connection with any change in the Company s capitalization due to a stock split, stock dividend or similar event affecting the Common Stock of the Company and its determination shall be final, binding and conclusive.

Administration. The 2010 Plan is administered, with respect to grants to employees, directors, officers, and consultants, by the plan administrator (the Administrator), defined as the Board or one or more committees designated by the Board. With respect to grants to officers and directors, the committee shall be constituted in such a manner as to satisfy applicable laws, including Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and Section 162(m) of Code. The 2010 Plan is administered by the Compensation Committee.

Terms and Conditions of Awards. The 2010 Plan provides for the grant of stock options, restricted stock, restricted stock units, stock appreciation rights, and dividend equivalent rights (collectively referred to as awards). Stock options granted under the 2010 Plan may be either incentive stock options under the provisions of Section 422 of the Code, or non-qualified stock options. Incentive stock options may be granted only to employees. Awards other than incentive stock options may be granted to employees, directors and consultants of the Company and its related entities. To the extent that the aggregate fair market value of shares of the Company s Common Stock subject to options designated as incentive stock options which become exercisable for the first time by a participant during any calendar year exceeds $100,000, such excess options shall be treated as non-qualified stock options. Under the 2010 Plan, awards may be granted to such employees, directors or consultants who are residing in non-U.S. jurisdictions as the Administrator may determine from time to time. Each award granted under the 2010 Plan shall be designated in an award agreement.

The Administrator may issue awards under the 2010 Plan in settlement, assumption or substitution for, outstanding awards or obligations to grant future awards in connection with the Company or a related entity acquiring another entity, an interest in another entity or an additional interest in a related entity whether by merger, stock purchase, asset purchase or other form of transaction. Subject to applicable laws, the Administrator has the authority, in its discretion, to select employees and directors to whom awards may be granted from time to time, to determine whether and to what extent awards are granted, to determine the number of shares of the Company s Common Stock or the amount of other consideration to be covered by each award (subject to the limitations set forth above under Shares Reserved for Issuance under the 2010 Plan), to approve award agreements for use under the 2010 Plan, to determine the terms and conditions of any award (including the vesting schedule applicable to the award), to amend the terms of any outstanding award granted under the 2010 Plan, to construe and interpret the terms of the 2010 Plan and awards granted, to establish additional terms, conditions, rules or procedures to accommodate the rules or laws of applicable non-U.S. jurisdictions and to take such other action not inconsistent with the terms of the 2010 Plan, as the Administrator deems appropriate.

The term of any award granted under the 2010 Plan shall be the term stated in the award agreement, provided, however, that the term of awards may not be longer than ten (10) years (or five (5) years in the case of an incentive stock option granted to any participant who owns stock representing more than 10% of

the combined voting power of the Company or any parent or subsidiary of the Company), excluding any period for which the participant has elected to defer the receipt of the shares or cash issuable pursuant to the award pursuant to a deferral program the Administrator may establish in its discretion.

The 2010 Plan authorizes the Administrator to grant incentive stock options and non-qualified stock options at an exercise price not less than 100% of the fair market value of the Common Stock on the date the option is granted (or 110%, in the case of an incentive stock option granted to any employee who owns stock representing more than 10% of the combined voting power of the Company or any parent or subsidiary of the Company). In the case of stock appreciation rights, the base appreciation amount shall not be less than 100% of the fair market value of the Common Stock on the date of grant. In the case of awards intended to qualify as performance-based compensation, the exercise or purchase price, if any, shall be not less than 100% of the fair market value per share on the date of grant. In the case of all other awards granted under the 2010 Plan, the exercise or purchase price shall be determined by the Administrator. The exercise or purchase price is generally payable in cash, check, shares of Common Stock or with respect to options, payment through a broker-dealer sale and remittance procedure or a net exercise procedure.

The 2010 Plan provides that any amendment that would adversely affect the grantee s rights under outstanding awards shall not be made without the grantee s written consent; *provided*, *however*, that an amendment or modification that may cause an incentive stock option to become a non-qualified stock option shall not be treated as adversely affecting the rights of the grantee. The 2010 Plan also provides that stockholder approval is required in order to (i) reduce the exercise price of any option or the base appreciation amount of any stock appreciation right awarded under the 2010 Plan or (ii) cancel any option or stock appreciation right awarded under the 2010 Plan in exchange for another award at a time when exercise price exceeds the fair market value of the underlying shares unless the cancellation and exchange occurs in connection with a Corporate Transaction. However, canceling an option or stock appreciation right in exchange for another option, stock appreciation right, restricted stock or other award, with an exercise price, purchase price or base appreciation amount (as applicable) that is equal to or greater than the exercise price or base appreciation amount (as applicable) of the original option or stock appreciation right will not require stockholder approval.

Under the 2010 Plan, the Administrator may establish one or more programs under the 2010 Plan to permit selected grantees the opportunity to elect to defer receipt of consideration payable under an award. The Administrator also may establish under the 2010 Plan separate programs for the grant of particular forms of awards to one or more classes of grantees.

Termination of Service. An award may not be exercised after the termination date of such award as set forth in the award agreement. In the event a participant in the 2010 Plan terminates continuous service with the Company, an award may be exercised only to the extent provided in the award agreement. Where an award agreement permits a participant to exercise an award following termination of service, the award shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the award, whichever comes first. Any award designated as an incentive stock option, to the extent not exercised within the time permitted by law for the exercise of incentive stock options following the termination of employment, shall convert automatically to a non-qualified stock option and thereafter shall be exercisable as such to the extent exercisable by its terms for the period specified in the award agreement.

Transferability of Awards. Under the 2010 Plan, awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised during the lifetime of the participant only by the participant. The 2010 Plan permits the designation of beneficiaries by holders of awards, including incentive stock options.

Section 162(m) of the Code. The maximum number of shares with respect to which options and stock appreciation rights may be granted to a participant during a calendar year is 300,000 shares. The foregoing limitation shall be adjusted proportionately by the Administrator in connection with any change

22

in the Company s capitalization due to a stock split, stock dividend or similar event affecting the common stock of the Company and its determination shall be final, binding and conclusive. Under Code Section 162(m) no deduction is allowed in any taxable year of the Company for compensation in excess of $1 million paid to the Company s covered employees. An exception to this rule applies to compensation that is paid to a covered employee pursuant to a stock incentive plan approved by stockholders and that specifies, among other things, the maximum number of shares with respect to which options and stock appreciation rights may be granted to eligible participants under such plan during a specified period. Compensation paid pursuant to options or stock appreciation rights granted under such a plan and with an exercise price equal to the fair market value of the Company s Common Stock on the date of grant is deemed to be inherently performance-based, since such awards provide value to participants only if the stock price appreciates. To the extent required by Section 162(m) of the Code or the regulations thereunder, in applying the foregoing limitation, if any option or stock appreciation right is canceled, the cancelled award shall continue to count against the maximum number of shares of Common Stock with respect to which an award may be granted to a participant.

For awards of restricted stock and restricted stock units that are intended to be performance-based compensation under Section 162(m) of the Code, the maximum number of shares subject to such awards that may be granted to a participant during a calendar year is two hundred thousand (200,000) shares. The foregoing limitation shall be adjusted proportionately by the Administrator in connection with any change in the Company s capitalization due to a stock split, stock dividend or similar event affecting the common stock of the Company and its determination shall be final, binding and conclusive. In order for restricted stock and restricted stock units to qualify as performance-based compensation, the Administrator must establish a performance goal with respect to such award in writing not later than 90 days after the commencement of the services to which it relates and while the outcome is substantially uncertain. In addition, the performance goal must be stated in terms of an objective formula or standard.

Under Code Section 162(m) as currently implemented by the Internal Revenue Service, a covered employee is the Company s chief executive officer and the three other most highly compensated officers of the Company (other than the CFO).

The 2010 Plan includes the following performance criteria that may be considered by the Administrator when granting performance-based awards: (1) share price, (2) earnings per share, (3) total stockholder return, (4) operating margin, (5) gross margin, (6) return on equity, (7) return on assets, (8) return on investment, (9) operating income, (10) net operating income, (11) pre-tax profit, (12) cash flow, (13) revenue, (14) expenses, (15) earnings before interest, taxes and depreciation, (16) economic value added, (17) market share, (18) net income, (19) personal goals, (20) sales, (21) improvements in capital structure, (22) earnings before interest, taxes and amortization**,** (23) budget comparisons, (24) controllable profits, (25) expense management, (26) improvements in capital structure, (27) profit margins, (28) operating or gross margin, (29) profitability of an identifiable business unit or product, (30) cash flow, operating cash flow, or cash flow or operating cash flow per share, (31) reduction in costs, (32) return on capital, (33) improvement in or attainment of expense levels or working capital level, and (34) earnings before interest, taxes, depreciation and amortization.

***Change in Capitalization*.** Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by outstanding awards, and the number of shares of Common Stock which have been authorized for issuance under the 2010 Plan but as to which no awards have yet been granted or which have been returned to the 2010 Plan, the exercise or purchase price of each such outstanding award, the maximum number of shares of Common Stock that may be granted subject to awards to any participant in any calendar year, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted by the Administrator in the event of (i) any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the shares, or similar transaction affecting the Common Stock, (ii) any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company, or (iii) any other transaction with respect to Common Stock including a corporate merger, consolidation, acquisition of property or stock, separation (including a spin-off or other distribution of stock or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration.

Corporate Transactions. Effective upon the consummation of a Corporate Transaction, the Administrator may provide for the termination of outstanding awards under the 2010 Plan. However, such awards shall not terminate to the extent the contractual obligations represented by the awards are assumed by the successor entity. Except as provided in an individual award agreement, for the portion of each award that is not assumed or replaced by the successor corporation, such portion of the award will automatically vest and become exercisable and be released from any repurchase or forfeiture rights immediately prior to the effective date of the Corporate Transaction, provided that the participant s continuous service has not terminated prior to such date.

Under the 2010 Plan, a Corporate Transaction is generally defined as:

- acquisition of 30% or more of the Company s stock by any individual or entity including by tender offer or a reverse merger;
- a sale, transfer or other disposition of all or substantially all of the assets of the Company;
- a merger or consolidation in which the Company is not the surviving entity;
- a complete liquidation or dissolution; or
- a change in the composition of the Board such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are either current Board members or Board members who were elected or nominated for election by at least two-thirds of the current members of the Board.

Amendment, Suspension or Termination of the 2010 Plan. The Board may at any time amend, suspend or terminate the 2010 Plan. The 2010 Plan will be for a term of ten (10) years unless sooner terminated by the Board. To the extent necessary to comply with applicable provisions of federal securities laws, state corporate and securities laws, the Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to awards granted to residents therein, the Company shall obtain stockholder approval of any such amendment to the 2010 Plan in such a manner and to such a degree as is required.

Certain Federal Tax Consequences

The following summary of the federal income tax consequences of the 2010 Plan and the awards granted thereunder is based upon federal income tax laws in effect on the date of this proxy statement. This summary does not purport to be complete, and does not discuss non-U.S., state or local tax consequences or additional guidance that is expected to be issued by the Treasury Department under Section 409A of the Internal Revenue Code.

Non-Qualified Stock Options. The grant of a non-qualified stock option under the 2010 Plan will not result in any federal income tax consequences to the optionholder or to the Company. Upon exercise of a non-qualified stock option, the optionholder is subject to income taxes at the rate applicable to ordinary compensation income on the difference between the option exercise price and the fair market value of the shares on the date of exercise. This income is subject to withholding for federal income and employment tax purposes. The Company is entitled to an income tax deduction in the amount of the income recognized by the option holder, subject to possible limitations imposed by Section 162(m) of the Code and so long as the Company withholds the appropriate taxes with respect to such income (if required) and the option holder s total compensation is deemed reasonable in amount. Any gain or loss on the option holder s subsequent disposition of the shares of Common Stock will receive long or short-term capital gain or loss treatment, depending on whether the shares are held for more than one year following exercise. The Company does not receive a tax deduction for any such gain.

In the event a non-qualified stock option is amended, such option may be considered deferred compensation and subject to the rules of Section 409A of the Code, which provides rules regarding the timing of payment of deferred compensation. An option subject to Section 409A of the Code, which fails to comply with the rules of Section 409A, can result in an additional 20% tax obligation, plus penalties and interest.

Incentive Stock Options. The grant of an incentive stock option under the 2010 Plan will not result in any federal income tax consequences to the option holder or to the Company. An option holder recognizes no federal taxable income upon exercising an incentive stock option (subject to the alternative minimum tax rules discussed below), and the Company receives no deduction at the time of exercise. In the event of a disposition of stock acquired upon exercise of an incentive stock option, the tax consequences depend upon how long the option holder has held the shares of Common Stock. If the option holder does not dispose of the shares within two years after the incentive stock option was granted, nor within one year after the incentive stock option was exercised, the option holder will recognize a long-term capital gain (or loss) equal to the difference between the sale price of the shares and the exercise price. The Company is not entitled to any deduction under these circumstances.

If the option holder fails to satisfy either of the foregoing holding periods, he or she must recognize ordinary income in the year of the disposition (referred to as a disqualifying disposition). The amount of such ordinary income generally is the lesser of (i) the difference between the amount realized on the disposition and the exercise price or (ii) the difference between the fair market value of the stock on the exercise date and the exercise price. Any gain in excess of the amount taxed as ordinary income will be treated as a long or short-term capital gain, depending on whether the stock was held for more than one year. The Company, in the year of the disqualifying disposition, is entitled to a deduction equal to the amount of ordinary income recognized by the option holder, subject to possible limitations imposed by Section 162(m) of the Code and so long as the option holder s total compensation is deemed reasonable in amount.

The spread under an incentive stock option i.e., the difference between the fair market value of the shares at exercise and the exercise price is classified as an item of adjustment in the year of exercise for purposes of the alternative minimum tax. If an option holder s alternative minimum tax liability exceeds such option holder s regular income tax liability, the option holder will owe the larger amount of taxes. In order to avoid the application of alternative minimum tax with respect to incentive stock options, the option holder must sell the shares within the same calendar year in which the incentive stock options are exercised. However, such a sale of shares within the same year of exercise will constitute a disqualifying disposition, as described above.

In the event an incentive stock option is amended, such option may be considered deferred compensation and subject to the rules of Section 409A of the Code. An option subject to Section 409A of the Code, which fails to comply with the rules of Section 409A, can result in an additional 20% tax obligation, plus penalties and interest. In addition, the amendment of an incentive stock option may convert the option from an incentive stock option to a non-qualified stock option.

Restricted Stock. The grant of restricted stock will subject the recipient to ordinary compensation income on the difference between the amount paid for such stock and the fair market value of the shares on the date that the restrictions lapse. This income is subject to withholding for federal income and employment tax purposes. The Company is entitled to an income tax deduction in the amount of the ordinary income recognized by the recipient, subject to possible limitations imposed by Section 162(m) of the Code and so long as the Company withholds the appropriate taxes with respect to such income (if required) and the recipient s total compensation is deemed reasonable in amount. Any gain or loss on the recipient s subsequent disposition of the shares will receive long or short-term capital gain or loss treatment

depending on how long the stock has been held since the restrictions lapsed. The Company does not receive a tax deduction for any such gain.

Recipients of restricted stock may make an election under Section 83(b) of the Code (Section 83(b) Election) to recognize as ordinary compensation income in the year that such restricted stock is granted, the amount equal to the spread between the amount paid for such stock and the fair market value on the date of the issuance of the stock. If such an election is made, the recipient recognizes no further amounts of compensation income upon the lapse of any restrictions and any gain or loss on subsequent disposition will be long or short-term capital gain to the recipient. The Section 83(b) Election must be made within thirty days from the time the restricted stock is issued.

Stock Appreciation Rights. Recipients of stock appreciation rights (SARs) generally should not recognize income until the SAR is exercised (assuming there is no ceiling on the value of the right). Upon exercise, the recipient will normally recognize taxable ordinary income for federal income tax purposes equal to the amount of cash and fair market value of the shares, if any, received upon such exercise. Recipients who are employees will be subject to withholding for federal income and employment tax purposes with respect to income recognized upon exercise of a SAR. Recipients will recognize gain upon the disposition of any shares received on exercise of a SAR equal to the excess of (i) the amount realized on such disposition over (ii) the ordinary income recognized with respect to such shares under the principles set forth above. That gain will be taxable as long or short-term capital gain depending on whether the shares were held for more than one year. The Company will be entitled to a tax deduction to the extent and in the year that ordinary income is recognized by the recipient, subject to possible limitations imposed by Section 162(m) of the Code and so long as the Company withholds the appropriate taxes with respect to such income (if required) and the recipient s total compensation is deemed reasonable in amount.

A SAR can be considered non-qualified deferred compensation and subject to Section 409A of the Code. A SAR that does not meet the requirements of Code Section 409A will result in an additional 20% tax obligation, plus penalties and interest to such recipient.

Restricted Stock Units. Recipients of restricted stock units generally should not recognize income until such units are converted into cash or shares of stock. Upon conversion, the recipient will normally recognize taxable ordinary income for federal income tax purposes equal to the amount of cash and fair market value of the shares, if any, received upon such conversion. Recipients who are employees will be subject to withholding for federal income and employment tax purposes with respect to income recognized upon conversion of the restricted stock units. Participants will recognize gain upon the disposition of any shares received upon conversion of the restricted stock units equal to the excess of (i) the amount realized on such disposition over (ii) the ordinary income recognized with respect to such shares under the principles set forth above. That gain will be taxable as long or short-term capital gain depending on whether the shares were held for more than one year. The Company will be entitled to a tax deduction to the extent and in the year that ordinary income is recognized by the recipient, subject to possible limitations imposed by Section 162(m) of the Code and so long as the Company withholds the appropriate taxes with respect to such income (if required) and the recipient s total compensation is deemed reasonable in amount.

Restricted stock units can be considered non-qualified deferred compensation and subject to Section 409A of the Code. A grant of restricted stock units that does not meet the requirements of Code Section 409A will result in an additional 20% tax obligation, plus penalties and interest to such recipient.

Dividend Equivalent Rights. The grant of a dividend equivalent right under the 2010 Plan will not result in any federal income tax consequences to the recipient or to the Company. Upon exercise, the recipient will normally recognize taxable ordinary income for federal income tax purposes equal to the amount of cash and fair market value of the shares, if any, received upon such exercise. Recipients who are employees will be subject to withholding for federal income and employment tax purposes with respect to income recognized upon exercise of a dividend equivalent right. The Company will be entitled to a tax deduction to the extent and in the year that ordinary income is recognized by the recipient, subject to

possible limitations imposed by Section 162(m) of the Code and so long as the Company withholds the appropriate taxes with respect to such income (if required) and the recipient s total compensation is deemed reasonable in amount.

Dividend equivalent rights also can be considered non-qualified deferred compensation and subject to Section 409A of the Code. A grant of dividend equivalent rights that does not meet the requirements of Code Section 409A will result in an additional 20% tax obligation, plus penalties and interest to such recipient.

Plan Benefits

Grants under the 2010 Plan are discretionary and we last made Company-wide grants in 2013. Accordingly, future grants are not determinable at this time; provided, however, that under the Company s Director Compensation Policy, each non-employee-director receives an annual grant of Restricted Stock with a value determined by the Compensation Committee from time to time. The current value of each non-employee director s annual grant is $100,000.

The Board of Directors recommends a vote FOR the approval of the amendment and restatement of the 2010 Plan.

PROPOSAL 3

ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC s rules.

As described in detail in the Compensation Discussion and Analysis below, our executive compensation programs are designed to attract, motivate, and retain our named executive officers, who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of specific annual, long-term and strategic goals, corporate goals and the realization of increased stockholder value. Please read the Compensation Discussion and Analysis beginning on page 33 for additional details about our executive compensation programs, including information about the fiscal year 2012 compensation of our named executive officers.

We are asking our stockholders to indicate their support for our named executive officer compensation as described in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to express their views on the compensation of our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we will ask our stockholders to vote FOR the following resolution at the Annual Meeting:

RESOLVED, that the Company s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company s Proxy Statement for the 2013 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2012 Summary Compensation Table and the other related tables and disclosure.

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or our board of directors. Our Board of Directors and our Compensation Committee value the opinions of our stockholders and, to the extent there is any significant vote against the named executive officer compensation as disclosed in the proxy statement, we will consider our stockholders concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

The Board of Directors recommends a vote FOR the approval of the compensation of our named executive officers, as disclosed in this proxy statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission.

PROPOSAL 4

RATIFICATION OF THE APPOINTMENT OF

ERNST & YOUNG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Based on the recommendation of the Audit Committee, the Board of Directors has appointed Ernst & Young LLP, an independent registered public accounting firm, to examine the financial statements of Veeco for the year ending December 31, 2013. Ernst & Young LLP (E&Y) has been employed as the independent registered public accounting firm of Veeco since 1990. The fees for December 31, 2012 and 2011 that have been billed through November 4, 2013 are presented for the fiscal year in which they are applicable. Also included in the fees for the year ended December 31, 2012 are services related to the accounting for the results of revenue recognition evaluations, accounting review for the years ended December 31, 2012, 2011, 2010 and 2009 as well as efforts to become current in periodic reporting obligations under the federal securities laws. The following table sets forth the aggregate amount of fees billed for professional services rendered by E&Y to the Company and its subsidiaries in these years.

	For the Year Ended December 31, (in thousands)	
	2012	2011
Audit Fees (1)	$ 6,675	$ 1,180
Audit-related Fees (2)		174
Tax Fees (3)	265	803
Total	$ 6,940	$ 2,157

(1) The aggregate fees billed for professional services rendered by E&Y for the audits of annual financial statements and internal control over financial reporting, review of quarterly financial statements and services that are normally provided by E&Y in connection with statutory and regulatory filings or engagements. Also included in 2012 are fees billed for services related to the accounting for the results of revenue recognition evaluations, accounting review and efforts to become current in periodic reporting obligations under the federal securities laws.

(2) The aggregate fees billed for audit-related services rendered by E&Y, including acquisition due diligence.

(3) The aggregate fees billed for professional services rendered by E&Y for worldwide tax compliance, tax advice and tax planning.

Audit Committee Pre-approval of Audit and Permissible Non-audit Services of Independent Registered Public Accounting Firm

The Audit Committee pre-approves all audit and permissible non-audit services provided by Ernst & Young, the Company s independent registered public accounting firm. The services include audit services, audit-related services, and tax services and may include, to a very limited extent, specifically designated non-audit services which, in the opinion of the Audit Committee, will not impair the independence of the independent registered public accounting firm. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. The Audit

Committee has delegated to the Chairman of the Audit Committee authority to approve permitted services provided that the Chairman reports any decisions to the Audit Committee at its next scheduled meeting. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. In addition, the Audit Committee may, as required, pre-approve particular services on a case-by-case basis.

All of the Ernst & Young fees for 2012 and 2011 shown above were pre-approved by the Audit Committee.

Independence Assessment by Audit Committee

The Company s Audit Committee considered and determined that the provision of the services provided by Ernst & Young as set forth herein is compatible with maintaining Ernst & Young s independence.

Representatives of Ernst & Young will be present at the Annual Meeting and may make a statement if they so desire. They will also be available to respond to appropriate questions.

Stockholders are asked to ratify the action of the Board of Directors in making this appointment. If this appointment is not ratified by the stockholders, the Audit Committee will reconsider the appointment. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different registered public accounting firm at any time during the year if the Audit Committee determines that such change would be in the Company s and the stockholders best interests.

The Board of Directors recommends a vote FOR ratification of the appointment of Ernst & Young as the Company s independent registered public accounting firm for the year ending December 31, 2013.

AUDIT COMMITTEE REPORT

The Audit Committee is responsible for providing independent objective oversight of the Company s auditing, accounting, financial reporting process, its system of internal controls, and legal and ethical compliance on behalf of the Board of Directors. The Committee operates under a charter adopted by the Board, a copy of which is available on Veeco s website (www.veeco.com). Management has the primary responsibility for the financial statements and the reporting process including the system of internal control over financial reporting. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (the 2012 Annual Report on Form 10-K) and the quarterly financial statements for 2012 with management, including the specific disclosures in the section entitled Management Discussion and Analysis of Financial Condition and Results of Operations. The review with management included a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Chairman of the Audit Committee provided active oversight for the accounting review described in the Explanatory Note to the 2012 Annual Report on Form 10-K (the Accounting Review) and the other members of the Audit Committee received periodic updates and provided additional oversight for the accounting review.

The Committee reviewed with the independent registered public accounting firm, who is responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Audit Committee by SAS 61, as amended by SAS 90, *Communication with Audit Committees* and PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That is Integrated With an Audit of Financial Statements and related Independence Rule and Conforming Amendments.* In addition, the Audit Committee has discussed with the independent registered public accounting firm the auditors independence from management and the Company including the matters in the written disclosures and the letter from the independent auditors required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence, and the matters required to be discussed by SAS 90 and considered the compatibility of non-audit services with the auditors independence and satisfied itself as to the independence of the independent registered public accounting firm.

During 2012, management evaluated the Company s system of internal control over financial reporting in accordance with the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Committee received periodic updates provided by management and the independent registered public accounting firm at each regularly scheduled Audit Committee meeting. At the conclusion of the process, management provided the Audit Committee with a report on the effectiveness of the Company s internal control over financial reporting. The Audit Committee also reviewed the report of management contained in the Company s Annual Report on Form 10-K filed with the SEC, as well as the Reports of Independent Registered Public Accounting Firm (included in the Company s Annual Report on Form 10-K). These reports related to its audit of (i) the consolidated financial statements and (ii) the effectiveness of internal control over financial reporting. The Committee continues to oversee the Company s efforts related to its internal control over financial reporting and management s preparations for the evaluations in fiscal 2013.

The Audit Committee discussed with the Company s internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Committee meets with the internal auditors and independent registered public accounting firm with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal control over financial reporting, and the overall quality of the Company s financial reporting. The Committee held fourteen meetings during 2012. In addition, the Chairman of the Audit Committee held numerous meetings during 2012 and 2013 with the Company and with representatives of the independent registered public accounting firm in connection with the accounting review discussed above.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Annual Report on Form 10-K for filing with the SEC. The Audit Committee and the Board have also recommended, subject to stockholder approval, the selection of the Company s independent registered public accounting firm.

Keith D. Jackson

Roger D. McDaniel

Peter J. Simone (Chairman)

EXECUTIVE COMPENSATION

Executive Officers

The executive officers of Veeco, and their ages, as of October 18, 2013, are as follows:

Name	Age	Position
John R. Peeler	58	Chairman and Chief Executive Officer
David D. Glass	54	Executive Vice President and Chief Financial Officer
William J. Miller, Ph.D.	45	Executive Vice President, Process Equipment
Peter Collingwood	53	Senior Vice President, Worldwide Sales and Service
John P. Kiernan	51	Senior Vice President, Finance, Corporate Controller and Treasurer

John R. Peeler has been Chief Executive Officer and a Director of Veeco since July 2007, and Chairman since May 2012. Prior thereto, he was Executive Vice President of JDSU and President of the Communications Test & Measurement Group of JDSU, which he joined upon the closing of JDSU s merger with Acterna, Inc. (Acterna) in August 2005. Before joining JDSU, Mr. Peeler served as President and Chief Executive Officer of Acterna. Mr. Peeler joined a predecessor of Acterna in 1980 and served in a series of increasingly senior leadership roles including Vice President of Product Development, Executive Vice President and Chief Operating Officer, and President and CEO of TTC, the Communications Test equipment company. Mr. Peeler also serves on the board of IPG Photonics Corporation.

David D. Glass has been Executive Vice President and Chief Financial Officer of Veeco since January 2010. Prior to joining Veeco, Mr. Glass served in various senior executive positions with Rohm and Haas Company, a $10 billion global specialty materials company that was acquired in 2009 by The Dow Chemical Company. These positions included serving from 2007 to January 2009 as Chief Financial Officer of Rohm and Haas $2 billion Electronic Materials division and Chief Financial Officer of the Rohm and Haas Asia-Pacific region, serving from 2003-2007 as Rohm and Haas Corporate Controller. Prior thereto, Mr. Glass was President of Toso-Haas, a stand-alone joint venture between Rohm and Haas and Tosoh of Japan.

William J. Miller, Ph.D. has been Executive Vice President, Process Equipment since December 2011, and was Executive Vice President, Compound Semiconductor from July 2010 until December 2011. Prior thereto, he was Senior Vice President and General Manager of Veeco s MOCVD business since January 2009. From January 2006 to January 2009, Dr. Miller was Vice President, General Manager of Veeco s Data Storage equipment business. He held leadership positions of increasing responsibility in both the engineering and operations organizations since he joined Veeco in November 2002. Prior to joining Veeco, he held a range of engineering and operations leadership positions at Advanced Energy Industries.

Peter Collingwood has been Senior Vice President, Worldwide Sales and Service since January 2009. From October 2008 to December 2008, he was Vice President and General Manager for Veeco s European operations. He joined Veeco from JDSU (formerly Acterna, which was formerly TTC), where he served as the Regional Vice President of Sales for Europe, Middle East and Africa for the Communications Test Division from April 2004 to December 2008. Prior to that, he held various management positions at JDSU and JDSU s predecessors from January 1987 to April 2004.

John P. Kiernan has been Senior Vice President, Finance, Chief Accounting Officer, Corporate Controller and Treasurer since December 2011. From July 2005 to November 2011, he was Senior Vice President, Finance, Chief Accounting Officer and Corporate Controller. Prior thereto, he was Vice President, Finance and Corporate Controller of Veeco from April 2001 to June 2005, Vice President and Corporate Controller from November 1998 to March 2001, and Corporate Controller from February 1995 to November 1998. Prior to joining Veeco, Mr. Kiernan was an Audit Senior Manager at Ernst & Young LLP from October 1991 through January 1995 and held various audit staff positions with Ernst & Young LLP from June 1984 through September 1991.

COMPENSATION DISCUSSION AND ANALYSIS

Veeco s compensation programs for the named executive officers (NEOs) listed in the Summary Compensation Table and the Company s other executives are designed to aid in the attraction, retention and motivation of these employees. The Company seeks to foster a performance-oriented culture through these compensation programs by linking a significant portion of each executive s compensation to the achievement of performance targets important to the success of the Company and its shareholders. This Compensation Discussion and Analysis describes Veeco s current compensation programs and policies, which are subject to change.

Executive Compensation Strategy and Objectives

The Company s executive compensation strategy is designed to deliver competitive, performance-based total compensation that reflects our culture and the markets we serve. The primary objectives of Veeco s executive compensation programs are to attract, retain and motivate executives critical to the Company s long-term growth and success resulting in the creation of increased shareholder value without subjecting shareholders to unnecessary and unreasonable risks. To this end, the Company has adopted the following guiding principles:

a. *Performance-based:* Compensation levels should be determined based on Company, business unit and individual results compared to quantitative and qualitative performance priorities set at the beginning of the performance period. Additionally, the ratio of performance-based compensation to fixed compensation should increase with the level of the executive, with the greatest amount of performance-based at-risk compensation at the CEO level.

b. *Shareholder-aligned:* Cash bonus metrics and equity-based compensation should represent a significant portion of potential compensation to more closely align the interests of executives with those of the shareholders.

c. *Fair and Competitive:* Compensation levels should be fair, internally and externally, and competitive with overall compensation levels at other companies in our industry, including larger companies from which we may want to recruit.

Our compensation programs are comprised of four elements: base salary, cash bonus, equity-based compensation and benefits and perquisites. Each of these programs is used to attract executives and reward them for performance results. In addition to cash-based compensation, the Company uses equity-based compensation to (i) align the interests of executives with stockholders in the creation of long-term value, (ii) retain employees through the use of vesting schedules, and (iii) foster a culture of stock ownership. The Company provides cost-effective benefits and perquisites it believes are required to remain competitive, with the goal of promoting enhanced employee productivity and loyalty to the Company.

Additional information regarding each element of our compensation program is described below.

Process for Making Compensation Decisions

The Compensation Committee of the Board (the Committee) administers the Company s compensation programs operating under a charter adopted by the Board of Directors. This charter authorizes the Committee to interpret the Company s compensation, equity and other benefit plans and establish the rules for their implementation and administration. The Committee consists of three non-employee directors who are appointed annually. The Committee works closely with the Chief Executive Officer (CEO) and the Senior Vice President, Human Resources and relies upon information provided by independent compensation consultants.

In making compensation decisions, the Committee considers the compensation practices and the competitive market for executives at companies with which we compete for talent. To this end, the Company utilizes a number of resources which, during 2012, included: meetings with Compensation Strategies, Inc., an independent compensation consultant; compensation surveys prepared by Radford; and executive compensation information compiled by Compensation Strategies, Inc. from the proxy statements of other companies, including a peer group.

In 2012, our peer group (the Peer Group) consisted of sixteen companies. Following a review of companies operating in the same general industry as Veeco with revenues within a comparable range, four companies were removed from the Peer Group in 2012 because their revenues fell outside the comparable range: Electro Scientific Industries, Inc., FSI International Inc., LTX Credence Corporation, and Ultra Clean Holdings, Inc. In addition, two companies were removed from the Peer Group in 2012 because they were acquired during the period: Varian Semiconductor Equipment Associates and Verigy Limited. For 2012, the Peer Group consisted of the following companies:

Applied Materials Inc.	Kulicke and Soffa Industries, Inc.
Axcelis Technologies Inc.	Lam Research Corporation
Brooks Automation Inc.	MKS Instruments, Inc.
Coherent Inc.	Newport Corporation
Cohu, Inc.	Novellus Systems, Inc.
Cymer, Inc.	Teradyne, Inc.
GT Advanced Technologies Inc.	Tessera Technologies, Inc.
KLA-Tencor Corporation	Ultratech Inc.

Compensation Strategies uses statistical regression techniques to adjust the market data to construct market pay levels that are reflective of Veeco s size based on revenues.

The Company considers the executive compensation practices of the companies in its Peer Group and the Radford survey (collectively, the market data) as only one of several factors in setting compensation. The Company does not target a percentile range within the Peer Group and instead uses the market data only as a reference point in its determination of the types and amount of compensation based on its own evaluation. For 2012, total compensation of Veeco s NEOs and other executives is believed to be generally within the 50th to 75th percentile of the market, although individuals may be compensated above or below this level for various reasons including but not limited to competitive factors, Veeco s financial and operating performance and consideration of individual performance and experience.

In addition to reviewing the market data, the Committee meets with the Company s CEO and Senior Vice President, Human Resources to consider recommendations with respect to the compensation packages for the NEOs and other executives. These recommendations include base salary levels, cash bonus targets, equity compensation awards and benefit and perquisite programs. The Committee considers these recommendations along with other factors in determining specific compensation levels for the NEOs.

The Committee discusses the elements of the CEO s compensation with him but makes the final decisions regarding his compensation without him present. The Committee presents its recommendations to the full Board of Directors for final approval, without the CEO present.

Decisions regarding the Company s compensation program elements are made by the Committee in regularly scheduled meetings. The Committee also meets to consider ad hoc issues. Issues of significant importance are frequently discussed over several meetings. This practice provides the Committee with the opportunity to raise and address concerns before arriving at a decision. Prior to each meeting, the

Committee is provided with the written materials, information and analysis, as may be required to assist the Committee in its decision-making process. To the extent possible, meetings of the Committee are conducted in person; where this is not possible, meetings are conducted telephonically. The CEO and the Senior Vice President, Human Resources are regularly invited to attend Committee meetings. The Committee meets privately in executive sessions to consider certain matters, including, but not limited to, the compensation of the CEO.

The Accounting Review impacted certain of the Company s executive compensation practices including the calculation of 2012 bonus awards, the 2013 annual equity award process and the vesting of restricted stock unit awards previously granted. The impact on each of these practices is discussed below in the relevant section.

Elements of Our Compensation Program

The Company seeks to achieve its compensation objectives through four key elements of compensation:

- Base Salary,
- Cash Bonus,
- Equity-based Compensation and
- Benefits and Perquisites.

Base Salary

The Company pays base salaries to attract executives and reward them for performance. Base salaries are determined in accordance with the responsibilities of each executive, market data for the position and the executive s experience and individual performance. The Company considers each of these factors but does not assign a specific value to any one factor.

In January 2012, following a review of the market data and individual performance results, including management s recommendations, and in recognition of his promotion to Executive Vice President, Process Equipment, the Committee approved an increase in base salary for Dr. Miller from $385,000 to $415,002.

Base salaries for executives are typically set during the first half of the year in conjunction with the Company s annual performance management process. However, in April 2012, following a review of the market data and management s recommendations in connection with the Company s cost reduction initiatives, the Committee decided to maintain base salaries for the other NEOs at their current levels.

Cash Bonus Plans

The Company provides the opportunity for cash bonuses under its annual Management Bonus Plan and, in the case of sales executives including Mr. Collingwood, the Sales Commission Plan, to attract executives and reward them for performance consistent with the belief that a significant portion of the compensation of its executives should be performance-based. As a result, individuals are compensated based on the achievement of specific financial and individual performance goals intended to correlate closely with shareholder value. The Company believes that the opportunity to earn cash bonuses motivates executives to meet Company performance objectives that, in turn, are linked to the creation of shareholder value. The cost of bonus awards is factored into financial performance results before bonus awards are determined. This ensures that the cost of our bonus plans is included in our financial results. Executives must generally be employees at the end of the applicable performance period to be eligible to receive a bonus for that period, a feature that aids in the retention of talent.

Target bonus awards under the Management Bonus Plan for each NEO are expressed as a percentage of base salary. For 2012, the target bonus for the CEO was 100% and the target bonuses for Messrs. Glass, Collingwood and Kiernan were 70%, 30%, and 50%, respectively. In January 2012, in recognition of his promotion to Executive Vice President, Process Equipment, the Committee approved an increase in the target bonus for Dr. Miller from 60% to 70%.

In 2012, the Management Bonus Plan for the NEOs and all other executives was comprised of (i) the annual Management Incentive Plan, the target bonus for which is equal to 75% of each NEO s Management Bonus Plan target bonus, and (ii) the quarterly Management Profit Sharing Plan, the target bonus for which is equal to 25% of each NEO s Management Bonus Plan target bonus.

In the fourth quarter of 2012, the Company s accounting review commenced and the calculation and payment of 2012 bonuses including the fourth quarter 2012 Management Profit Sharing Plan and the full year 2012 Management Incentive Plan was suspended pending completion of the accounting review and a return to timely financial reporting. Following completion of the accounting review, bonuses under each of the aforementioned plans were calculated based on the financial results as reported in the Form 10-K for 2012.

2012 Management Incentive Plan

In January 2012, the Committee adopted the 2012 Management Incentive Plan (the MIP) which was based on the financial performance of the Company as measured primarily by adjusted earnings before interest, income taxes and amortization, excluding certain items (EBITA). EBITA is the financial measure used by the Company as the primary measure of financial performance. The MIP also incorporates secondary performance measures including: (1) revenue, (2) bookings, and (3) individual performance.

If EBITA results exceeded a pre-determined threshold, MIP funding targets were adjusted, ranging from 50% of the target (for threshold performance) to 100% of the target (for target performance) to 200% of the target (for maximum or greater performance). No awards were earned under the MIP if EBITA results were less than the threshold performance level. Otherwise, the adjusted MIP funding target was divided into three secondary elements: (1) Revenue (weighted at 30%), (2) Bookings (weighted at 30%), and (3) Individual Performance (weighted at 40%).

Actual bonus awards under the MIP were based on these secondary measures, each as compared to targets, calculated independently and then added together. Awards under each of the secondary performance measures could range from 70% of target for threshold performance to 100% for target performance and 150% for maximum or greater performance with no award for performance less than threshold. In the case of individual performance, awards may be decreased but not increased based on individual performance results.

Following the accounting review and the completion of our 2012 financial statements, the Committee compared performance results to pre-established targets for each element of the plan for fiscal 2012. Bonus payments under the MIP were calculated as follows: Each NEO s MIP target was first modified by the performance of the primary element (EBITA) resulting in an adjusted funding target. The adjusted funding target was then divided into three secondary elements, with weights as described above, and a bonus award for each element was calculated based on the comparison of actual results to the pre-established targets. The final MIP award was the sum of the three secondary elements, each as adjusted for performance results. The following tables illustrate performance versus plan and the resulting bonus award for each financial element:

	Primary Element EBITA		
	Target	Plan Performance	Funding Target Adjustment
Veeco Consolidated	$ 77.768M	79.9%	59.8%

	Secondary Elements					
	Revenue			Bookings		
	Target	Plan Performance	Bonus Award	Target	Plan Performance	Bonus Award
Veeco Consolidated	$ 571.129M	90.4%	85.5%	$ 617.177M	63.5%	0%

Awards for individual performance were based on results compared to goals set by the CEO at the beginning of the year in connection with the Company s performance management process. The CEO s individual performance goals were set by the Board at the beginning of the year. Mr. Peeler s individual performance goals and bonus award are discussed in more detail in the Compensation of the Chief Executive Officer section below.

Mr. Peeler evaluated the individual performance of the other NEOs and executives by reviewing the goals set at the beginning of the year and determining the level of achievement of each goal. The goals were not weighted and the award was considered on the totality of the individual performance results for each executive. Individual performance results could range from zero to 100%. After evaluation, Mr. Peeler made individual performance recommendations to the Committee, for each of the other NEOs, equal to 100%.

The individual goals for the NEOs (other than Mr. Peeler, whose goals are discussed in the section Compensation of the Chief Executive Officer below) are described in the table below.

NEO	Position	2012 Individual Performance Goals
D. Glass	Executive Vice President and Chief Financial Officer	1. Help drive Veeco s acquisition strategy and decision process. 2. Drive improvements in metrics and measure progress toward goals in delivering services and consumables. 3. Continue to enhance business and financial processes commensurate with managing results during industry down-cycle. 4. Implement a new finance organization structure. 5. Drive Veeco-wide expense reduction and cash generation improvements during industry down-cycle. 6. Enhance IT team performance and drive to best-in-class benchmark performance vs. peer companies.
W. Miller	Executive Vice President, Process Equipment	1. Implement PLC methodology and discipline to improve product development success rate.

2. Refine and strengthen services strategy and deliver service revenue growth.

3. Development of leadership and organization.

4. Drive acquisition strategy.

5. Expand key account structure to sell multiple BU products cohesively to key accounts.

6. Implement a responsive field/factory escalation process and make technical support a competitive weapon.

P. Collingwood	Senior Vice President, Worldwide Sales & Service	1. Grow market share in top 15 accounts. 2. 50% growth in services bookings. 3. Product growth in 2012. 4. Achieve specific regional goals.
J. Kiernan	Senior Vice President, Finance and Corporate Controller	1. Support merger and acquisition activity. 2. Create a competitive advantage for Veeco by (a) introducing lease financing alternatives and (b) streamlining customer touch points from quote to cash. 3. Continue to drive excellence in financial reporting accuracy and controls. 4. Implement a new finance organization structure. 5. Deliver solid financial performance during industry down-cycle.

As a result of financial performance for EBITA, revenue and bookings and individual performance, Messrs. Peeler, Glass, Collingwood and Kiernan and Dr. Miller earned MIP awards for 2012 equal to 39.3% of their MIP target bonus or $206,274, $79,416, $28,311, $42,231 and $85,604, respectively. After reducing these awards to account for the excess Management Profit Sharing Plan payments made with respect to Q3 2012 (described below), the MIP awards for 2012 for Messrs. Peeler, Glass, Collingwood and Kiernan and Dr. Miller are $200,483, $77,186, $27,549, $41,045 and $83,201, respectively.

2012 Management Profit Sharing Plan

In January 2012, the Committee approved the 2012 Management Profit Sharing Plan (the MPSP). Awards under the MPSP were earned when quarterly Company EBITA was at least 5% of revenue for the period, in which case a pool comprised of 2.36% of EBITA (as determined in January 2012 based on the sum of the target profit sharing bonuses for all participants and planned 2012 EBITA) was funded. Awards to participants were made from this pool in accordance with their target bonus amounts. The Company s 2012 quarterly EBITA (as a percentage of Company revenue) and the profit sharing award for each quarter (as a percentage of the target bonus) are set forth in the chart below.

	Q1	**Q2**	**Q3**	**Q4**
EBITA (as % of Revenue)	18.1%	14.9%	13.0%	<5%
Award (as % of Target Bonus)	146.2%	113.4%	93.9%	0%

Following the conclusion of the accounting review and the completion of our 2012 financial statements, the Committee reviewed the 2012 MPSP payments made in Q1, Q2 and Q3 and determined that awards paid for Q3 2012 were overstated relative to adjusted financial results. Q3 EBITA, as a percentage of revenue, was revised downward to 10.7% (from 13.0%) and the Q3 MPSP Award was reduced to 80.6% (from 93.9%).

Any excess Q3 MPSP payments were deducted from amounts payable under the 2012 MIP awards. Messrs. Peeler, Glass, Collingwood and Kiernan and Dr. Miller were paid 2012 awards of $154,652, $59,541, $20,347, $31,662 and $64,181, respectively, and earned 2012 awards of $148,861, $57,311, $19,586, $30,476 and $61,777, respectively.

2012 Sales Commission Plan

The Company s Sales Commission Plan provides eligible participants, including Mr. Collingwood, with an opportunity to earn cash commissions based on the achievement of sales objectives, or quotas. Mr. Collingwood s 2012 target under the Sales Commission Plan was $122,800, which was based on a quota of $617.177M. For 2012, 25% of commissions are earned at the time of booking, with the balance earned upon revenue recognition. Mr. Collingwood s quota was established in early 2012. Mr. Collingwood achieved 64% of his quota, which will result in commissions of $80,537 upon completion of revenue recognition.

2012 Supplemental Services Bonus Plan

In March 2012, the Committee approved the 2012 Supplemental Services Bonus Plan (the SSBP). The Plan was established to provide a specific incentive for participants to achieve the Company s 2012 services revenue plan.

Awards under the SSBP were based on 2012 total Company services revenue. Each of the participants in the Company s 2012 Management Bonus Plan participated in the SSBP, including Messrs. Peeler, Glass, Collingwood and Kiernan and Dr. Miller. The target bonuses, as a percentage of base salary, for Messrs. Peeler, Glass, Collingwood and Kiernan and Dr. Miller were 7.5%, 5.25%, 4.5%, 3.75% and 10.5%, respectively. Awards under the Plan ranged from 0% to 300% of target and were calculated for results between threshold ($125M, at which 20% of the target bonus would be paid and below which no bonus would be paid), target ($148M, at which 100% of the target bonus would be paid) and maximum ($200M, at which 300% of the target bonus would be paid). Participants must have been active employees on December 31, 2012 to have been eligible for an award. Awards, if earned, would have been paid during the first quarter of 2013.

No awards were earned or paid under the SSBP because the actual results were less than the threshold.

Summary of 2012 Cash Bonus Awards

Under the 2012 Cash Bonus Plans, as described above, the total awards earned by Messrs. Peeler, Glass, Collingwood and Kiernan and Dr. Miller was equal to $355,135, $136,727, $128,433, $72,707 and $147,382, respectively.

2013 Cash Bonus Plans

In January 2013, the Committee elected to defer adoption of the 2013 Management Bonus Plan (the MBP), including the Management Incentive Plan and the Management Profit Sharing Plan, for the first half of the year in connection with the Company s cost-reduction efforts. The Committee also confirmed its intention to consider reinstating the MBP for the second half of the year. In July 2013, the Committee elected to not adopt a 2013 MBP.

Equity-Based Compensation

The Company believes that a substantial portion of an executive s compensation should be awarded in equity since equity-based compensation is directly linked to shareholder interests. The Company grants equity-based awards, such as stock options and restricted stock or restricted stock units (restricted stock), to the NEOs and certain other key employees to create a clear and meaningful alignment between compensation and shareholder return and to enable the NEOs and other employees to develop and maintain a stock ownership position. Equity-based awards vest over time and, in certain cases as a function of performance, are subject to the recipient s continued employment, therefore also acting as a significant retention incentive.

The Company uses a combination of stock option grants and performance-based restricted stock awards as elements of a cost-effective, long-term incentive compensation strategy. Because stock options have intrinsic value to the holder only if the Company s stock price increases, the Committee believes that higher-level executives should receive a greater portion of their long term incentive in the form of stock options. The Committee believes that performance-based restricted stock awards are an effective means for creating stock ownership among the Company s executives and incentivizing key performance objectives.

The Company considered several factors in the design of the 2012 annual equity award process. Long term incentive compensation guidelines, denominated as a dollar value and based on the market data (as discussed above), were developed for each of the NEOs and the other executives. The Company determined the value of its stock options based on the Black-Scholes option valuation methodology. Performance-based restricted stock awards were valued at fair market value. The guideline value for each NEO was then split between stock options and restricted stock awards with a designated ratio.

The actual number of stock options or restricted stock awards granted to each individual was based on several factors including, but not limited to, a fixed budget for awards, the Company s guidelines (as described above), the individual s level of responsibility, past performance and ability to affect future Company performance and noteworthy achievements. The CEO applied these factors, in a review of each of his direct reports, and made equity award recommendations to the Committee. The CEO discussed the rationale for his recommendations with the Committee. The Committee then approved a schedule setting forth all awards to all employees, on an individual-by-individual basis.

On May 25, 2012, the Committee granted stock option and performance-based restricted stock awards to the NEOs as follows:

		Stock Options		Restricted Stock	
Name	**Date of Grant**	**Amount**	**Exercise Price**	**Amount**	**Fair Market Value Per Share**
John Peeler	5/25/12	80,000	$ 33.00	30,000	$ 33.00
David Glass	5/25/12	30,000	$ 33.00	9,500	$ 33.00
William Miller	5/25/12	35,000	$ 33.00	10,200	$ 33.00
Peter Collingwood	5/25/12	20,000	$ 33.00	6,500	$ 33.00
John Kiernan	5/25/12	18,500	$ 33.00	5,750	$ 33.00

The Committee considered the following factors in determining the equity awards for each NEO. Stock option awards and performance-based restricted stock grants to Mr. Peeler are discussed under Compensation of the Chief Executive Officer below. In determining the award to Mr. Glass, the Committee took into account his leadership of the Company s finance function, the positive contributions he made to the Company over the prior year and the total value of his compensation when compared to market data. Dr. Miller s equity awards were determined after taking into account his continued strong contributions to the Company s Process Equipment Group, the total value of his compensation when compared to market data and his promotion to Executive Vice President, Process Equipment. Mr. Collingwood s equity awards reflect his significant contributions to the Company s global sales and services organization over the previous year and the total value of his compensation when compared to market data. Mr. Kiernan s equity awards were determined after taking into account his contributions to the Company and the total value of his compensation package compared to market data.

Stock option awards, including those granted in 2012, reflect an exercise price equal to the closing price of Veeco common stock on the trading day prior to the grant date, have a term of ten years from the grant date and become exercisable over a three year period with one third of the award becoming exercisable on each of the first three anniversaries of the grant. All of the restricted stock awards granted to the NEOs on May 25, 2012 are subject to the achievement of designated performance criteria. The restricted stock awards are eligible for vesting over a four (4) year period based on achievement of EBITA goals as follows: 100% of the award will vest if EBITA for the four fiscal quarters ended June 30, 2013 (the initial performance period) is at least 10% of revenue and 25% of the award will vest if EBITA is at least 6% of revenue (with prorated vesting for results between the threshold and target amounts). If all or any

portion of the award does not vest based on performance during the initial performance period, then 100% of the award will vest if EBITA for the four fiscal quarters ending September 30, 2013 is at least 8% of revenue, and 25% vest if EBITA is at least 4% of revenue (with prorated vesting for results between the threshold and target amounts). Once earned, performance-based restricted stock awards vest, and are no longer subject to risk of forfeiture over a four year period with one third of the award vesting on the second anniversary of the grant and an additional one third of the award becoming vested on each of the next two anniversaries.

Except as otherwise set forth in the employment agreement between the Company and Mr. Peeler, restricted stock awards granted in June 2008 vested 100% on the fifth anniversary of the grant and were subject to accelerated vesting based on the achievement of certain two-year cumulative financial performance objectives. As a result of 2008 and 2009 financial performance, the Company previously determined that the vesting would not be accelerated under these provisions. Concerned that the five-year vesting schedule, coupled with the fact that most outstanding stock options were significantly underwater, would reduce the retention incentive of outstanding equity awards, the Committee approved a three-year vesting schedule for the May 2009 restricted stock awards with one-third of each award vesting on each of the first three anniversaries of the date of grant. The restricted stock awards granted in June 2010 (other than to Messrs. Peeler and Glass) were subject to the general vesting schedule of four years, with one third of the award vesting on the second anniversary of the grant and an additional one third becoming exercisable on each of the next two anniversaries of the grant. Based on achievement of pre-determined performance goals, the June 2010 restricted stock unit awards to Messrs. Peeler and Glass were deemed to have been earned on August 2, 2011 with one third of the award vesting on that date and another third vesting on August 2, 2012 and the remaining third would have become vested on August 2, 2013 except for the then current suspension of vesting for restricted stock unit awards as described below. The restricted stock awards granted in June 2011 to the NEOs, including Messrs. Peeler and Glass, were based on the achievement of pre-determined performance goals. These goals were deemed to have been met in July 2012 following which the awards commenced vesting in accordance with the general four year vesting schedule, with one third of the award vesting on the second anniversary of the grant and an additional one third becoming vested on each of the next two anniversaries of the grant.

The Committee typically approves annual equity awards at a scheduled meeting, held during the two month period following the annual meeting of stockholders and during an open trading window in accordance with the Company s Corporate Governance Guidelines. The 2012 equity awards were approved by the Committee in accordance with this practice and the number of stock options and restricted shares awarded to each employee, including the NEOs, was determined on May 25, 2012. As with all equity awards, the stock option exercise price is the closing price of Veeco common stock on the trading day prior to the grant date ($33.00 for stock options granted on May 25, 2012). The Committee has not granted, nor does it intend to grant, equity compensation to executives in anticipation of the release of material nonpublic or other information that could result in changes to the price of the Company s stock. Furthermore, the Committee has not timed, nor does it intend to time, the release of material nonpublic information based on equity award grant dates.

As a result of the Company s delayed filing of its 2012 Annual Report on Form 10-K, on May 1, 2013 the Company suspended the exercise of stock option awards and the delivery of shares for vested restricted stock unit awards previously granted.

In addition, as a result of the accounting review being conducted at the time equity awards would have normally been granted in 2013, the Committee determined that it was appropriate to delay the grant of 2013 equity awards until the accounting review was completed and following the subsequent meeting of stockholders.

Say-on-Pay

Our Board of Directors, the Committee and our management value the opinions of our stockholders. At the 2012 annual meeting of stockholders, more than 89% of the votes cast on the say-on-pay proposal were in favor of our named executive officer compensation. The Board of Directors and the Committee reviewed the final vote results and we did not make any changes to our executive compensation program as a result of the vote results. We have determined that our stockholders should vote on a say-on-pay proposal each year.

Benefits and Perquisites

The Company provides the benefits and perquisites to its executive officers that it believes are required to remain competitive, with the goal of promoting enhanced employee productivity and loyalty to the Company. The Committee periodically reviews the levels of benefits and perquisites provided to executive officers. The NEOs participate in the Company s 401(k) savings plan and other benefit plans on the same basis as other similarly-situated employees. The Company provides a 401(k) savings plan under which it provides matching contributions of fifty cents for every dollar an eligible employee contributes, up to 6% of such employee s eligible compensation. The plan calls for vesting of Company contributions over the initial five years of a participant s employment with the Company. The Company also provides group term life insurance for its employees, including the NEOs. The amounts of the Company s 401(k) matching contributions and group term life insurance premiums for the NEOs are included under the caption All Other Compensation in the Summary Compensation Table appearing elsewhere in this Annual Report on Form 10-K. The Company also provides a car allowance for each of the NEOs. Such amounts are also included under the caption All Other Compensation in the Summary Compensation Table. The Company does not maintain other perquisite programs, such as post-retirement health and welfare benefits, defined or supplemental pension benefits or deferred compensation arrangements.

The Company adopted, in early 2009, the Senior Executive Change in Control policy intended to provide specified executives, including Messrs. Collingwood, Glass, Kiernan and Dr. Miller, with certain severance benefits in the event that their employment is terminated under qualifying circumstances related to a Change in Control. The Committee recognizes that, as is the case for most publicly held companies, the possibility of a change in control exists, and the Company wishes to ensure that the NEOs are not disincentivized from discharging their duties in respect of a proposed or actual transaction involving a change in control. Accordingly, the Company wanted to provide additional inducement for such NEOs to remain in the employ of the Company. Before approving the policy, the Committee reviewed similar practices at peer companies and a tally sheet illustrating the value of the benefits provided to each covered employee under the policy.

Compensation of the Chief Executive Officer

Mr. Peeler s compensation for 2012, which is consistent with the compensation objectives expressed herein and determined in connection with his hiring in 2007, was designed to successfully recruit him to and retain him at Veeco. His package originally reflected compensation at his previous employer, including its efforts to retain him, and a review of the market data for CEO compensation. The principal elements of Mr. Peeler s compensation package include: (i) a base salary of $630,000 (which was increased to $700,000 in 2011 and maintained at that level for 2012); (ii) eligibility for an annual Management Bonus Plan award equal, at target, to 100% of his base salary; and (iii) a car allowance of $1,500 per month.

In addition, the Company reimburses Mr. Peeler s reasonable housing and related transportation expenses. On April 25, 2012, the Company amended its employment agreement with Mr. Peeler. The amendment extended the Company s obligation to reimburse the reasonable housing expenses of Mr. Peeler in the Woodbury, New York area and his transportation expenses to/from the Woodbury area from/to his home in Maryland, including tax gross-up for these amounts, through April 25, 2015, and provides that such amounts shall not exceed $150,000 per year. For 2012, the actual expenses associated with Mr. Peeler s housing and transportation allowance were approximately $48,618 (which amount, when grossed-up for tax purposes, totaled approximately $94,349).

For 2012, Mr. Peeler earned a Management Incentive Plan award of $206,274, representing 39.3% of his target. This amount was based on Veeco Consolidated EBITA, revenue and bookings each as compared to pre-determined targets and a review of his performance against individual objectives. His individual performance objectives included: (1) increasing the Company s product portfolio and gaining market share, (2) increasing the Company s services and consumables business, (3) preparing the Company s talent and organization for long-term growth, and (4) delivering solid financial performance during an industry down cycle. The Committee evaluated Mr. Peeler s performance in executive session and formulated and presented a recommendation to award Mr. Peeler 100% of the value for individual performance to the full Board of Directors. The Board approved this recommendation. Mr. Peeler s Management Incentive Plan award will be paid in the fourth quarter of 2013.

Under the terms of the quarterly 2012 Management Profit Sharing Plan, Mr. Peeler earned $63,975, $49,608, $35,277 and $0 for the first, second, third and fourth quarters of 2012, representing 146.2%, 113.4%, 80.6% and 0%, respectively, of his profit sharing target for the first, second, third and fourth quarters of 2012. Profit-sharing awards were based on EBITA results.

Mr. Peeler s 2012 equity compensation was comprised of a combination of stock options and performance-based restricted stock. In conjunction with an analysis of Mr. Peeler s total compensation package, and taking into consideration market data, his strong performance during 2012 and the importance of retaining him, the Committee formulated an equity compensation recommendation, proposed this recommendation to the full Board of Directors, and on May 25, 2012, Mr. Peeler received a performance-based restricted stock award of 30,000 shares of Veeco common stock and was granted a stock option award to purchase 80,000 shares of Veeco common stock, the combined value of which was consistent with the equity compensation practices described above. Mr. Peeler s stock options have an exercise price equal to the closing price of Veeco common stock on the trading day prior to the grant date and are subject to the same terms as the Company s other stock option awards, as described above.

The Committee reviewed a tally sheet setting forth the components of compensation for Mr. Peeler, including base salary, annual incentive bonus, stock option and restricted stock grants, potential stock option and restricted stock gains, the dollar value to Mr. Peeler and cost to the Company of all perquisites and other personal benefits. Based on its review, the Committee concluded that Mr. Peeler s compensation, in the aggregate, is reasonable and appropriate in light of our desire to retain him, the stated objectives of the Company s compensation programs and the Company s financial and operating performance.

Compensation of the Chief Financial Officer

On January 5, 2010, Veeco announced that David D. Glass would join the Company as Executive Vice President and Chief Financial Officer. In connection with his appointment, the Company entered into an agreement with Mr. Glass, effective January 18, 2010. Pursuant to the terms of the agreement, Mr. Glass will be paid an annual base salary of $360,000 (which was increased to $385,000 in 2011 and maintained at that level for 2012). He is eligible to participate in the Company s Management Bonus Plan, with a target bonus of 70% of base salary. Mr. Glass also receives a car allowance of $700 per month. Mr. Glass is eligible for certain severance benefits in the event his employment is terminated by the Company without cause or by him for good reason, including 18 months of salary continuation and extended stock option

43

exercise rights for up to 12 months following separation, not to exceed the expiration date of the option. Mr. Glass has been named as a participant in the Company s Senior Executive Change in Control policy.

Other Employment Agreements: Letter Agreement with Dr. Miller

On January 30, 2012, the Company entered into a letter agreement with Dr. Miller in connection with his promotion to the position of Executive Vice President, Process Equipment. The letter agreement provides that Dr. Miller will be paid an annual base salary of $415,002. He will continue to participate in the Company s Management Bonus Plan with a target bonus increased to 70% of his base salary. Dr. Miller will also be eligible for certain severance benefits in the event his employment is terminated by the Company without cause or by him for good reason, including 52 weeks of salary continuation, subsidized COBRA contributions during the period of salary continuation and extended stock option exercise rights for up to 12 months following separation, not to exceed the expiration date of the option. Dr. Miller was previously named as a participant in the Company s Senior Executive Change in Control policy.

Financial and Tax Considerations

In designing our compensation programs, the Company takes into account the financial impact and tax effects that each element will or may have on the Company and the executives. Section 162(m) of the Code limits Veeco s tax deduction to $1,000,000 per year for compensation paid to each of the NEOs, unless certain requirements are met. The Committee s present intention is to structure executive compensation so that it will be predominantly deductible, while maintaining flexibility to take actions which it deems to be in the best interest of Veeco and its stockholders, even if these actions may result in Veeco paying certain items of compensation that may not be fully deductible.

Conclusion

Attracting and retaining talented and motivated management and key employees is essential to creating long-term shareholder value. Offering a competitive, performance-based compensation program with a substantial equity component helps to achieve this objective by aligning the interests of the executive officers and other key employees with those of shareholders. We believe that Veeco s 2012 compensation program met these objectives and that the Company s 2013 compensation program is appropriate in light of the challenges facing the Company and its employees.

Compensation Committee Report

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis for 2012. Based on the review and the discussions, the Committee recommended to the Board of Directors (and the Board approved), that the Compensation Discussion and Analysis be included in Veeco s 2012 Annual Report on Form 10-K and Proxy Statement.

This report is submitted by the Committee.

Richard A. D Amore

Gordon Hunter

Roger D. McDaniel (Chairman)

44

Summary Compensation Table

The following table sets forth a summary of annual and long-term compensation awarded to, earned by, or paid for the fiscal year ended December 31, 2012 to (a) the principal executive officer of Veeco, (b) the principal financial officer of Veeco, and (c) each of the next three most highly compensated executive officers (as defined in Rule 3b-7 under the Exchange Act) of Veeco serving at the end of the year (the NEOs).

Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Stock Awards ($) (2)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	All Other Compensation ($) (5)	Total ($)
John R. Peeler	2012	700,000		990,000	1,263,659	355,135	120,881	3,429,676
CEO	2011	681,154		858,220	741,194	559,773	117,944	2,958,285
	2010	621,923		358,365	1,516,668	2,000,461	126,283	4,623,700
David D. Glass	2012	385,000		313,500	473,872	136,727	16,452	1,325,552
EVP and CFO (6)	2011	378,269		351,560	301,622	216,670	76,284	1,324,406
	2010	339,231		882,760	1,068,550	765,478	279,431	3,335,450
William J. Miller, Ph.D.	2012	414,425		336,600	552,851	147,382	16,140	1,467,398
EVP, Process Equipment (7)	2011	371,538		538,235	468,062	172,163	11,640	1,561,639
	2010	306,959	150,000	238,910	736,770	842,353	11,640	2,286,633
Peter Collingwood	2012	423,435		214,500	315,915	128,433	294,374	1,376,658
SVP, Worldwide Sales and	2011	290,625		180,950	163,671	152,401	467,220	1,254,867
Service (8)	2010	286,339		119,455	463,626	362,234	478,124	1,709,777
John P. Kiernan,	2012	286,624		189,750	292,221	72,707	16,452	857,755
SVP, Finance, Corp. Controller	2011	283,656	30,000	180,950	163,671	115,684	41,760	815,721
and Treasurer	2010	275,600		78,499	316,272	442,132	121,760	1,234,263

(1) Reflects a special incentive bonus for Dr. Miller for the achievement of a specified MOCVD revenue level in 2010, and a recognition award paid to Mr. Kiernan in 2011. All other bonuses were either performance-based bonuses pursuant to the Company s Management Bonus Plan, Management Profit Sharing Plan or the Special Profit Sharing Plan, which are reflected under the column labeled Non-Equity Incentive Plan Compensation, or signing bonuses, which are reflected under the column labeled All Other Compensation, in accordance with SEC rules.

(2) Reflects awards of restricted stock. In accordance with SEC rules, the amounts shown above reflect the grant date fair value of the stock awards. The amounts shown relate to the following stock awards:

Grant Date	Grant Date Fair Value		Name	Number of Shares
1/18/2010	$	32.58	D. Glass	25,000
6/11/2010	$	34.13	J. Peeler	10,500
			D. Glass	2,000
			W. Miller	7,000
			P. Collingwood	3,500
			J. Kiernan	2,300
6/9/2011	$	51.70	J. Peeler	16,600
			D. Glass	6,800
			W. Miller	6,800
			P. Collingwood	3,500
			J. Kiernan	3,500
12/1/2011	$	24.89	W. Miller	7,500
5/25/2012	$	33.00	J. Peeler	30,000
			D. Glass	9,500
			W. Miller	10,200
			P. Collingwood	6,500
			J. Kiernan	5,750

(3) In accordance with SEC rules, the amounts shown above reflect the grant date fair value of the option awards. Assumptions used in the calculation of these amounts are included in Note 8 to the Company s audited financial statements for the fiscal year ended December 31, 2012, included in the 2012 Annual Report on Form 10-K (the Consolidated Financial Statements). The amounts shown relate to the following option awards:

Grant Date	Grant Date Fair Value		Name	Number of Shares
1/18/2010	$	15.98	D. Glass	50,000
6/11/2010	$	17.97	J. Peeler	84,400
			D. Glass	15,000
			W. Miller	41,000
			P. Collingwood	25,800
			J. Kiernan	17,600
6/9/2011	$	23.38	J. Peeler	31,700
			D. Glass	12,900
			W. Miller	12,900
			P. Collingwood	7,000
			J. Kiernan	7,000
12/1/2011	$	11.10	W. Miller	15,000
5/25/2012	$	15.80	J. Peeler	80,000
			D. Glass	30,000

	W. Miller	35,000
	P. Collingwood	20,000
	J. Kiernan	18,500

(4) Reflects profit-sharing and cash bonuses paid under the Company s Management Profit Sharing Plan, Management Bonus Plan and Special Profit Sharing Plan and commissions. Profit-sharing, bonuses and commissions listed for a particular year represent amounts earned with respect to such year even though all or part of such amount may have been paid during the following year. These amounts are comprised of the following:

Name	Year	Profit Sharing Plan ($)	Bonus Plan ($)	Special Profit Sharing Plan ($)	Commissions ($)	Total Non-Equity Incentive Plan Compensation ($)
J. Peeler	2012*	154,652	200,483			355,135
	2011	265,159	294,614			559,773
	2010	400,617	1,228,501	371,343		2,000,461
D. Glass	2012*	59,541	77,186			136,727
	2011	103,244	113,426			216,670
	2010	157,516	466,847	141,115		765,478
W. Miller	2012*	64,181	83,201			147,382
	2011	86,657	85,506			172,163
	2010	121,415	391,950	328,988		842,353
P. Collingwood	2012*	20,347	27,549		80,537**	128,433
	2011	35,576	38,763		78,061	152,400
	2010	56,283	172,612	52,176	81,162	362,234
J. Kiernan	2012*	31,662	41,045			72,707
	2011	55,367	60,316			115,684
	2010	88,094	272,814	81,224		442,132

* Following the conclusion of the Accounting Review and the completion of the Company s 2012 financial statements, it was determined that the 2012 MPSP awards paid for Q3 2012 were overstated relative to adjusted financial results. Excess Q3 2012 MPSP payments were subsequently deducted from awards otherwise payable under the 2012 Management Bonus Plan. The amounts shown above reflect awards actually paid.

** A portion of this amount ($2,518) reflects commissions that may be earned by Mr. Collingwood upon the recognition of revenue associated with orders booked in 2012.

(5) All Other Compensation for 2012 consists of car allowance, 401(k) matching contribution, premiums for group term life insurance, relocation\housing allowance, and in the case of Mr. Collingwood, car lease payments, an employer UK pension contribution, and Veeco-funded tax payments.

Name	Car Allowance \ Lease ($)	401(k) Matching Contribution ($)	Premium for Group Term Life Insurance ($)	Relocation \ Housing Allowance ($)	Veeco-Funded Tax Payments ($)	Separation Payments ($)	Total Other Compensation ($)
J. Peeler	18,000	7,500	1,032	94,349			120,881
D. Glass	8,400	7,500	552				16,452

W. Miller	8,400	7,500	240			16,140
P. Collingwood	17,029	3,190*		92,044	182,111	294,374
J. Kiernan	8,400	7,500	552			16,452

*Amount reflects an employer UK pension contribution made on Mr. Collingwood s behalf in December of 2012.

(6) Mr. Glass joined Veeco as Executive Vice President and Chief Financial Officer on January 18, 2010.

(7) Dr. Miller was appointed as an executive officer of Veeco during 2010.

(8) Mr. Collingwood s salary for 2012 includes a salary increase of $20,000 per month for a six month period paid to Mr. Collingwood in connection with his temporary assignment to Veeco s Shanghai office in 2012. Mr. Collingwood subsequently returned to the United Kingdom, where he is currently based, and his compensation for the month of December, 2012 was tendered in Great Britain Pounds (GBP). For purposes of these tables, this compensation has been converted to United States Dollars (USD) at a rate of 1 GBP = 1.6139 USD, which was the average exchange rate for the month of December, 2012.

Grants of Plan-Based Awards

The following table sets forth certain information concerning grants to each NEO during 2012 of stock options, shares of restricted stock and restricted stock units made under the Company s 2010 Stock Incentive Plan (the 2010 Plan). The option, restricted stock and restricted stock unit awards are also included in the Stock Awards and Option Awards columns of the Summary Compensation Table. The options granted under the 2010 Plan have a ten-year life. The options vest one third per year on each of the first, second and third anniversaries of the date of grant. One third of the shares of restricted stock vest on each of the second, third and fourth anniversaries of the date of grant. Holders of restricted stock are entitled to dividends to the same extent as holders of unrestricted stock.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)							
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh) (2)	Market Price on Date of Grant ($/Sh) (3)	Grant Date Fair Value of Stock and Option Awards ($)
J. Peeler	5/25/2012				30,000				990,000
	5/25/2012					80,000	33.00	33.31	1,263,659
D. Glass	5/25/2012				9,500				313,500
	5/25/2012					30,000	33.00	33.31	473,872
W. Miller	5/25/2012				10,200				336,600
	5/25/2012					35,000	33.00	33.31	552,851
P. Collingwood	5/25/2012				6,500				214,500
	5/25/2012					20,000	33.00	33.31	315,915
J. Kiernan	5/25/2012				5,750				189,750
	5/25/2012					18,500	33.00	33.31	292,221

(1) The Company made awards under its annual Management Bonus Plan for performance in 2012. These bonuses, which were earned during 2012 and paid in the fourth quarter of 2013, are reflected in the Summary Compensation Table under the Column entitled Non-Equity Incentive Plan Compensation. Aside from these awards, the Company did not grant long-term cash or other non-equity incentive plan awards in 2012.

(2) The exercise price reflects the closing price of Veeco common stock on the trading day immediately preceding the grant date, as provided under the terms of the 2010 Plan.

(3) Reflects the closing market price of Veeco common stock on the date of grant for dates, if any, on which the option exercise price was less than the closing price on the date of grant. Under the 2010 Plan, option exercise prices are based on the closing price on the trading day immediately preceding the date of grant. The date-prior closing price was originally chosen when the 2010 Plan was adopted to facilitate administration of the plan, approval and issuance of awards and reporting of awards under applicable SEC rules.

Outstanding Equity Awards at Fiscal Year End

The following table provides certain information as of December 31, 2012, concerning unexercised options and stock awards including those that had been granted but not yet vested as of such date for each of the NEOs. The value of stock awards shown below is based upon the fair market value of the Company s common stock on December 31, 2012, which was $29.49 per share.

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) (1) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#) (1)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**
J. Peeler	83,334		20.74	6/30/2014	3,500	103,215
	58,334		17.48	6/11/2015	16,600	489,534
	100,000					