

# VEECO INSTRUMENTS INC

## FORM 10-Q (Quarterly Report)

Filed 08/14/97 for the Period Ending 06/30/97

Address	TERMINAL DRIVE PLAINVIEW, NY 11803
Telephone	516 677-0200
CIK	0000103145
Symbol	VECO
SIC Code	3559 - Special Industry Machinery, Not Elsewhere Classified
Industry	Semiconductors
Sector	Technology
Fiscal Year	12/31

# VEECO INSTRUMENTS INC

## FORM 10-Q (Quarterly Report)

Filed 8/14/1997 For Period Ending 6/30/1997

Address	TERMINAL DR PLAINVIEW, New York 11803
Telephone	516-349-8300
CIK	0000103145
Industry	Semiconductors
Sector	Technology
Fiscal Year	12/31

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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 10-Q

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

FOR THE QUARTER ENDED JUNE 30, 1997

*Commission file number 0-16244*

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### VEECO INSTRUMENTS INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

11-2989601  
(I.R.S. Employer  
Identification Number)

Terminal Drive  
Plainview, New York  
(Address of principal executive offices)

11803  
(Zip Code)

Registrant's telephone number, including area code: (516) 349-8300

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Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

**YES X NO**

8,851,988 shares of common stock, \$.01 par value per share, were outstanding as of August 12, 1997.

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# VEECO INSTRUMENTS INC.

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# PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### Veeco Instruments Inc. and Subsidiaries

#### Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

	THREE MONTHS ENDED JUNE 30,	
	1997	1996
Net sales.....	\$ 33,867	\$ 25,095
Cost of sales.....	18,798	13,972
Gross profit.....	15,069	11,123
Costs and expenses:		
Research and development expense.....	3,561	2,579
Selling, general and administrative expense.....	6,668	5,216
Amortization expense.....	69	52
Other--net.....	(51)	25
Purchased in process technology.....	4,200	--
Operating income.....	622	3,251
Interest income, net.....	105	162
Income before income taxes.....	727	3,413
Income taxes.....	281	1,307
Net income.....	\$ 446	\$ 2,106
Net income per common share.....	\$ 0.07	\$ 0.35
Shares used in computation.....	6,264	5,958

See accompanying notes.

**Condensed Consolidated Statements of Income**

(In thousands, except per share data)

(Unaudited)

	SIX MONTHS ENDED JUNE 30,	
	1997	1996
Net sales.....	\$ 63,418	\$ 45,739
Cost of sales.....	35,440	25,409
Gross profit.....	27,978	20,330
Costs and expenses:		
Research and development expense.....	6,513	4,583
Selling, general and administrative expense.....	12,433	9,589
Amortization expense.....	138	105
Other--net.....	(69)	117
Purchased in process technology.....	4,200	--
Operating income.....	4,763	5,936
Interest income, net.....	210	362
Income before income taxes.....	4,973	6,298
Income taxes.....	1,890	2,382
Net income.....	\$ 3,083	\$ 3,916
Net income per common share.....	\$ 0.50	\$ 0.66
Shares used in computation.....	6,206	5,925

See accompanying notes.

**Consolidated Balance Sheet**  
(In thousands)

	JUNE 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 21,230	\$ 21,209
Accounts and trade notes receivable.....	23,397	19,826
Inventories.....	26,453	21,263
Prepaid expenses and other current assets.....	1,263	858
Deferred income taxes.....	3,667	1,937
Total current assets.....	76,010	65,093
Property, plant and equipment at cost, net.....	12,647	9,761
Excess of cost over net assets acquired.....	4,383	4,448
Other assets--net.....	2,766	1,025
Total assets.....	\$ 95,806	\$ 80,327
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable.....	\$ 14,702	\$ 11,196
Accrued expenses.....	16,005	9,964
Income taxes payable.....	1,338	479
Total current liabilities.....	32,045	21,639
Deferred income taxes.....	257	257
Other liabilities.....	414	461
Shareholders' equity:		
Common stock.....	60	58
Additional paid-in capital.....	48,968	47,638
Retained earnings.....	12,692	9,609
Stock options tax benefit.....	1,290	--
Cumulative translation adjustment.....	80	665
Total shareholders' equity.....	63,090	57,970
Total liabilities and shareholders' equity.....	\$ 95,806	\$ 80,327

See accompanying notes.

**Condensed Consolidated Statements of Cash Flows**

(In thousands)

(Unaudited)

	SIX MONTHS ENDED JUNE 30,	
	1997	1996
Operating activities		
Net income.....	\$ 3,083	\$ 3,916
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	699	657
Deferred income taxes.....	(1,730)	(20)
Purchased in process technology.....	4,200	--
Changes in operating assets and liabilities:		
Accounts receivable.....	(3,834)	(979)
Inventories.....	(3,582)	(3,570)
Accounts payable.....	3,533	1,534
Accrued expenses and other current liabilities.....	4,056	(733)
Other--net.....	(289)	(281)
Net cash provided by operating activities.....	6,136	524
Investing activities		
Capital expenditures.....	(2,807)	(1,219)
Net assets of business acquired.....	(4,375)	--
Net cash used in investing activities.....	(7,182)	(1,219)
Financing activities		
Proceeds from stock issuance.....	1,332	224
Other.....	(14)	(150)
Net cash provided by financing activities.....	1,318	74
Effect of exchange rates on cash.....	(251)	114
Net change in cash and cash equivalents.....	21	(507)
Cash and cash equivalents at beginning of period.....	21,209	17,568
Cash and cash equivalents at end of period.....	\$ 21,230	\$ 17,061

See accompanying notes.



# VEECO INSTRUMENTS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### NOTE 1--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation (consisting of normal recurring accruals) have been included. Operating results for the six months ended June 30, 1997, are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

Earnings per share is computed using the weighted average number of common and common equivalent shares outstanding during the period.

### NOTE 2--ACQUISITIONS

On April 10, 1997, Veeco Instruments Inc. ("Veeco" or the "Company") acquired certain assets and personnel of the Media and Magnetics Applications Division of Materials Research Corporation for cash plus the assumption of certain liabilities. The acquisition is accounted for using the purchase method of accounting. Accordingly, a portion of the purchase price is allocated to the net assets acquired based on their estimated fair values as determined by an outside appraisal, including \$4.2 million allocated to in-process engineering and development projects. These projects have not reached technological feasibility and have no alternative future uses and thus have been expensed as of the date of acquisition.

On July 25, 1997, the Company's wholly-owned subsidiary, Veeco Acquisition Corp., merged into Wyko Corporation ("Wyko") of Tucson, Arizona, a leading supplier of optical interferometric measurement systems for the data storage and semiconductor industries. Under the merger, Wyko shareholders received 2,863,810 shares of Veeco common stock and holders of options to acquire Wyko common stock received options to acquire an aggregate of 136,190 shares of Veeco common stock. The merger is accounted for as a pooling of interests transaction and, accordingly, historical data in future reports will be restated to include Wyko data. The following unaudited pro forma data summarizes the combined results of operations of the Company and Wyko as though the merger had occurred at the beginning of fiscal year 1994.

Unaudited pro forma  
(In thousands, except per share data)

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1996	1995	1994	1997	1996
Net sales.....	\$ 115,042	\$ 85,825	\$ 60,031	\$ 79,670	\$ 54,276
Net income.....	10,835	9,237	441	6,080	5,143
Net income per common share.....	1.22	1.09	0.08	0.66	0.58

Veeco and Wyko estimate that they will incur direct transaction costs of approximately \$2.8 million associated with the Merger which will be charged to operations in the quarter ended September 30, 1997.

### NOTE 3--INVENTORIES

Interim inventories have been determined by lower of cost (principally first-in, first-out) or market. Inventories consist of:

	JUNE 30, 1997	DECEMBER 31, 1996
	-----	-----
	(IN THOUSANDS)	
Raw materials.....	\$ 11,817	\$ 9,546
Work-in process.....	6,855	4,909
Finished goods.....	7,781	6,808
	-----	-----
	\$ 26,453	\$ 21,263
	-----	-----

### NOTE 4--BALANCE SHEET INFORMATION

Selected balance sheet account disclosures follow:

	JUNE 30, 1997	DECEMBER 31, 1996
	-----	-----
	(IN THOUSANDS)	
Allowance for doubtful accounts.....	\$ 674	\$ 482
Accumulated depreciation and amortization of property, plant and equipment.....	7,013	6,503
Accumulated amortization of excess of cost over net assets acquired.....	975	910

### NOTE 5--OTHER INFORMATION

Interest paid for the six months ended June 30, 1997 and 1996 was insignificant. The Company made income tax payments of \$1.4 million and \$1.7 million for the six months ended June 30, 1997 and 1996, respectively.

### NOTE 6--NEW ACCOUNTING PROUNCEMENT

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share", which is effective for both interim and annual financial statements for periods ending after December 15, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. The impact of adopting SFAS No. 128 on the calculation of primary and fully diluted earnings per share is not expected to be material.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS

#### Three Months Ended June 30, 1997 and 1996

Net sales for 1997 increased by approximately \$8.8 million or 35% over the comparable 1996 period. The increase principally reflects continuing growth in ion beam system sales. Sales in the U.S. increased approximately 52% while international sales included an approximately 86% increase in Japan, a 36% increase in Europe, and a 24% decrease in Asia-Pacific. The Company believes that there will continue to be quarter to quarter variations in the geographic concentration of sales.

Sales of process equipment (ion beam/PVD systems) of approximately \$22.8 million increased by approximately \$8.5 million or 59% over the comparable period in 1996, driven principally by increased demand from the data storage industry for high-density hard drives. Of this increase, approximately 10% was due to growth in volume, with the balance of the increase due to an approximately 65% higher average selling price of a system resulting from a shift in customer demand to multi-process modules with increased automation. Sales of process metrology products for 1997 of approximately \$5.9 million increased by approximately \$.4 million or 7% over the comparable 1996 period principally due to growth in volume. Sales of industrial measurement products for 1997 of approximately \$5.2 million was equivalent to the comparable period in 1996.

Veeco booked approximately \$39.7 million of orders in 1997 compared to approximately \$25.1 million of orders in 1996, reflecting both the increased demand for high density hard drives and the continued industry transition to the next generation MR thin film magnetic heads.

Gross profit for 1997 of approximately \$15.1 million increased by approximately \$3.9 million over the comparable 1996 period. Gross profit as a percentage of net sales of 44.5% in 1997 was comparable to the 44.3% achieved in 1996.

Research and development expense in 1997 increased by approximately \$1.0 million or 38.0% compared to 1996 as the Company increased its R&D investment in each product line with particular emphasis in process equipment.

Selling, general and administrative expenses for 1997 increased by approximately \$1.5 million compared to 1996. The increase was primarily due to approximately \$1.0 million of additional selling expense comprised of sales commissions related to the higher sales volume, as well as increased compensation and travel expense as a result of the hiring of additional sales and service personnel to support the Company's continuing growth.

In connection with acquisition of certain assets of the Media and Magnetic Applications business of Materials Research Corporation in April 1997, the Company expensed \$4.2 million representing the estimated fair values of in-process engineering and development projects that had not reached technological feasibility and had no future alternative uses.

Operating income for 1997 decreased to approximately \$.6 million compared to approximately \$3.3 million for 1996, principally due to the Company expensing \$4.2 million in 1997 of in-process engineering and development projects.

Income taxes amounted to approximately \$.3 million or 38.7% of income before income taxes for 1997 as compared to \$1.3 million or 38.3% of income before income taxes for the same period in 1996.

## **RESULTS OF OPERATIONS**

### **Six Months Ended June 30, 1997 and 1996**

Net sales for 1997 increased by approximately \$17.7 million or 39% over the comparable 1996 period. The increase principally reflects continuing growth in ion beam system sales. Sales in the U.S. increased approximately 52% while international sales included an approximately 5% decrease in Japan, a 62% increase in Asia-Pacific and flat sales in Europe. The Company believes that there will continue to be quarter to quarter variations in the geographic concentration of sales.

Sales of process equipment (ion beam/PVD systems) for 1997 of approximately \$40.7 million increased by approximately \$16.7 million or 70% over the comparable period in 1996, driven principally by increased demand from the data storage industry for high-density hard drives. Of this increase, approximately 37% was due to growth in volume, with the balance of the increase due to an approximately 55% higher average selling price of a system resulting from a shift in customer demand to multi-process modules with increased automation. Sales of process metrology products for 1997 of approximately \$12.6 million increased by approximately \$1.4 million or 12% over the comparable 1996 period reflecting a 15% increase in stylus profiler sales and an 8% increase of SXM product sales. Of this increase, approximately 29% was due to growth in volume, with the balance of the increase due to an approximately 14% higher average selling price of process metrology products. Sales of industrial measurement products for 1997 of approximately \$10.1 million decreased by approximately \$.4 million or 4% compared to the comparable period in 1996.

Veeco booked approximately \$71.1 million of orders in 1997 compared to approximately \$50.5 million of orders in 1996, reflecting both the increased demand for high density hard drives and the continued industry transition to the next generation MR thin film magnetic heads.

Gross profit for 1997 of approximately \$28.0 million represents an increase of approximately \$7.6 million or 38% over the comparable 1996 period. Gross profit as a percentage of net sales decreased to 44.1% for 1997 from 44.4% for 1996 principally due to product mix changes offset by an increase in volume.

Research and development expense in the first six months of 1997 increased by approximately \$1.9 million or 42% over the comparable period of 1996 as the Company increased its R&D investment in each product line.

Selling, general and administrative expenses for 1997 increased by approximately \$2.8 million compared to the first six months of 1996. The increase was primarily due to approximately \$1.7 million of additional selling expense comprised of sales commissions related to the higher sales volume, as well as increased compensation and travel expense as a result of the hiring of additional sales and service personnel to support the Company's continuing growth.

As previously noted in the results of operations for the three months ended June 30, 1997 and 1996, in connection with acquisition of certain assets of the Media Magnetic Applications business of Materials Research Corporation in April 1997, the Company expensed \$4.2 million representing the estimated fair values of in-process engineering and development projects that had not reached technological feasibility and had no future alternative uses.

Operating income for 1997 decreased to approximately \$4.8 million compared to approximately \$5.9 million for the comparable 1996 period, due to the Company expensing \$4.2 million in 1997 of in-process engineering and development projects partially offset by the above noted factors.

Income taxes for 1997 amounted to approximately \$1.9 million or 38.0% of income before income taxes as compared to \$2.4 million or 37.8% of income before taxes for the same period in 1996.

## **LIQUIDITY AND CAPITAL RESOURCES**

Net cash provided by operations totaled approximately \$6.1 million for the first six months of 1997 compared to \$.5 million for the comparable 1996 period. This improvement resulted principally from higher income for 1997 after adding back to net income the \$2.6 million net of tax charge for the write-off of in-process research and engineering projects supplemented by favorable changes in operating assets and liabilities.

Veeco made capital expenditures of approximately \$2.8 million for the six months ended June 30, 1997, as compared to approximately \$1.2 million in the comparable 1996 period. Capital expenditures in the first six months of 1997 principally reflect investments in building improvements, laboratory tools and business information systems.

Relative to the acquisition in April 1997 of the Media and Magnetics Applications business of Materials Research Corporation, Veeco believes that it will expend approximately \$5 million of cash during the last six months of 1997 for capital expenditures and working capital requirements related to this business. The expected time-frame for developing the acquired technology into commercially viable products is approximately 12 months from the acquisition date and it is anticipated that during this time-frame between \$2 million and \$3 million of expense will be incurred in connection with the technical and research and development efforts necessary to develop these products.

Relative to the merger with Wyko Corporation in July 1997, Veeco does not believe there will be a significant impact on its cash balance or future cash requirements.

The Company believes that existing cash balances together with cash generated from operations and amounts under the Company's bank credit facility will be sufficient to meet the Company's projected working capital and other cash flow requirements for the foreseeable future.

## PART II. OTHER INFORMATION

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

The annual meeting of stockholders of the Company was held on May 15, 1997. Each person nominated for election as a director of the Company was elected to such position at the meeting by a minimum of 5,505,057 votes. The other matters voted upon at the meeting were as follows: (a) an amendment to the Amended and Restated Certificate of Incorporation of Veeco Instruments Inc. to provide for the classification of the Board of Directors into three classes with staggered terms; (b) an amendment to the Veeco Instruments Inc. Amended and Restated 1992 Employees' Stock Option Plan; (c) an amendment to the Amended and Restated Veeco Instruments Inc. 1994 Stock Option Plan for Outside Directors; and (d) the appointment of Ernst & Young LLP as auditors of the Company for the fiscal year ending December 31, 1997. The votes of the Company's stockholders on these matters were as follows:

MATTERS	IN FAVOR	OPPOSED	ABSTAINED	BROKER NON-VOTE
(a)	2,943,073	1,922,996	13,751	628,350
(b)	2,941,098	1,842,651	13,626	710,795
(c)	3,648,565	1,141,361	20,476	697,768
(d)	5,496,240	2,020	9,910	--

A special meeting of stockholders of the Company was held on July 25, 1997. Matters voted upon at the meeting were as follows: (a) the proposed merger of Veeco Acquisition Corp., a newly formed, wholly owned subsidiary of Veeco, with and into Wyko Corporation pursuant to the Agreement and Plan of Merger dated April 28, 1997; (b) an amendment to Veeco's Amended and Restated Certificate of Incorporation, as amended; and (c) an amendment to the Veeco Instruments Inc. Amended and Restated 1992 Employees' Stock Option Plan, as amended. The votes of the Company's stockholders on these matters were as follows:

MATTERS	IN FAVOR	OPPOSED	ABSTAINED	BROKER NON-VOTE
(a)	3,565,620	2,192	9,897	2,414,242
(b)	3,313,444	1,165,171	10,097	1,483,445
(c)	4,320,224	110,406	58,082	1,483,445

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits.

3.1 Amended and Restated Certificate of Incorporation of the Company, as amended. (1)

10.31 Attachment 2 to the OEM Agreement for Acquisition of IBM Products between International Business Machines Corporation and Veeco Instruments Inc. dated as of May 13, 1997 (confidential treatment has been granted for certain portions; confidential portions have been filed separately with the Securities and Exchange Commission). (2)

27 Financial Data Schedule. (1)

(1) Filed herein.

(2) Incorporated by reference from the Registrant's Current Report on Form 8-K dated July 2, 1997.

b) Reports on Form 8-K.

The Registrant filed a Current Report on Form 8-K on March 13, 1997 reporting that on March 5, 1997, the Registrant entered into a letter of intent with Wyko Corporation ("Wyko") pursuant to which it was contemplated that the Registrant would acquire all of the issued and outstanding stock of Wyko in exchange for the issuance of 3,000,000 shares of common stock, \$.01 par value per share, of the Registrant. The Registrant also reported that on March 10, 1997, the Registrant issued a press release announcing that it had entered into a Memorandum of Understanding with MRC Corporation ("MRC") pursuant to which it was contemplated that the Registrant would acquire certain assets and assume certain liabilities relating to MRC's Media and Magnetism Application Division in exchange for cash.

The Registrant filed a Current Report on Form 8-K on July 2, 1997 making reference to Attachment 2 to the OEM Agreement for Acquisition of IBM Products between International Business Machines Corporation and Veeco for the development, marketing and sales of the SXM 200M (Manual), filed as an exhibit thereto.

The Registrant filed a Current Report on Form 8-K on August 11, 1997 reporting that on July 25, 1997 it issued a press release announcing that it had completed a merger with Wyko. Under the merger Wyko shareholders received 2,863,810 shares of Veeco common stock, and holders of options to acquire Wyko common stock received options to acquire an aggregate of 136,190 shares of Veeco common stock.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 13, 1997

### **Veeco Instruments Inc.**

By: /s/ Edward H. Braun

-----  
Edward H. Braun  
Chairman, CEO and President

By: /s/ John F. Rein, Jr.

-----  
John F. Rein, Jr.  
Vice President, Finance  
and Chief Financial Officer



## Exhibit Index

### Exhibits:

- |       |   |
|-------|---|
| 3.1   | Amended and Restated Certificate of Incorporation of the Company, as amended. (1)   |
| 10.31 | Attachment 2 to the OEM Agreement for Acquisition of IBM products between International Business Machines Corporation and Veeco Instruments Inc. dated as of May 13, 1997 (Confidential treatment has been granted for certain portions; confidential portions have been filed separately with the Securities and Exchange Commission). (2) |
| 27    | Financial Data Schedule. (1)  |
- 

(1) Filed herein.

(2) Incorporated by reference from the Registrant's Current Report on Form 8-K dated July 2, 1997.

**Exhibit 3.1**

**AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
VEECO INSTRUMENTS INC.**

Pursuant to Sections 242 and 245 of the  
General Corporation Law of Delaware

1. The name of the corporation is Veeco Instruments Inc., formerly known as Veeco Instruments Acquisition Corp.
2. The address of the corporation's registered office in Delaware is 32 Loockerman Square, Suite L-100, Dover, Delaware 19901. The Prentice Hall Corporation is the corporation's registered agent at that address.
3. The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.
4. The corporation shall have authority to issue a total of 10,000,000 shares, to be divided into 9,500,000 shares of common stock with par value \$.01 per share and 500,000 shares of preferred stock with par value of \$.01 per share.
5. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of Article 4, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

- (c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- (d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;
- (e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;
- (f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;
- (g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation, and the relative rights of priority, if any, of payment of shares of that series;
- (h) Any other relative rights, preferences and limitations of that series.

Dividends on outstanding shares of Preferred Stock shall be paid or declared and set apart for payment before any dividends shall be paid or declared and set apart for payment on the common shares with respect to the same dividend period.

If upon any voluntary or involuntary liquidation, dissolution or winding up of the corporation, the assets available for distribution to holders of shares of Preferred Stock of all series shall be insufficient to pay such holders the full preferential amount to which they are entitled, then such assets shall be distributed ratably among the shares of all series of Preferred Stock in accordance with the respective preferential amounts (including unpaid cumulative dividends, if any) payable with respect thereto.

- 6. The original Certificate of Incorporation was filed with the Secretary of State of Delaware on August 8, 1989.
- 7. The Board of Directors shall have the power to make, alter or repeal the by-laws of the corporation.
- 8. The election of the Board of Directors need not be by written ballot.

9. The corporation shall indemnify to the fullest extent permitted by Section 145 of the General Corporation Law of Delaware as amended from time to time each person that such Section grants the corporation the power to indemnify.

10. No director shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director for any act or omission occurring subsequent to the date when this provision becomes effective, except that he may be liable (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit.

11. No action required or permitted to be taken at any meeting of stockholders may be taken by written consent without a meeting.

12. Special meetings of the stockholders may be called by resolution of the Board of Directors or by the president and shall be called by the president or secretary upon the written request (stating the purpose or purposes of the meeting) of a majority of the directors then in office or of the holders of 50% of the outstanding shares entitled to vote. Only business related to the purposes set forth in the notice of the meeting may be transacted at a special meeting.

13. The foregoing amendment and restatement was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of Delaware.

Dated: December 1, 1994

**VEECO INSTRUMENTS INC.**

By */s/ Walter Scherr*  
-----  
*Walter Scherr*  
*Executive Vice-President*

*Attest:*

*/s/ John F. Rein, Jr.*  
-----  
*John F. Rein, Jr.*  
*Secretary*

**CERTIFICATE OF AMENDMENT  
OF  
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
VEECO INSTRUMENTS INC.**

It is hereby certified that:

1. The name of the corporation (hereinafter called "corporation") is Veeco Instruments Inc.
2. The amended and restated certificate of incorporation of the corporation is hereby amended as follows:
  - (a) by inserting a new paragraph 9 which reads as follows:

"9. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the directors shall be divided into three (3) classes designated as Class I, Class II and Class III, respectively, as nearly equal in size as possible. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting following the 1997 Annual Meeting of Stockholders, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three (3) years. At the second annual meeting of stockholders following the 1997 Annual Meeting of Stockholders, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three (3) years. At the third annual meeting of stockholders following the 1997 Annual Meeting of Stockholders, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three (3) years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three (3) years to succeed the directors of the class whose terms expire at such annual meeting. Each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director."

and

- (b) by renumbering the existing paragraphs 9 through 13 to paragraphs 10 through 14, respectively.

3. The amendments of the amended and restated certificate of incorporation of the corporation herein certified have been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

Dated: May 29, 1997

**VEECO INSTRUMENTS INC.**

*By: /s/ John F. Rein, Jr.*

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*John F. Rein, Jr.*

*Vice President-Finance*

**CERTIFICATE OF AMENDMENT  
OF  
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
VEECO INSTRUMENTS INC.**

It is hereby certified that:

1. The name of the corporation (hereinafter called "corporation") is Veeco Instruments Inc.
2. Article 4 of the amended and restated certificate of incorporation of the corporation, as amended to date (hereinafter called the "Certificate of Incorporation"), is hereby amended to read in its entirety as follows:  
  
"4. The corporation shall have authority to issue a total of 25,500,000 shares, to be divided into 25,000,000 shares of common stock with par value of \$.01 per share and 500,000 shares of preferred stock with par value of \$.01 per share."
3. The amendment of the Certificate of Incorporation herein certified has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

Dated: July 25, 1997

**VEECO INSTRUMENTS INC.**

*By: /s/ John F. Rein, Jr.*

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*John F. Rein, Jr.*  
*Vice President-Finance*

## ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 1997 AND FOR THE SIX MONTHS ENDED JUNE 30, 1997 WHICH ARE CONTAINED IN FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	JUN 30 1997
CASH	21,230
SECURITIES	0
RECEIVABLES	24,071
ALLOWANCES	674
INVENTORY	26,453
CURRENT ASSETS	76,010
PP&E	19,660
DEPRECIATION	7,013
TOTAL ASSETS	95,806
CURRENT LIABILITIES	32,045
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	60
OTHER SE	63,030
TOTAL LIABILITY AND EQUITY	95,806
SALES	63,418
TOTAL REVENUES	63,418
CGS	35,440
TOTAL COSTS	23,284
OTHER EXPENSES	(69)
LOSS PROVISION	0
INTEREST EXPENSE	(210)
INCOME PRETAX	4,973
INCOME TAX	1,890
INCOME CONTINUING	0
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	3,083
EPS PRIMARY	.50
EPS DILUTED	0

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