

VEECO INSTRUMENTS INC
Form DEF 14A
March 29, 2007

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**

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 Rule 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)

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(3) Filing Party:

(4) Date Filed:

VEECO INSTRUMENTS INC.

100 Sunnyside Boulevard, Suite B

Woodbury, NY 11797

NOTICE OF ANNUAL MEETING

Dear Veeco Stockholder:

On Friday, May 4, 2007, Veeco Instruments Inc. will hold its 2007 Annual Meeting of Stockholders at the Corporate Center, 395 North Service Road, Lower Auditorium, Melville, New York. The meeting will begin at 9:30 a.m. At the meeting, we will consider:

1. Election of three directors;
2. Ratification of the appointment of our independent registered public accounting firm for fiscal year 2007; and
3. Any other business properly presented at the meeting.

Only stockholders who own stock at the close of business on March 9, 2007 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, 100 Sunnyside Boulevard, Suite B, Woodbury, NY 11797. A stockholder may examine the list for any legally valid purpose related to the meeting.

Your Board of Directors recommends that you vote FOR each of the listed nominees for Director and FOR proposal 2 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 2006 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 2006 Annual Report is March 29, 2007. For more information about Veeco, please visit our website at www.veeco.com.

By order of the Board of Directors,

John F. Rein, Jr.
Executive Vice President, Chief Financial Officer
and Secretary

March 29, 2007

PROXY STATEMENT

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PROXY STATEMENT

QUESTIONS AND ANSWERS

Q1. Who is entitled to vote?

A. You may vote if our records show that you owned shares of Veeco Instruments Inc. common stock on March 9, 2007, the record date. At such time, 31,149,232 shares of Veeco common stock were issued and outstanding. You are entitled to one vote for each share that you own.

Q2. How can I vote if I own shares directly?

A. 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.

Q3. How can I vote if my shares are held through a brokerage, bank or similar organization?

A. 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 do not give instructions to your record holder on how to vote, the record holder will be entitled to vote your shares in its discretion. Please follow the voting instructions provided by the organization holding your shares to ensure your vote is counted. 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.

Q4. Can my broker vote my shares if I do not instruct him or her how to vote?

A. Yes. If you are a beneficial owner of shares and you do not give instructions to your record holder, the record holder will be entitled to vote your shares in its discretion on discretionary items. Proposals 1 and 2 are considered to be discretionary items. Discretionary items are items considered routine.

Q5. What if I return a proxy card but do not make specific choices?

A. If you return a signed and dated proxy card without marking any voting selections, your Veeco shares will be voted FOR the election of all three nominees for director 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, 2007. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his best judgment.

Q6. How do I revoke or change my vote?

A. 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; or

(3) *voting* in person at the meeting.

The latest-dated, timely, properly completed proxy that you submit 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 or dated, the previously recorded vote will stand.

If you hold your shares 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.

Q7. What is a quorum ?

A. A quorum is a majority of the outstanding shares present at the meeting or represented by proxy. There must be a quorum for the meeting to be held. 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: Broker non-votes occur when shares held by a broker or other nominee are not voted with respect to a proposal because (1) the broker has not received voting instructions from the stockholder, and (2) the broker lacks the authority to vote the shares at his/her discretion. Broker non-votes are not counted in the tally of votes FOR or AGAINST a proposal but are counted as shares present and entitled to be voted.

Q8. How many votes are needed to approve each proposal?

A. Directors are elected by a plurality of the votes cast at the meeting. The three nominees receiving the most FOR votes among votes properly cast at the meeting will be elected. Veeco's Bylaws provide that corporate action to be taken by stockholder vote, other than the election of directors, shall be authorized by a majority of the votes cast at a meeting of the stockholders at which a quorum is present. Therefore, to be approved, Proposal 2 must receive a FOR vote from a majority of the Veeco shares represented at the meeting.

Q9. How will voting on any other business be conducted?

A. Although we do not know of any business to be considered at the 2007 Annual Meeting other than the proposals described in this proxy statement, if any other business is presented at the Annual Meeting, your signed proxy or vote instruction card gives authority to Edward H. Braun, Veeco's Chairman and Chief Executive Officer, and John F. Rein, Jr., Veeco's Executive Vice President, Chief Financial Officer and Secretary, to vote on such matters at their discretion.

Q10. Who will count the vote?

A. A representative of American Stock Transfer and Trust Company, Veeco's transfer agent, will count the vote and act as the inspector of election.

Q11. How can I find out the results of the voting at the Annual Meeting?

A. Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in Veeco's quarterly report on Form 10-Q for the second quarter of 2007.

Q12. Who can attend the Annual Meeting?

A. All stockholders who owned shares on March 9, 2007 may attend.

Q13. What does it mean if I get more than one proxy or vote instruction card?

A. If your shares are registered in more than one name or in more than one account, you will 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.

Q14. If I received multiple copies of the proxy statement and annual report at my residence, what do I need to do to receive only one copy?

A. With your consent and the consent of other shareholders in your household, we may send one set of the proxy statement and annual report to a household where two or more Veeco stockholders reside if we believe they are members of the same family. Each consenting stockholder would continue to receive a separate notice of annual meeting and proxy card. This procedure, referred to as householding, would reduce the volume of duplicate information you receive, and would also reduce the Company's printing and mailing costs. If you are an eligible stockholder and would like to receive only one copy of the proxy statement and annual report, please contact the Company by sending a written request to the Secretary, Veeco Instruments Inc., 100 Sunnyside Boulevard, Suite B, Woodbury, NY 11797 or by calling 516-677-0200. Your consent will remain in effect until Veeco receives contrary instructions from you or other shareholders in your household. Should you revoke your consent, Veeco will begin sending individual copies of the annual report and proxy statement to you within thirty (30) days of your revocation. Also, if you would like to obtain a separate copy of the annual report or proxy statement, you may direct your request to the address above, or you may call 516-677-0200. If you hold your shares in street name, please contact your broker.

Q15. I have Veeco shares that are held in street name, as do others in my household. We received only one copy of the proxy statement and annual report. What should I do if I would like additional copies of these materials?

A. Some brokerage firms have instituted householding in connection with the delivery of annual reports and proxy statements (see the answer to Question 14). If your family holds Veeco shares in multiple brokerage accounts, you may have previously received householding notification from your broker or bank. If you wish to revoke your decision to household and thereby receive multiple proxy statements and annual reports, please contact your broker directly. If any shareholder residing at the same address would like additional copies of the proxy statement and annual report, please contact your broker or bank, or you may contact the Company by sending a written request to the Secretary, Veeco Instruments Inc., 100 Sunnyside Boulevard, Suite B, Woodbury, NY 11797 or by calling 516-677-0200.

Q16. When are stockholder proposals for the 2008 Annual Meeting due?

A. To be considered for inclusion in next year's proxy statement, all stockholder proposals must be submitted *in writing* to the Secretary, Veeco Instruments Inc., 100 Sunnyside Boulevard, Suite B, Woodbury, NY 11797 by November 29, 2007.

Additionally, Veeco's advance notice bylaw provisions require that any stockholder proposal to be presented from the floor of the 2008 Annual Meeting must be submitted in writing to Secretary, at the above address, by February 4, 2008, and must be accompanied by:

- the name, residence and business address of the proposing stockholder;

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- a representation that the stockholder is a record holder of Veeco stock or holds Veeco stock through a broker and the number of shares held;
- a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting;
- any material interest of the stockholder in such business; and
- a representation that the stockholder intends to appear in person or by proxy at the 2008 Annual Meeting to present the proposal.

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A proposal may be presented from the floor only after Veeco's Chairman has determined that it is a proper matter for consideration under our bylaws.

Q17. What is Veeco's process for nominating director candidates?

A. Veeco's Board of Directors is comprised of nine directors divided into three classes of Directors serving staggered three-year terms. 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 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 Nominating and 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 Nominating and Governance Committee is comprised entirely of independent directors, as defined by Nasdaq. In evaluating candidates, the Nominating and Governance Committee will consider the criteria and qualifications set forth in the committee's charter, which qualifications include personal integrity and honesty, sound business judgment, independence, background and business experience, willingness and capability to actively participate in Board and committee activities and potential conflicts of interest, as well as the factors described under "Director Qualification Standards" in Veeco's Corporate Governance Guidelines. 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 18 below regarding the process for stockholder nominations of director candidates.

Q18. Can a stockholder nominate someone to be a director of Veeco?

A. As a stockholder, you may recommend any person as a nominee for director of Veeco for consideration by the Nominating and Governance Committee by submitting the name and supporting information in writing to the Nominating and Governance Committee of the Board of Directors, c/o Secretary, Veeco Instruments Inc., 100 Sunnyside Boulevard, Suite B, Woodbury, NY 11797. The recommending stockholder must meet the eligibility requirements for submitting a stockholder proposal for inclusion in that proxy statement, a written recommendation must be received by Veeco by November 29, 2007 and the written recommendation must contain 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 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.

Q19. How can stockholders communicate with Veeco's Directors?

A. 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 Instruments Inc., 100 Sunnyside Boulevard, Suite B, Woodbury, NY 11797. The Secretary will forward copies of all letters (other than sales or employment-related communications) to each Board member to whom they are addressed.

Q20. How much will this proxy solicitation cost?

A. Georgeson Shareholder Communications Inc. was hired by Veeco to assist in the distribution of proxy materials and the solicitation of votes for a fee of \$5,500, 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. Georgeson may contact stockholders by mail, telephone, fax and personal interviews. Veeco has agreed to indemnify Georgeson 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.

Q21. Who is soliciting my vote?

A. Your vote is being solicited by the Board of Directors of Veeco Instruments Inc. for the 2007 Annual Meeting of Stockholders to be held on Friday, May 4, 2007 at 9:30 a.m.

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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 periodically review and update, as appropriate, Veeco's corporate governance policies and practices. In doing so, the Board and management review published guidelines and recommendations of institutional stockholder organizations and current best practices of similarly situated public companies. The Board and management also regularly evaluate and, when appropriate, revise Veeco's corporate governance policies and practices in accordance 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 Nominating and Governance Committee from time to time. The Corporate Governance Guidelines relate to director qualifications, conflicts of interest, succession planning 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, President, Chief Financial Officer and Chief Accounting Officer.

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, and Nominating and Governance Committee has a written charter adopted by Veeco's Board of Directors 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 a majority of the Board of Directors are 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 directors within the meaning of the applicable Nasdaq listing standards, except Mr. Braun, the Company's Chairman and Chief Executive Officer.

Independence of Committee Members. All members of each of Veeco's committees are required to be and are independent in accordance with the Nasdaq listing standards.

Compensation Committee Interlocks and Insider Participation. During 2006, 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 officers of Veeco serve on our Compensation Committee. During 2006, the members of our Compensation Committee were Messrs. D'Amore, Low (Chairman) and McDaniel.

Board Access to Independent Advisors. The Board members have full and free access to officers and employees of Veeco and are free 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. Upon such submission, the Board of Directors determines whether to accept or reject the resignation.

Board Meetings and Committees

During 2006, Veeco's Board of Directors held eight meetings. Each current Director attended at least 75% of the meetings of the Board of Directors and Board committees on which such Director served during 2006. It is the policy of the Board to hold executive sessions of the independent directors meeting without management at every regular quarterly board meeting and as requested by a director. Mr. Pfister, who has been designated as Lead Director, presides over these executive sessions. All members of the Board are welcome to attend the Annual Meeting of Stockholders. In 2006, Mr. Braun was the only director who attended the Annual Meeting of Stockholders. The Board has established the following standing committees: an Audit Committee, a Compensation Committee and a Nominating and Governance Committee and, in 2006, the Board established a special purpose Succession Planning Committee.

Audit Committee. The Audit Committee reviews the scope and results of the audit and other services provided by Veeco's independent registered public accounting firm. The Audit Committee currently consists of Messrs. Elftmann, Fridrich, Pfister (Chairman) and Simone. The Board has determined that all members of the Audit Committee are financially literate as that term is currently defined by Nasdaq and by applicable SEC rules. The Board of Directors has determined that each of Messrs. Elftmann, Pfister and Simone may be considered an audit committee financial expert as defined by applicable SEC rules. During 2006, the Audit Committee met eleven times.

Compensation Committee. The Compensation Committee sets the compensation levels of senior management and administers Veeco's stock incentive plans and employee stock purchase plan. All members of the Compensation Committee are (x) non-employee directors (within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act)), and (y) 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 have interlocking relationships as defined by the SEC. The Compensation Committee currently consists of Messrs. D'Amore, Low (Chairman) and McDaniel. During 2006, the Compensation Committee met eight times.

Nominating and Governance Committee. The Company's Nominating and 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 of Directors with respect thereto. The Nominating and Governance Committee currently consists of Messrs. Kingsley (Chairman), Low and McDaniel. During 2006, the Nominating and Governance Committee met four times.

Succession Planning Committee. On November 22, 2006, Veeco announced that Mr. Braun, Veeco's Chairman and Chief Executive Officer, planned to transition from his current role to the position of Chairman in 2007 and that Veeco's Board had formed a Succession Planning Committee to search for and select a new Chief Executive Officer. The Succession Planning Committee currently consists of Messrs. D'Amore, Fridrich, Low and McDaniel (Chairman). During 2006, the Succession Planning Committee met four times.

Compensation of Directors

Members of the Board of Directors who are not employees of Veeco receive a retainer of \$5,000 per quarter, plus additional retainers of \$1,250 per quarter for the chairman of the Compensation Committee and the chairman of the Nominating and Governance Committee, \$3,000 per quarter for the chairman of the Audit Committee, \$5,000 per quarter for the chairman of the Succession Planning Committee, \$3,000 per quarter for each member, other than the chairman, of the Succession Planning Committee, and \$2,500 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. Pursuant to the Company's 2000 Stock Incentive Plan, during 2006 each non-employee Director received an automatic annual grant of 5,000 shares of restricted stock and the restrictions on these shares lapse on the first anniversary of the date of grant. Directors who are employees, such as Mr. Braun, do not receive compensation for serving as Directors or for attending Board of Directors, committee or stockholder meetings.

The following table provides information on compensation awarded or paid to the non-employee directors of Veeco for the fiscal year ended December 31, 2006.

| Name | Fees Earned or Paid in Cash \$(1) | Stock Awards \$(2)(3) | Total (\$) |
|---------------------|--------------------------------------|--------------------------|------------|
| Richard A. D'Amore | 48,000 | 88,047 | 136,047 |
| Joel A. Elftmann | 48,000 | 88,047 | 136,047 |
| Heinz K. Fridrich | 54,000 | 88,047 | 142,047 |
| Douglas A. Kingsley | 40,750 | 88,047 | 128,797 |
| Paul R. Low | 64,750 | 88,047 | 152,797 |
| Roger D. McDaniel | 56,000 | 88,047 | 144,047 |
| Irwin H. Pfister | 68,000 | 88,047 | 156,047 |
| Peter J. Simone | 47,000 | 88,047 | 135,047 |

(1) Includes payments made in 2006 for attendance at certain meetings held at the end of 2005 and does not include payments for attendance at certain meetings held at the end of 2006 for which payments were made in 2007.

(2) Reflects an award of 5,000 shares of restricted stock to each director on May 8, 2006, which award will vest over a one-year service period. In accordance with SEC rules and Statement of Financial Accounting Standards No. 123(R), Share Based Payment (FAS 123(R)), the amounts shown reflect the value of the award amortized over the portion of the service period which lapsed during the year. The grant date fair value of the award to each director was \$27.12 per share or \$135,600.

(3) As of December 31, 2006, 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 (#) |
|---------------------|-------------------------|--------------------------|
| Richard A. D. Amore | 5,000 | 72,000 |
| Joel A. Elftmann | 5,000 | 72,000 |
| Heinz K. Fridrich | 5,000 | 65,000 |
| Douglas A. Kingsley | 5,000 | 48,667 |
| Paul R. Low | 5,000 | 72,000 |
| Roger D. McDaniel | 5,000 | 51,000 |
| Irwin H. Pfister | 5,000 | 65,000 |
| Peter J. Simone | 5,000 | 20,000 |

Contractual Arrangements With Directors

Veeco has entered into indemnification agreements with each of its directors and anticipates that it will enter into similar agreements with any future directors. Generally, the indemnification agreements are designed to provide the maximum protection permitted by Delaware law with respect to indemnification of a director. 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 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 will receive indemnification if he is found to have acted in good faith and in a manner he reasonably believed to be or not opposed to the best interests of Veeco and with respect to any criminal action, if he had no reasonable cause to believe his conduct was unlawful.

Certain Relationships and Related Transactions

Pursuant to its charter, the Company's Audit Committee, or one or more of its members with delegated authority, shall review and, if appropriate, approve all proposed related party transactions. For this purpose, related party transactions are defined as those transactions required to be disclosed as such pursuant to applicable SEC and Nasdaq rules. During 2006, there were no such transactions.

PROPOSAL 1
ELECTION OF DIRECTORS

Veeco's Certificate of Incorporation provides for a Board of Directors elected by Stockholders which is divided into three classes of Directors serving staggered terms. Currently, the Board of Directors is comprised of nine members, consisting of three Class I Directors, three Class II Directors and three Class III Directors. Each of the three Class I Directors is up for re-election this year.

Based on the recommendation of the Nominating and Governance Committee, the Board of Directors has nominated the following Directors for re-election, each of whom is currently a Class I Director:

| Name | Nominated for Re-Election to: | For a Term Expiring at the Annual Meeting of Stockholders in: |
|-------------------|-------------------------------|---|
| Heinz K. Fridrich | Class I | 2010 |
| Roger D. McDaniel | Class I | 2010 |
| Irwin H. Pfister | Class I | 2010 |

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: |
|---------------------|----------------|--|
| Joel A. Elftmann | Class II | 2008 |
| Paul R. Low | Class II | 2008 |
| Peter J. Simone | Class II | 2008 |
| Edward H. Braun | Class III | 2009 |
| Richard A. D'Amore | Class III | 2009 |
| Douglas A. Kingsley | Class III | 2009 |

Management does not contemplate that any of 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 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 and committee memberships as of March 9, 2007, are:

| Name | Age | Director Since | Committee Membership | | Nominating and Governance | Succession Planning |
|----------------------|-----|----------------|----------------------|--------------|---------------------------|---------------------|
| | | | Audit | Compensation | | |
| Edward H. Braun | 67 | 1990 | | | | |
| Richard A. D Amore | 53 | 1990 | | X | | X |
| Joel A. Elftmann | 67 | 1994 | X | | | |
| Heinz K. Fridrich | 74 | 1998 | X | | | X |
| Douglas A. Kingsley | 45 | 2000 | | | Chair | |
| Paul R. Low | 73 | 1994 | | Chair | X | X |
| Roger D. McDaniel | 68 | 1998 | | X | X | Chair |
| Irwin H. Pfister (A) | 62 | 1998 | Chair | | | |
| Peter J. Simone | 59 | 2004 | X | | | |

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

Edward H. Braun has been Chairman and Chief Executive Officer of Veeco since January 1990, and was also President of Veeco from January 1990 to May 2000 and from October 2000 to March 2003. Prior to 1990, Mr. Braun served as Executive Vice President and Chief Operating Officer of Veeco's predecessor. Mr. Braun joined the predecessor in 1966 and held numerous positions with the predecessor, including Director of Marketing, General Manager and Chief Operating Officer. Mr. Braun is a Director Emeritus of Semiconductor Equipment and Materials International, a trade association for suppliers to the semiconductor industry (SEMI), of which he was Chairman of the Board in 1993, a member of the Executive Advisory Council of the International Disk Drive Equipment and Materials Association (IDEMA), and a director of Cymer, Inc., a supplier of excimer laser light sources used in deep ultra-violet photolithography systems. On November 22, 2006, Veeco announced that Mr. Braun planned to transition from his current role to the position of Chairman in 2007 and that Veeco's Board had formed a Succession Planning Committee to search for and select a new Chief Executive Officer. Mr. Braun will continue to serve as CEO until a successor has been appointed.

Richard A. D Amore has been a General Partner of North Bridge Venture Partners since 1994. In addition to Veeco, Mr. D Amore is a director of Phase Forward Incorporated and Solectron Corporation.

Joel A. Elftmann is President and a Director of Custom Fab Solutions LLC, a supplier to semiconductor capital equipment manufacturers. Mr. Elftmann was a co-founder of FSI International Inc. and served as its Chairman and Chief Executive Officer from May 1991 through December 1999, and thereafter served as its Chairman until January 2002. Mr. Elftmann was a co-founder of Metron Technology, N.V. (Metron), a distributor of semiconductor capital equipment, and served as Chairman and a Supervisory Director of Metron through December 2004 and as a director of Nortem, a company liquidated following the asset sale of Metron. He currently serves as a director of Community Bank of Chaska and is also a Director Emeritus and former Chairman of the Board of Directors of SEMI.

Heinz K. Fridrich is an Industry Professor Emeritus of the University of Florida. He joined the University of Florida in 1993 after 43 years with IBM, including serving as Vice President and General Manager of IBM's largest development and manufacturing site for semiconductors and electronic packaging, and most recently as IBM's Vice President responsible for worldwide manufacturing and

quality. He is also a director of Solectron Corporation.

Douglas A. Kingsley has been a Managing Director of North Bridge Growth Equity since February 2007. Previously, Mr. Kingsley was a Managing Director of Advent International Corporation, a private equity firm, where he was employed from 1990 until January 2007. From 1985 through 1988, Mr. Kingsley was a sales engineer for Teradyne, Inc., a manufacturer of automatic test equipment for the electronics industry. He is also a member of the Board of Overseers of the Boston Symphony Orchestra.

Paul R. Low has been President and Chief Executive Officer of PRL Associates, a technology consulting firm, since founding the firm in 1992. Previously, Dr. Low was Vice President-General Manager, Technology Products for IBM from 1989 through 1992 and a member of IBM's Management Board from 1990 to 1992. Dr. Low is also a director of Solectron Corporation.

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 a director of Entegris, Inc.

Irwin H. Pfister is a private investor and currently serves as an Operating Partner with Baird Capital Partners. Prior to his retirement from Schlumberger in 2005, Mr. Pfister was Executive Vice President of Schlumberger Ltd. and Chief Executive Officer of SchlumbergerSema, a leading information technology services provider. He joined Schlumberger in May 1986 and held several management positions, including Executive Vice President of Schlumberger Test and Transactions. From January 1990 to June 1997, Mr. Pfister was President of the Semiconductor Solutions Group of Schlumberger. Mr. Pfister is a past Chairman of SEMI.

Peter J. Simone is 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. Mr. Simone is also a director of Cymer, Inc., Newport Corporation and Sanmina-SCI Corporation.

PROPOSAL 2**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, 2007. Ernst & Young LLP has been employed as the independent registered public accounting firm of Veeco since 1990. Fees for the last two years were as follows:

| | Year Ended December 31, | |
|--------------------|--------------------------------|--------------|
| | 2006 | 2005 |
| Audit Fees | \$ 1,068,477 | \$ 1,013,100 |
| Audit-related Fees | 74,150 | 38,750 |
| Tax Fees | 98,200 | 135,661 |
| Total | \$ 1,240,827 | \$ 1,187,511 |

Audit fees consisted of fees for professional services rendered for the audit of the Company's consolidated financial statements, Sarbanes-Oxley Section 404 report and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements. Audit-related fees consisted of fees for accounting consultations and employee benefit plan audits. Tax fees consisted of fees for tax planning and advice related to international and transfer pricing tax issues. The Company did not engage Ernst & Young LLP to perform any work related to financial information systems design or implementation services during 2006 or 2005.

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 LLP, 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 LLP fees for 2006 and 2005 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 LLP as set forth herein is compatible with maintaining Ernst & Young LLP's independence.

Representatives of Ernst & Young LLP 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.

The Board of Directors recommends a vote FOR ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2007.

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, 2006 (the Annual Report on Form 10-K) and the quarterly financial statements during 2006 with management, including the specific disclosures in the section titled 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 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. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements*. 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 Independence Standards Board No. 1, *Independence Discussions with Audit Committees*, 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 2006, 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, (ii) management's assessment of the effectiveness of internal control over financial reporting and (iii) 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 evaluation in fiscal 2007.

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 eleven meetings during 2006.

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.

Joel A. Elftmann

Heinz K. Fridrich

Irwin H. Pfister (Chairman)

Peter J. Simone

EXECUTIVE COMPENSATION

Executive Officers

The executive officers of Veeco, and their ages, as of March 9, 2007, are as follows:

| Name | Age | Position |
|---------------------|-----|--|
| Edward H. Braun | 67 | Chairman of the Board and Chief Executive Officer |
| John P. Kiernan | 44 | Senior Vice President, Finance, Chief Accounting Officer and Corporate Controller |
| Benjamin Loh | 43 | Executive Vice President, Global Field Operations |
| Robert P. Oates | 53 | Executive Vice President, Process Equipment |
| John F. Rein, Jr. | 60 | Executive Vice President, Chief Financial Officer and Secretary |
| Jeannine P. Sargent | 43 | Executive Vice President, Metrology and Instrumentation and Corporate Marketing and Business Development |

Edward H. Braun has been Chairman and Chief Executive Officer of Veeco since January 1990, and was also President of Veeco from January 1990 to May 2000 and from October 2000 to March 2003. Prior to 1990, Mr. Braun served as Executive Vice President and Chief Operating Officer of Veeco's predecessor. Mr. Braun joined the predecessor in 1966 and held numerous positions with the predecessor, including Director of Marketing, General Manager and Chief Operating Officer. Mr. Braun is a Director Emeritus of SEMI, of which he was Chairman of the Board in 1993, a member of the Executive Advisory Council of IDEMA, and a director of Cymer, Inc., a supplier of excimer laser light sources used in deep ultra-violet photolithography systems. On November 22, 2006, Veeco announced that Mr. Braun planned to transition from his current role to the position of Chairman in 2007 and that Veeco's Board had formed a Succession Planning Committee to search for and select a new Chief Executive Officer. Mr. Braun will continue to serve as CEO until a successor has been appointed.

John P. Kiernan has been Senior Vice President, Finance, Chief Accounting Officer and Corporate Controller since July 2005. Prior thereto, he was Vice President, Finance and Corporate Controller of Veeco from April 2001 through 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.

Benjamin Loh has been Executive Vice President, Global Field Operations since December 2006. Prior thereto, he was Senior Vice President and General Manager for Veeco's Asia-Pacific region from December 2005 to November 2006. Prior to joining Veeco, Mr. Loh was Senior Vice President, Asia of Unaxis Corporation from April 1996 to October 2005. Mr. Loh is also a director of Schweiter Technologies AG.

Robert P. Oates has been Executive Vice President, Process Equipment since January 2007 and was Senior Vice President and General Manager, Process Equipment since January 2006. Prior thereto, he was Senior Vice President of Veeco's Data Storage Operations from October 2005 through January 2006, Vice President and General Manager of Veeco's Ion Beam Process Equipment Group from September 2004 through September 2005, Vice President/Treasurer of Veeco from May 2002 to September 2004 and Vice President and General Manager of Veeco's NeXray division from 1995 to May 2002. Mr. Oates held various financial positions with Veeco and Veeco's predecessor company from 1977 to 1995.

John F. Rein, Jr. has been Executive Vice President, Chief Financial Officer and Secretary of Veeco since April 2000 and was Treasurer of Veeco from April 2000 to May 2002. Prior thereto, he was Vice President-Finance and Chief Financial Officer of Veeco since December 1993, and became Treasurer and Secretary of Veeco in October 1994. Prior to joining Veeco, Mr. Rein served for eight years as Vice President-Finance for Axsys Technologies, Inc. From 1979 to 1986, Mr. Rein was Treasurer of Industrial General Corporation. Prior to that, he was on the audit staff of Ernst & Young LLP.

Jeannine P. Sargent has been Executive Vice President of Metrology and Instrumentation and Corporate Marketing and Business Development since October 2005. Prior thereto, she was Senior Vice President of Marketing and Business Development from June 2004 to October 2005. Prior to joining Veeco, Ms. Sargent was the interim Chief Executive Officer and a consultant to Teravicta Technologies, a producer of microelectronic RF components, from July 2003 to December 2003. From August 1997 to November 2002, Ms. Sargent was the Chief Executive Officer and President of Voyan Technology, a software company serving the semiconductor industry. From February 1996 to August 1997, Ms. Sargent held senior level marketing posts at Gasonics International and from August 1992 to January 1996 she held similar posts at Tencor Instruments, the predecessor to KLA-Tencor Corporation.

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, 2006 to the Chief Executive Officer and Chief Financial Officer of Veeco and 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 (\$) |
|--|------|-------------|----------------|-----------------------|------------------------|---|---------------------------------|------------|
| Edward H. Braun Chairman and C.E.O. | 2006 | 650,000 | 0 | 110,840 | 57,167 | 387,649 | 23,431 | 1,229,087 |
| John F. Rein, Jr. E.V.P., C.F.O. and Secretary | 2006 | 371,829 | 0 | 66,504 | 21,438 | 157,978 | 12,423 | 630,172 |
| Benjamin Loh E.V.P., Global Field Operations (6) | 2006 | 347,586 | 0 | 19,993 | 5,694 | 170,956 | 124,557 | 668,786 |
| Robert P. Oates E.V.P., Process Equipment | 2006 | 330,154 | 0 | 148,336 | 74,747 | 190,102 | 11,452 | 754,791 |
| Jeannine P. Sargent E.V.P., Metrology and Instrumentation | 2006 | 321,542 | 0 | 174,336 | 80,764 | 71,629 | 11,140 | 659,411 |

(1) Per SEC rules, performance bonuses paid during 2006 pursuant to the Company's Management Bonus Plan are reflected under the column entitled "Non-Equity Incentive Plan Compensation." The Company did not pay discretionary bonuses during 2006; all bonuses were performance-based.

(2) Reflects awards of restricted stock. Under the terms of the restricted stock awards, one third of the shares vest on each of the first, second and third anniversaries of the date of grant. Holders of restricted stock are entitled to dividends to the same extent as holders of unrestricted stock. In accordance with SEC rules and FAS 123(R), the amounts shown above reflect the value of the stock award (based on the grant date fair value of the stock) amortized over the portion of the service period which lapsed during the year. The amounts shown relate to stock awards granted in 2006, except for the amounts with respect to Mr. Oates and Ms. Sargent, which reflect stock awards granted in both 2005 and 2006. Mr. Oates and Ms. Sargent are the only NEOs who received restricted stock awards in 2005. On June 9, 2006, each executive officer listed above received shares of restricted stock with a grant date fair value of \$23.61 per share. On December 6, 2006, Mr. Loh received 25,000 shares of restricted stock with a grant date fair value of \$18.75 per share.

(3) The values shown reflect the dollar amounts relating to option awards recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with FAS 123(R). These values include amounts from options granted in and prior to 2006. Assumptions used in the calculation of these amounts for fiscal years ended December 31, 2004, 2005 and 2006 are



included in Note 5 to the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2007 (the Consolidated Financial Statements).

(4) Reflects cash bonuses paid under the Company's Management Bonus Plan. Bonuses listed for a particular year represent bonuses earned and paid with respect to such year even though all or part of such bonuses may have been paid during the first quarter of the subsequent year.

(5) All Other Compensation consists of car allowance, 401(k) matching contribution, premiums for group term life insurance and worldwide medical insurance, housing allowance and educational allowance as follows:

Other Compensation

| Name | Car Allowance (\$) | 401(k) Matching Contribution (\$) | Premium for Group Term Life Insurance (\$) | Premium for Worldwide Medical Insurance (\$) | Housing Allowance (\$) | Educational Allowance (\$) | Total Other Compensation (\$) |
|------------|--------------------|-----------------------------------|--|--|------------------------|----------------------------|-------------------------------|
| E. Braun | 18,000 | 2,500 | 2,931 | | | | 23,431 |
| J. Rein | 8,400 | 2,500 | 1,523 | | | | 12,423 |
| B. Loh | 30,837 | 0 | 575 | 13,782 | 52,909 | 26,454 | 124,557 |
| R. Oates | 8,400 | 2,500 | 552 | | | | 11,452 |
| J. Sargent | 8,400 | 2,500 | 240 | | | | 11,140 |

(6) Payments to Mr. Loh for the items reflected in the columns entitled Salary and All Other Compensation and in footnote (5) above were originally denominated in Singapore dollars (SGD). The amounts shown in the tables above were converted to U.S. dollars at the rate of 1.5899 SGD = US\$1.00, which was the average exchange rate during the period from January 1, 2006 to December 31, 2006.

Grants of Plan-Based Awards

The following table sets forth certain information concerning grants to each NEO during 2006 of stock options, shares of restricted stock and long-term cash incentive awards made under the Company's 2000 Stock Incentive Plan, as amended, and the Company's Long-Term Cash Incentive Plan. The option and restricted stock awards are also included in the Stock Awards and Option Awards columns of the Summary Compensation Table. The options have a seven-year life. The options and the shares of restricted stock vest one third per year on each of the first, second and third anniversaries of the date of grant. Holders of restricted stock are entitled to dividends to the same extent as holders of unrestricted stock. For 2006, long-term cash incentive awards were granted to the NEOs and certain other executives. These awards will be earned when, and if, the goals specified are achieved over the three-year performance period designated for the award. The goals include cumulative earnings before interest, taxes and amortization (EBITA) and revenue targets for the Company as a whole for the three-year period ending December 31, 2008. Compensation awarded under the 2006 Long-Term Cash Incentive Plan will be disclosed in 2009 in the Summary Compensation Table if the performance criteria are satisfied.

| Name | Grant Date | Date of Approval of Award, if Different from Grant Date (1) | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (2) | Thresh-old (\$) | Target (\$) | Maxi-mum (\$) | All Other Stock Awards: Number of Shares of Stock or Units (#) (3) | All Other Option Awards: Number of Securities Underlying Options (#) (3) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards (\$) | | | | |
|------------|------------|---|---|-----------------|-------------|---------------|--|--|---|---|--------|--------|-------|---------|
| E. Braun | 6/9/06 | | 121,875 | 487,500 | 731,250 | | | | | | | | | |
| | 6/9/06 | | | | | | | | | | 25,000 | | | |
| | 6/9/06 | | | | | | | | | | | 40,000 | 23.61 | 590,250 |
| J. Rein | 6/9/06 | | 53,550 | 214,200 | 321,300 | | | | | | | | | |
| | 6/9/06 | | | | | | | | | | 15,000 | | | |
| | 6/9/06 | | | | | | | | | | | 15,000 | 23.61 | 354,150 |
| B. Loh | 6/9/06 | | 31,445 | 125,781 | 188,672 | | | | | | | | | |
| | 6/9/06 | | | | | | | | | | 2,000 | | | |
| | 6/9/06 | | | | | | | | | | | 3,000 | | 22,830 |
| | 12/6/06 | 11/22/06 | | | | | | | | | 25,000 | | 23.61 | 468,750 |
| | 12/6/06 | 11/22/06 | | | | | | | | | | 10,000 | 18.75 | 59,000 |
| R. Oates | 6/9/06 | | 29,000 | 116,000 | 174,000 | | | | | | | | | |
| | 6/9/06 | | | | | | | | | | 10,000 | | | |
| | 6/9/06 | | | | | | | | | | | 10,000 | 23.61 | 236,100 |
| J. Sargent | 6/9/06 | | 31,500 | 126,000 | 189,000 | | | | | | | | | |
| | 6/9/06 | | | | | | | | | | 10,000 | | | |
| | 6/9/06 | | | | | | | | | | | 10,000 | 23.61 | 76,100 |

(1) The awards made to Mr. Loh on December 6, 2006 were approved by the Company's Compensation Committee on November 22, 2006. At the time of the approval of the awards, the Committee determined that the awards should be granted upon the effective date of Mr. Loh's promotion to the position of Executive Vice President, Global Field Operations, which promotion was effective December 6, 2006.

(2) Reflects potential payouts under the Company's Long-Term Cash Incentive Plan. Such payouts will be made only if the performance goals are met for the three-year performance period ending December 31, 2008. During 2006, the Company also made awards under its annual Management Bonus Plan. These annual bonuses, which were earned during 2006 and paid during the first quarter of 2007, are reflected in the Summary Compensation Table under the Column entitled Non-Equity Incentive Plan Compensation.

(3) Reflects shares of restricted stock or options granted pursuant to the 2000 Stock Incentive Plan.

Outstanding Equity Awards At Fiscal Year End

The following table provides certain information as of December 31, 2006, 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.

| Name | Option Awards | | | Stock Awards | | |
|-------------------|---|---|----------------------------|------------------------|---|--|
| | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) (2) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) (2) | Market Value of Shares or Units of Stock That Have Not Vested (\$) |
| Edward H. Braun | 20,000 | (1) | 24.875 | 1/16/2007 | 25,000 | 468,250 |
| | 40,000 | | 31.00 | 4/24/2007 | | |
| | 100,000 | | 24.00 | 6/14/2008 | | |
| | 100,000 | | 29.8125 | 6/22/2009 | | |
| | 200,000 | | 43.75 | 5/22/2007 | | |
| | 200,000 | | 34.05 | 7/19/2008 | | |
| | 200,000 | | 21.68 | 6/24/2009 | | |
| | 140,000 | | 15.48 | 3/31/2010 | | |
| | 200,000 | | 21.36 | 7/27/2011 | | |
| | 100,000 | | 16.56 | 6/16/2012 | | |
| | 40,000 | 23.61 | 6/08/2013 | | | |
| John F. Rein, Jr. | 9,500 | | 31.00 | 4/24/2007 | 15,000 | 280,950 |
| | 40,000 | | 24.00 | 6/14/2008 | | |
| | 40,000 | | 29.8125 | 6/22/2009 | | |
| | 50,000 | | 43.75 | 5/22/2007 | | |
| | 50,000 | | 34.05 | 7/19/2008 | | |
| | 70,000 | | 21.68 | 6/24/2009 | | |
| | 50,000 | | 15.48 | 3/31/2010 | | |
| | 70,000 | | 21.36 | 7/27/2011 | | |
| | 40,000 | | 16.56 | 6/16/2012 | | |
| | | 15,000 | 23.61 | 6/08/2013 | | |
| Benjamin Loh | 20,000 | | 18.57 | 12/11/2012 | 27,000 | 505,710 |