

VEECO INSTRUMENTS INC  
Form DEF 14A  
March 31, 2006

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

**SCHEDULE 14A**

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

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

**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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**VEECO INSTRUMENTS INC.**

**100 Sunnyside Boulevard, Suite B**

**Woodbury, NY 11797**

***NOTICE OF ANNUAL MEETING***

Dear Veeco Stockholder:

On Friday, May 5, 2006, Veeco Instruments Inc. will hold its 2006 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 2006; and
3. Any other business properly presented at the meeting.

Only stockholders who own stock at the close of business on March 9, 2006 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 in favor of proposals 1 and 2 above, which 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 2005 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 2005 Annual Report is March 31, 2006. For more information about Veeco, please visit our website at [www.veeco.com](http://www.veeco.com).

By order of the Board of Directors,

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

March 31, 2006

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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, 2006, the record date. At the close of business on that date, 30,152,702 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. Both 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, 2006. 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, 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.

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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 2006 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. Representatives 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 2006.

**Q12. Who can attend the Annual Meeting?**

A. All stockholders who owned shares on March 9, 2006 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 unless 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 2007 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 December 4, 2006.

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Additionally, Veeco's advance notice bylaw provisions require that any stockholder proposal to be presented from the floor of the 2007 Annual Meeting must be submitted in writing to Secretary, at the above address, by February 17, 2007, and must be accompanied by:

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

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 2007 Annual Meeting to present the proposal.

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 December 4, 2006 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 solicitation 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 2006 Annual Meeting of Stockholders to be held on Friday, May 5, 2006 at 9:30 a.m.

## **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 establish 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](http://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 three committees are required to be and are independent.



*Compensation Committee Interlocks and Insider Participation.* During 2005, none of Veeco's executive officers served on the board of directors of any entity whose directors or officers serve on Veeco's Compensation Committee or Board of Directors. No current or past executive officers of Veeco serve on our Compensation Committee. During 2005, 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 deem 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 2005, Veeco's Board of Directors held ten 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 2005. 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 2005, Mr. Braun was the only director who attended the Annual Meeting of Stockholders. The Board has established an Audit Committee, a Compensation Committee and a Nominating and Governance 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 2005, 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 2005, the Compensation Committee met seven 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. The Nominating and Governance Committee met once during 2005 and has held two meetings to date in 2006.



**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 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 attending each board or committee meeting held by conference call. Pursuant to the Company's 2000 Stock Incentive Plan, during 2005 each non-employee Director received an automatic annual grant of 10,000 stock options with an exercise price of \$15.08 per share (the fair market value of a share of Common Stock on the date of grant). These options were fully exercisable on the date of grant. Effective January 1, 2006, the 2000 Stock Incentive Plan was amended to provide that the automatic annual grant to each non-employee director would be 5,000 shares of restricted stock (rather than 10,000 stock options) 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 or committee meetings.

#### **Certain Relationships and Related Transactions**

Prior to joining the Company's Board of Directors in July 2004, Mr. Simone acted as a consultant to Veeco from March 2003 to June 2004. He provided services relating to market analysis, evaluation of new business opportunities, due diligence and certain other matters. For such services, he was paid \$45,000 in 2003 and \$30,000 in 2004.

Mr. Elftmann is President and owns fifty percent of Custom Fab Solutions, LLC, a supplier to semiconductor capital equipment manufacturers. In 2004 and 2005, Veeco's St. Paul operation paid Custom Fab Solutions \$1,095 and \$3,661, respectively, for finishing services.

**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 III 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 III Director:

<b>Name</b>	<b>Nominated for Re-Election to:</b>	<b>For a Term Expiring at the Annual Meeting of Stockholders in:</b>
Edward H. Braun	Class III	2009
Richard A. D'Amore	Class III	2009
Douglas A. Kingsley	Class III	2009

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

<b>Name</b>	<b>Continuing in:</b>	<b>Term Expires at the Annual Meeting of Stockholders in:</b>
Heinz K. Fridrich	Class I	2007
Roger D. McDaniel	Class I	2007
Irwin H. Pfister	Class I	2007
Joel A. Elftmann	Class II	2008
Paul R. Low	Class II	2008
Peter J. Simone	Class II	2008

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, 2006, are:

Name	Age	Director Since	Audit	Committee Membership	Nominating and Governance
				Compensation	
Edward H. Braun	66	1990			
Richard A. D. Amore	52	1990		X	
Joel A. Elftmann	66	1994	X		
Heinz K. Fridrich	73	1998	X		
Douglas A. Kingsley	44	2000			Chair
Paul R. Low	72	1994		Chair	X
Roger D. McDaniel	67	1998		X	X
Irwin H. Pfister (A)	61	1998	Chair		
Peter J. Simone	58	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.

*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 Solelectron 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 CH Energy Group, Inc. and Soletron Corporation.

*Douglas A. Kingsley* is a Special Partner of Advent International Corporation, a private equity firm, where he has been employed since 1990. 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 Applied Materials, Inc. and Soletron 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. 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 the firm of Ernst & Young LLP, independent registered public accounting firm to examine the financial statements of Veeco for the year ending December 31, 2006. 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,			
	2005		2004	
Audit Fees	\$	1,013,100	\$	1,197,096
Audit-related Fees		38,750		64,300
Tax Fees		135,661		275,221
Total	\$	1,187,511	\$	1,536,617

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 in connection with Section 404 of the Sarbanes-Oxley Act of 2002 and employee benefit plan audits. Tax fees consisted of fees for tax planning and advice related to international and transfer pricing tax issues, mergers and acquisitions. The Company did not engage Ernst & Young LLP to perform any work related to financial information systems design or implementation services during 2005 or 2004.

**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 the 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, also pre-approve particular services on a case-by-case basis.

All of the Ernst & Young LLP fees for 2005 and 2004 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 selection of another independent registered public accounting firm will be considered by the Audit Committee for recommendation to the Board of Directors.

**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, 2006.**

### **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](http://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, 2005 (the Annual Report on Form 10-K) and the quarterly financial statements during 2005 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 US 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 2005, 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 2006.

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 2005.

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