

VEECO INSTRUMENTS INC
Form DEF 14A
March 20, 2012
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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)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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 - (1) Amount Previously Paid:
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 - (3) Filing Party:
 - (4) Date Filed:

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VEECO INSTRUMENTS INC.

Terminal Drive

Plainview, NY 11803

NOTICE OF ANNUAL MEETING

Dear Veeco Stockholder:

On May 4, 2012, Veeco will hold its 2012 Annual Meeting of Stockholders at One Jericho Plaza, Jericho, NY 11753. The meeting will begin at 9:30 a.m. At the meeting, we will consider:

1. Election of three directors to hold office until the 2015 Annual Meeting to Stockholders;
2. To hold an advisory vote on executive compensation;
3. To ratify the appointment of our independent registered public accounting firm for 2012; and
4. To transact such other business as may properly be presented at the meeting or any adjournment or postponement thereof.

Only stockholders who own stock at the close of business on March 16, 2012 can vote at this meeting or any adjournments that may take place. For ten days prior to the annual meeting, a list of these stockholders will be available for inspection at our principal executive offices, Terminal Drive, Plainview, NY 11803. A stockholder may examine the list for any legally valid purpose related to the meeting.

Your Board of Directors recommends that you vote **FOR** each of the listed nominees for Director and **FOR** proposals 2 and 3 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 2011 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.

This year Veeco will be using the **notice and access** method of providing proxy materials to you via the Internet. On or about March 20, 2012, you will receive a Notice of Internet Availability of Proxy Materials (the **Notice**), which includes instructions regarding voting your shares and requesting a printed copy of our proxy materials. We believe that this process will provide you with prompt access to our proxy materials, lower

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our cost of printing and delivering proxy materials, and minimize the environmental impact of printing paper copies.

By order of the Board of Directors,

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

March 20, 2012

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on May 4, 2012: The Notice, Proxy Statement and Annual Report to Stockholders are available at www.veeco.com.

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PROXY STATEMENT

QUESTIONS AND ANSWERS

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

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

- Proposal 1: To elect three directors to hold office until the 2015 Annual Meeting of Stockholders
- Proposal 2: To hold an advisory vote on executive compensation;
- Proposal 3: To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2012; and
- Such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

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

The board of directors recommends that you vote:

- FOR the election of the three directors nominated by our board of directors and named in this proxy statement;
- FOR the approval, on an advisory basis, of the compensation of our named executive officers; and

- FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2012.

Q3. Why am I receiving these materials?

Our board of directors has made these materials available to you on the Internet, or, upon your request, has delivered printed proxy materials to you, in connection with the solicitation of proxies for use at Veeco's 2012 Annual Meeting of stockholders, which will take place on Friday, May 4, 2012, at 9:30 a.m. local time, at One Jericho Plaza, Jericho, NY 11753. As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement.

Q4. Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

In accordance with the notice and access rules adopted by the Securities and Exchange Commission, we may furnish proxy materials, including this proxy statement and our 2011 Annual Report to Stockholders, to our stockholders by providing access to such documents on the Internet instead of mailing printed copies. Most stockholders will not receive printed copies of the proxy materials unless they request them. Instead, the Notice, which was mailed to most of our stockholders, will instruct you as to how you may access and review all of the proxy materials on the Internet. The Notice also instructs you as to how you may access and submit your proxy card. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice.

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Q5. How do I get electronic access to the proxy materials?

The Notice will provide you with instructions regarding how to access the Notice of Annual Meeting, this Proxy Statement, your proxy card and Veeco's Annual Report on Form 10-K for the year ended December 31, 2011. The proxy materials will be available on the Internet starting on March 20, 2012, as described in the Notice. You will not receive a printed copy of these proxy materials unless you request them in accordance with the instructions provided in the Notice.

Q6. Who is entitled to vote?

You may vote if our records show that you owned shares of Veeco common stock on March 16, 2012, the record date for the meeting. At such time, 38,776,829 shares of Veeco common stock were issued and outstanding. You are entitled to one vote for each share that you own.

Q7. How can I vote if I own shares directly?

If your shares are registered directly in your name with our transfer agent, then you are considered the stockholder of record with respect to those shares and these proxy materials are being made available 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.

Q8. How can I vote if my shares are held through a brokerage, bank or similar organization?

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

Q9. What if I return a proxy card but do not make specific choices?

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If you return a signed and dated proxy card without marking any voting selections, your Veeco shares will be voted FOR the election of the nominees for director, FOR the approval, on an advisory basis, of the compensation of our named executive officers, and FOR the ratification of the selection of Ernst & Young LLP as Veeco's independent registered public accounting firm for the fiscal year ending December 31, 2012. If any other matter is properly presented at the meeting or any adjournment or postponement thereof, your proxy (one of the individuals named on your proxy card) will vote your shares using his best judgment.

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Q10. How do I revoke or change my vote?

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

- (1) notifying Veeco's transfer agent, American Stock Transfer and Trust Company, Operations Center, 6201 15th Avenue, Brooklyn, NY 11219, in writing at any time before the meeting;
- (2) submitting a later-dated proxy at any time before the meeting; or
- (3) voting in person at the meeting.

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

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

Q11. What is a quorum ?

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

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

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

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Proposal:	Vote Required:	Broker Discretionary Voting Allowed?
Proposal 1 Election of three directors	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	No
Proposal 2 Advisory vote on executive compensation	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	No
Proposal 3 Ratification of auditors for Fiscal Year 2012	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	Yes

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

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

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

Q13. How will voting on any other business be conducted?

Although we do not know of any business to be considered at the 2012 Annual Meeting other than the proposals described in this proxy statement, if any other business is presented at the Annual Meeting or any adjournment or postponement thereof, your signed proxy or vote instruction card gives authority to John R. Peeler, Veeco's Chief Executive Officer, and David D. Glass, Veeco's Executive Vice President and Chief Financial Officer, to vote on such matters at their discretion.

Q14. Who will count the vote?

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

Q15. How can I find out the results of the voting at the Annual Meeting?

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

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Q16. Who can attend the Annual Meeting?

All stockholders who owned shares on March 16, 2012 may attend.

Q17. What does it mean if I get more than one Notice?

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

Q18. I have Veeco shares that are held in street name, as do others in my household. We received only one copy of the proxy materials. How can I obtain additional copies of these materials?

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

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

Q19. When are stockholder proposals for the 2013 Annual Meeting due?

In accordance with Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act), stockholders who wish to present proposals for inclusion in the proxy materials prepared by the Company in connection with the 2013 Annual Meeting must submit their proposals so that they are received by the Secretary, Veeco, Terminal Drive, Plainview, NY 11803 by November 20, 2012. Any such proposal must comply with the requirements of our Fourth Amended and Restated Bylaws, as amended (Bylaws), and Rule 14a-8 under the Exchange Act, which lists the requirements for the inclusion of stockholder proposals in company-sponsored proxy materials.

Timely notice of any director nomination or other proposal that any stockholder intends to present at the 2013 Annual Meeting, but does not intend to have included in the proxy materials prepared by the Company in connection with the 2013 Annual Meeting, must be delivered in writing to the Secretary at the address above not less than 90 days nor more than 120 days before the first anniversary of the prior year's meeting. However, if we hold the 2013 Annual Meeting on a date that is not within 30 days before or 60 days after such anniversary date, we

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must receive the notice no later than 10 days after the earlier of the date we first provide notice of the meeting to stockholders or announce it publicly. In addition, the stockholder's notice must set forth the information required by our Bylaws with respect to each stockholder making the proposal and each proposal that such stockholder intends to present at the 2013 Annual Meeting.

For more information, including the information required to be included in a stockholder proposal, please refer to our Fourth Amended and Restated Bylaws, filed as exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on October 27, 2008, the amendment thereto filed as exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on May 26, 2010, and the amendment thereto filed as exhibit 3.1 to our Current Report on Form 8-K, filed with the SEC on October 20, 2011.

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Q20. What is Veeco's process for nominating director candidates?

Veeco's Board of Directors is currently comprised of eight directors divided into three classes of Directors serving staggered three-year terms. Joel A. Elftmann will not stand for re-election in 2012. The Board has determined to reduce the size of the Board from eight to seven directors following the Annual Meeting. Approximately one-third of Veeco's directors are elected each year by its stockholders at the annual meeting of stockholders. The Board of Directors is responsible for filling vacancies that may occur on the Board at any time during the year and for nominating director nominees to stand for election at the annual meeting of stockholders. The Governance Committee of the Board of Directors reviews all potential director candidates, and recommends potential director candidates to the full Board. Director candidates may be identified by current directors of the Company, as well as by stockholders. The Governance Committee is comprised entirely of independent directors, as defined by Nasdaq. Pursuant to our Corporate Governance Guidelines, the Governance Committee will evaluate the suitability of potential nominees for membership on the Board, taking into consideration the Board's current composition, including expertise, diversity, and balance of inside, outside and independent directors, and considering the general qualifications of the potential nominees, including those characteristics described in the Corporate Governance Guidelines as in effect from time to time. In selecting the director nominees, the Board endeavors to establish a diversity of background and experience in a number of areas of core competency, including business judgment, management, accounting and finance, knowledge of the industries in which the Company operates, understanding of manufacturing and services, strategic vision, knowledge of international markets, marketing, research and development, and other areas relevant to the Company's business. During February 2012, Keith D. Jackson was added to the Board. Mr. Jackson was identified through a director search conducted by a third party search firm under the direction of the Governance Committee. In conducting this search, the Board was looking to add relevant industry experience and meaningful international business experience, among other qualities. Under our Corporate Governance Guidelines, the Board periodically conducts a critical self-evaluation of the Board, including an assessment of the make-up of the Board as a whole. In any particular situation, the committee may focus on persons possessing a particular background, experience or qualifications which the committee believes would be important to enhance the effectiveness of the Board. The full Board reviews and has final approval authority on all potential director candidates being recommended to the stockholders for election. The evaluation process for candidates recommended by stockholders is the same as for candidates from any other source. See the answer to Question 21 below regarding the process for stockholder nominations of director candidates.

Q21. Can a stockholder nominate someone to be a director of Veeco?

As a stockholder, you may recommend any person as a nominee for director of Veeco for consideration by the Governance Committee by submitting the name and supporting information in writing to the Governance Committee of the Board of Directors, c/o Secretary, Veeco, Terminal Drive, Plainview, NY 11803. The deadlines for submitting stockholder nominations of directors are the same as those set forth in Question 19. In addition, the recommending stockholder must submit a written recommendation that sets forth the information required by our Bylaws with respect to the recommending stockholder and such stockholder's nominee, including the following:

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

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- 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.

Q22. How can stockholders communicate with Veeco's Directors?

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

Q23. How much will this proxy solicitation cost?

MacKenzie Partners, Inc. was hired by Veeco to assist in the distribution of proxy materials and the solicitation of votes for a fee of \$7,500, plus reimbursement of out-of-pocket expenses. The expense of soliciting proxies will be borne by Veeco. In addition, Veeco may reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders. MacKenzie Partners may contact stockholders by mail, telephone, fax and personal interviews. Veeco has agreed to indemnify MacKenzie against certain liabilities and expenses in connection with such solicitation, including liabilities under the federal securities laws. Some personal solicitations also may be made by directors, officers and employees of Veeco without special compensation, other than reimbursement for expenses.

Q24. Who is soliciting my vote?

Your vote is being solicited by the Board of Directors of Veeco, on behalf of the Company, for the 2012 Annual Meeting of Stockholders to be held on Friday, May 4, 2012 at 9:30 a.m.

Q25. What proxy materials are available on the internet?

The proxy statement and our 2011 Annual Report to Stockholders, including our Form 10-K, are available on our website at www.veeco.com.

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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 review published guidelines and recommendations of institutional stockholder organizations and current best practices of similarly situated public companies. The Board and management periodically evaluate and, when appropriate, revise Veeco's corporate governance policies and practices in light of these guidelines and practices and to comply with the requirements of the Sarbanes-Oxley Act of 2002 and the rules and listing standards issued by the Securities and Exchange Commission (SEC) and The Nasdaq Stock Market, Inc. (Nasdaq).

Corporate Governance Policies and Practices

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

Corporate Governance Guidelines - Veeco adheres to written Corporate Governance Guidelines, adopted by the Board and reviewed by the Governance Committee from time to time. The Corporate Governance Guidelines relate to director qualifications, conflicts of interest, succession planning, periodic board and committee self-assessment and other governance matters. On October 20, 2011, the Board of Directors voted to amend the Company's Bylaws to provide for majority voting in uncontested elections of directors, changing from the previous standard of plurality voting. In connection with this amendment, the Board also amended the Corporate Governance Guidelines to provide that directors who fail to receive the required number of votes for re-election shall tender a letter of resignation.

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

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

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

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

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

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

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

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Independence of the Board of Directors

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

Independence of Current Directors. Veeco's Board of Directors has determined that all of the directors are independent within the meaning of the applicable Nasdaq listing standards, except Mr. Peeler, the Company's Chief Executive Officer, and Mr. Braun, the Company's Chairman and former Chief Executive Officer.

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

Compensation Committee Interlocks and Insider Participation. During 2011, none of Veeco's executive officers served on the board of directors of any entity whose executive officers served on Veeco's Compensation Committee. No current or past executive officer of Veeco serves on our Compensation Committee. The members of our Compensation Committee are Messrs. D'Amore, Hunter and McDaniel.

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

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

Board Leadership Structure

We currently have a separate Chief Executive Officer, Chairman of the Board and Presiding Director. Although we do not have a formal policy on whether the same person should (or should not) serve as both the Chief Executive Officer and Chairman of the Board, we believe that, when the Chairman of the Board is an employee of the Company or otherwise not independent, it is important to have a separate Presiding Director, who is an independent director.

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Mr. Braun has served as the Chairman of the Board since 2007. He served as our Chairman and Chief Executive Officer from 1990 until 2007. In serving as Chairman of the Board, Mr. Braun serves as a resource for our Chief Executive Officer, other members of management and the Board.

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

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

Oversight of Risk Management

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

Compensation Risk

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

Board Meetings and Committees

During 2011, Veeco's Board held thirteen meetings. Each Director attended at least 75% of the meetings of the Board and Board committees on which such Director served during 2011. It is the policy of the Board to hold executive sessions without management at every regular quarterly board meeting and as requested by a Director. The Presiding Director presides over these executive sessions. All members of the Board are welcome to attend the Annual Meeting of Stockholders. In 2011, Mr. Peeler was the only director who attended the Annual Meeting of Stockholders. The Board has established the following committees: an Audit Committee, a Compensation Committee, a Governance Committee and a Strategic Planning Committee.

Audit Committee. 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

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consists of Messrs. Elftmann, McDaniel and Simone (Chairman). The Board has determined that all members of the Audit Committee are financially literate as that term is defined by Nasdaq and by applicable SEC rules. The Board has determined that each of Messrs. Elftmann, McDaniel and Simone is an audit committee financial expert as defined by applicable SEC rules. During 2011, the Audit Committee met nine times.

Compensation Committee. The Compensation Committee sets the compensation levels of senior management and administers Veeco's stock incentive plans. All members of the Compensation Committee are non-employee directors (within the meaning of Rule 16b-3 of the Exchange Act), and outside directors (within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code)). None of the members of the Compensation Committee has interlocking relationships as defined by the SEC. The Compensation Committee consists of Messrs. D Amore, Hunter and McDaniel (Chairman). During 2011, the Compensation Committee met six times.

Governance Committee. The Company's Governance Committee addresses Board organizational issues and develops and reviews corporate governance principles applicable to Veeco. In addition, the committee searches for persons qualified to serve on the Board of Directors and makes recommendations to the Board with respect thereto. The Governance Committee currently consists of Messrs. Elftmann (Chairman) and Simone. During 2011, the Governance Committee met twice.

Strategic Planning Committee. The Company's Strategic Planning Committee oversees the Company's strategic planning process. The Strategic Planning Committee consists of Messrs. Braun (Chairman), D Amore, Hunter and Peeler. During 2011, the Strategic Planning Committee met three times.

Compensation of Directors

The following table provides information on compensation awarded or paid to the non-employee directors of Veeco for the fiscal year ended December 31, 2011.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)(3)	All Other Compensation \$(4)	Total (\$)
Edward H. Braun (5)	200,000		6,631	206,631
Richard A. D Amore	58,000	99,970		157,970
Joel A. Elftmann	70,500	99,970		170,470
Thomas Gutierrez (6)	17,000	41,663		58,663
Gordon Hunter	59,000	99,970		158,970
Roger D. McDaniel	91,000	99,970		190,970
Peter J. Simone	75,500	99,970		175,470

(1) Represents quarterly retainers and meeting fees paid for Board service during 2011 for Directors other than Mr. Braun. Includes payments for service and attendance at certain meetings held at the end of 2011 for which payments were made during the first quarter of 2012. For Mr. Braun, reflects payments under the Service Agreement dated July 24, 2008 pursuant to which Mr. Braun serves on the Board and is compensated for such service.

(2) Reflects awards of 1,814 shares of restricted stock to each director on May 20, 2011, other than Mr. Gutierrez, who received an award of 756 shares of restricted stock on May 20, 2011, and Mr. Braun, whose compensation is provided under the Service Agreement dated July 24, 2008. These restricted stock awards vest on the earlier of the first anniversary of the date of grant and the date of the next annual meeting of stockholders. In accordance with SEC rules, the amounts shown

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reflect the grant date fair value of the award, which was \$55.11 per share or \$99,970 or, in the case of Mr. Gutierrez, \$55.11 per share or \$41,663.

(3) As of December 31, 2011, there were outstanding the following aggregate number of stock awards and option awards held by each non-employee director of the Company:

Outstanding Equity Awards at Fiscal Year End

Name	Stock Awards (#)	Option Awards (#)
Edward H. Braun		50,000
Richard A. D Amore	1,814	10,000
Joel A. Elftmann	1,814	
Thomas Gutierrez		
Gordon Hunter	1,814	
Roger D. McDaniel	1,814	
Peter J. Simone	1,814	

(4) All Other Compensation consists of 401(k) matching contribution (\$2,923) and premiums for group term life insurance (\$3,708) payable to Mr. Braun under the Service Agreement dated July 24, 2008.

(5) Reflects the compensation paid to Mr. Braun as a Director under the Service Agreement dated July 24, 2008. Prior to the appointment of John R. Peeler as Chief Executive Officer of the Company on July 1, 2007, Mr. Braun served as Chairman and Chief Executive Officer of Veeco. The Service Agreement provides the terms on which Mr. Braun will remain available to serve on Veeco's Board through December 31, 2011. On February 3, 2012, the Service Agreement was amended to provide for Mr. Braun's service on the Board for periods after December 31, 2011.

(6) Mr. Gutierrez left the Board effective September 20, 2011, at which time he forfeited his May 20, 2011 award of 756 shares of restricted stock.

Director Compensation Policy

Veeco's Director Compensation Policy provides that members of the Board of Directors who are not employees of Veeco (and other than Mr. Braun) shall be paid a retainer of \$10,000 per quarter, plus additional retainers of \$2,500 per quarter for the chairman of the Compensation Committee and the chairman of the Governance Committee, \$3,750 per quarter for the chairman of the Audit Committee, and \$3,750 per quarter for the Presiding Director. In addition, non-employee Directors receive a fee of \$2,000 for attending each board, committee or stockholder meeting held in person and \$1,000 for participating in each board or committee meeting held by conference call. Each non-employee Director

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also receives an annual grant of shares of restricted stock having a fair market value in the amount determined by the Compensation Committee from time to time. The Compensation Committee has determined that the value of this annual award should be \$100,000 per director. The restrictions on these shares lapse on the earlier of the first anniversary of the date of grant and the date of the next annual meeting of stockholders. Directors who are employees, such as Mr. Peeler, or who receive compensation for Board service pursuant to a separate agreement, such as Mr. Braun, do not receive additional compensation for serving as Directors or for attending board, committee or stockholder meetings.

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Braun Service Agreement

Mr. Braun, the Company's Chairman and former CEO, serves on the Board and is compensated for such service pursuant to a Service Agreement dated July 24, 2008. The Service Agreement provides that Mr. Braun shall remain available to serve on the Board until December 31, 2011. Under the Service Agreement, Mr. Braun is compensated at a rate of \$200,000 per year, subject to periodic review by the Board. In addition, he is entitled to participate in all group health and insurance programs available generally to senior executives of the Company, including, in the case of health programs, continued coverage for Mr. Braun's spouse and eligible dependents. Except as described above, Mr. Braun shall not be entitled to any additional compensation, including, without limitation, bonuses, equity awards, meeting fees, retainers or other compensation for his service on the Board. On February 3, 2012, the Service Agreement was amended to provide for Mr. Braun's service on the Board for periods after December 31, 2011. Under the terms of the amended Service Agreement, Mr. Braun's existing compensation terms were extended until the 2012 Annual Meeting of Stockholders. For periods subsequent to the 2012 Annual Meeting, if any, the Company shall pay Mr. Braun such compensation and equity awards as are consistent with the Company's then current Board Compensation Policy, provided that any annual and/or quarterly cash retainers shall be paid through the Company's regular, bi-weekly payroll process. In addition, Mr. Braun shall be entitled to participate in all group health and insurance programs available generally to senior executives of the Company. While serving on the Board, Mr. Braun shall be treated as an employee for purposes of the Company's stock incentive plans and any prior employment agreements which Mr. Braun had with the Company.

Certain Contractual Arrangements With Directors and Executive Officers

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

Certain Relationships and Related Transactions

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

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

- the material terms and conditions of the transaction or transactions;
- the Related Party's relationship to the Company;
- the Related Party's interest in the transaction, including their position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction;
- the approximate dollar value of the transaction;
- the availability from other sources of comparable products or services; and
- an assessment of whether the transaction is on terms that are comparable to the terms available to the Company from an unrelated third party.

During 2011, the Company has not been a participant in any related party transactions.

**PROPOSAL 1
ELECTION OF DIRECTORS**

Veeco's Certificate of Incorporation provides for a Board of Directors elected by the stockholders which is divided into three classes of Directors serving staggered terms. Currently, the Board of Directors is comprised of eight members, consisting of two Class I Directors, two Class II Directors and four Class III Directors. The Class III Directors are up for re-election in 2012, but Mr. Elftmann, currently a Class III Director, will not stand for re-election. The Board has determined to reduce the size of the Board from eight to seven directors following the Annual Meeting.

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

Name	Nominated for Re-Election to:	For a Term Expiring at the Annual Meeting of Stockholders in:
Edward H. Braun	Class III	2015
Richard A. D. Amore	Class III	2015
Keith D. Jackson	Class III	2015

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:
Roger D. McDaniel	Class I	2013
John R. Peeler	Class I	2013
Gordon Hunter	Class II	2014
Peter J. Simone	Class II	2014

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

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

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MEMBERS OF THE BOARD OF DIRECTORS

The Directors of Veeco, and their ages, year they joined the Board and committee memberships as of March 16, 2012, are:

Name	Committee Membership
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