VEECO INSTRUMENTS INC
Form DEF 14A
March 22, 2016
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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 x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

Veeco Instruments Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
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	(4)	Proposed maximum aggregate value of transaction:
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o	Fee paid previously with preliminary materials.	
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(4) Date Filed:

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1 Terminal Drive • Plainview, New York 11803 U.S.A. • Phone (516) 677-0200 • Fax (516) 677-0380 •
www.veeco.com

March 22, 2016

2016 Annual Meeting of Stockholders

Dear Fellow Stockholder:

It is my pleasure to invite you to join me at the 2016 Annual Meeting of Stockholders of Veeco Instruments Inc. to be held on Thursday, May 5, 2016, at 8:30 a.m. Eastern Time, at 333 South Service Road, Plainview, New York 11803.

At this year s meeting, we will vote on the election of 2 directors, amendment and restatement of Veeco s 2010 Stock Incentive Plan, re-approval of Veeco Management Bonus Plan, approval of an Employee Stock Purchase Plan and ratification of KPMG LLP as Veeco s independent registered public accounting firm. We will also conduct a non-binding advisory vote to approve the compensation of the Company s named executive officers.

We use the U.S. Securities and Exchange Commission rule that allows companies to furnish proxy materials to their stockholders over the internet. We believe this expedites stockholder s receipt of proxy materials, lowers annual meeting costs and conserves natural resources. Thus, we are mailing to many stockholders a Notice of Internet Availability of Proxy Materials (Notice), rather than copies of the Proxy Statement and our 2015 Annual Report to Stockholders on Form 10-K. The Notice contains instructions on how to access the proxy materials online, vote online and obtain your copy of our proxy materials.

Your voice is very important. I encourage you to sign and return your proxy card, or use telephone or internet voting prior to the meeting, so that your shares will be represented and voted at the meeting.

Sincerely,

John R. Peeler

Chairman and Chief Executive Officer

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VEECO INSTRUMENTS INC.

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

DATE AND TIME:	Thursday, May 5, 2016, 8:30 a.m., Eastern Time
PLACE:	333 South Service Road Plainview, New York 11803
ITEMS OF BUSINESS:	1. To elect two directors to hold office until the 2019 Annual Meeting of Stockholders; 2. To approve the amendment and restatement of Veeco s 2010 Stock Incentive Plan; 3. To re-approve the Veeco Management Bonus Plan; 4. To approve an Employee Stock Purchase Plan; 5. To hold a non-binding advisory vote on 2015 named executive officer compensation; 6. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2016; and 7. To consider such other business as may properly come before the meeting.
WHO CAN VOTE:	You must be a stockholder of record at the close of business on March 8, 2016 to vote at the Annual Meeting.
INTERNET AVAILABILITY:	We are using the internet as our primary means of furnishing proxy materials to most of our stockholders. Rather than sending those stockholders a paper copy of our proxy materials, we are sending them a notice with instructions for accessing the materials and voting via the internet. **This Proxy Statement and our 2015 Annual Report on Form 10-K are available free of charge at www.veeco.com.**
PROXY VOTING:	We cordially invite you to participate in the Annual Meeting, either by attending and voting in person or by voting through other acceptable means. Your participation is important, regardless of the number of shares you own. You may vote by telephone, through the internet or by mailing your completed proxy card. By order of the Board of Directors, Gregory A. Robbins Senior Vice President, General Counsel and Secretary

March 22, 2016
Plainview, New York

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APPENDICES

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PROXY STATEMENT SUMMARY

To assist you in reviewing the proposals to be acted upon at the Veeco Instruments Inc. (Veeco or the Company) 2016 Annual Meeting of Stockholders (the Annual Meeting), we call your attention to the following information about the proposals and voting recommendations, the Company s director nominees and highlights of the Company s corporate governance and executive compensation. The following description is only a summary. For more complete information about these topics, please review the complete proxy statement.

Proposals and Voting Recommendations

Voting Matters		Board Vote Recommendation
Proposal 1:	Election of two nominees named herein as directors	FOR each nominee
Proposal 2:	Approval of the 2010 Stock Incentive Plan, as Amended and Restated	FOR
Proposal 3:	Approval of the Management Bonus Plan	FOR
Proposal 4:	Approval of the Employee Stock Purchase Plan	FOR
Proposal 5:	Advisory vote to approve the compensation of our Named Executive Officers, or Say on Pay	FOR
Proposal 6:	Ratification of the appointment of our independent registered public accounting firm for 2016	FOR

Summary of Information Regarding the Board of Directors

Members of Veeco s Board of Directors (Board of Directors or the Board) and nominees for election are listed below. Messrs. Braun and McDaniel are not standing for re-election and will retire from the Board following the Annual Meeting. Mr. Peeler has been nominated for re-election to the Board and Mr. St. Dennis has been nominated for election to the Board. Mr. St. Dennis 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, and determined that Mr. St. Dennis is ideally suited to serve on the Veeco Board.

				Committee Membership			
Name	**Age**	**Director since**	**Independent (1)**	**AC**	**CC**	**GC**	**SPC**
Edward H. Braun	76	1990	No				C
Richard A. D Amore	62	1990	Yes		M		M
Gordon Hunter	64	2010	Yes		C	M	M
Keith D. Jackson	60	2012	Yes	M/FE		C	
Roger D. McDaniel	77	1998	Yes (Lead Independent Director)	M/FE	M		
John R. Peeler	61	2007	No				M
Peter J. Simone	68	2004	Yes	C/FE		M	M
Thomas St. Dennis (2)	62		Yes				

(1) Independence determined based on NASDAQ rules.

(2) Mr. St. Dennis has been nominated for election to the Board.

AC Audit Committee

CC Compensation Committee

GC Governance Committee

SPC Strategic Planning Committee

C Chairperson

M Member

FE Audit committee financial expert (as determined based on SEC rules)

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Corporate Governance Highlights

Board and Other Governance Information	As of March 22, 2016
Size of Board as Nominated (1)	6
Average Age of Director Nominees and Continuing Directors	63
Average Tenure of Director Nominees and Continuing Directors	9.5 years
Percentage of Continuing Directors and Nominees who are Independent	83.3%
Percentage of Directors who attended at least 75% of Board Meetings	100%
Number of Director Nominees and Continuing Directors Who Serve on More Than Four Public Company Boards	0
Directors Subject to Stock Ownership Guidelines	Yes
Annual Election of Directors	No
Voting Standard	Majority
Plurality Voting Carve-out for Contested Elections	Yes
Separate Chairman and CEO	No
Lead Independent Director	Yes
Independent Directors Meet Without Management Present	Yes
Annual Board, Committee and Individual Director Self-Evaluations, Including Use of External Governance Advisor at Least Every 3 Years	Yes
Annual Independent Director Evaluation of CEO	Yes
Risk Oversight by Full Board and Committees	Yes
Board Orientation/Education Program	Yes
Code of Conduct Applicable to Directors	Yes
Stockholder Ability to Act by Written Consent	No
Poison Pill	No

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(1) Susan Wang ceased being a director due to her unexpected death on March 8, 2016. The two directors to be elected, when combined with the four continuing directors, is fewer than the seven members as of the proxy statement filing date. The Board has reduced the size of the Board to seven, and will further reduce the size to six, effective upon the retirement of Messrs. Braun and McDaniel and the election of Mr. St. Dennis at the Annual Meeting. The Board is conducting a search to replace Ms. Wang.

Executive Compensation Highlights

Here s What We Do

Pay for Performance. We ensure that the compensation of the Chief Executive Officer (CEO) and the other named executive officers listed in the Summary Compensation Table below (NEOs) tracks Company performance. Our compensation programs reflect our belief that the ratio of performance-based compensation to fixed compensation should increase with the level of the executive, with the greatest amount of performance-based compensation at the CEO level.

Performance-based Long Term Incentives. The majority of long term incentive compensation provided to our CEO and other NEOs is awarded in the form of performance-based restricted stock units that feature a three-year target performance period, are capped at 150% of target, and are subject to 100% forfeiture.

Minimum Vesting. We have asked our stockholders to approve adding a provision to our 2010 Stock Incentive Plan that will specify a one year minimum vesting period for equity awards, except for up to 5% of the maximum number of shares available or in the event of certain circumstances (e.g., death, disability, corporate transactions). Time-based awards granted to executives feature vesting periods ranging from three to four years.

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Stock Option Provisions. We have asked our stockholders to approve adding a provision to our 2010 Stock Incentive Plan that will prohibit the cash buyout of underwater stock options without shareholder approval. Our 2010 Stock Incentive Plan also prohibits the repricing of stock options without stockholder approval; the Company has not engaged in either of these practices.

Double-Trigger Change in Control Arrangements. Our Senior Executive Change in Control Policy requires both a qualifying termination of employment and a change in control before change in control benefits, including accelerated vesting for equity awards granted after January 2014, are triggered.

Clawback Policy. In 2014, we adopted our Clawback Policy under which, in the event of a financial restatement due to fraud or intentional illegal conduct as determined by the independent members of the Board of Directors, a culpable executive officer may be required to reimburse the Company for performance-based cash compensation if the amount of such compensation would have been lower had it been calculated based on such restated financial statements.

Stock Ownership Guidelines. In 2014, we adopted stock ownership guidelines which, subject to a phase-in period, require our NEOs and our Board of Directors to hold an amount of Veeco stock in a specified ratio to their base salaries. Pursuant to these guidelines, covered individuals are required to hold at least 50% of the net after-tax shares realized upon vesting or exercise until our stock ownership guidelines are met.

Hedging and Pledging Restrictions. Our insider trading policy prohibits all employees and directors from hedging or pledging their Veeco shares.

Annual Bonus. Amounts that can be earned under our Annual Incentive Programs are based primarily on profit (EBITDA) after accounting for the cost of such bonuses and are capped at 200% of target.

Annual Say-on-Pay Vote. We conduct an annual Say-on-Pay advisory vote.

Stockholder Engagement. We routinely engage with stockholder advisors and, as appropriate, with stockholders, to better understand their perspective regarding executive compensation best practices and have incorporated many of these in our executive compensation programs.

Here s What We Don t Do

No Gross-Ups. We do not provide tax gross ups for benefits that may become payable in connection with a change in control. Additionally, in 2014 we discontinued gross-ups that had been previously payable to our CEO in connection with certain transportation and housing allowances.

Limited Pension Benefits. We do not maintain a defined benefit pension plan or a supplemental executive retirement plan. The Company s 401(k) savings plan is its only pension benefit.

No Retirement Benefits. We do not maintain retirement benefits.

No Lavish Perquisites. We do not provide executives with perquisites such as financial planning, corporate aircraft, etc.

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STOCK OWNERSHIP

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of Veeco common stock as of March 8, 2016 (unless otherwise specified below) by (i) each person known by Veeco to own beneficially more than five percent of the outstanding shares of Veeco common stock, (ii) each director of Veeco, (iii) each NEO, and (iv) all executive officers and directors of Veeco as a group. Unless otherwise indicated, Veeco believes that each of the persons or entities named in the table exercises sole voting and investment power over the shares of Veeco common stock that each of them beneficially owns, subject to community property laws where applicable.

		Shares of Common Stock Beneficially Owned (1)		
	Shares	**Options**	**Total**	**Percentage of Total Shares Outstanding (1)**
5% or Greater Stockholders:				
T. Rowe Price Associates, Inc. (2)	4,595,479		4,595,479	11.1%
BlackRock, Inc. (3)	4,455,506		4,455,506	10.7%
The Bank of New York Mellon Corporation (4)	4,354,539		4,354,539	10.5%
The Vanguard Group (5)	3,041,038		3,041,038	7.3%
Eagle Asset Management, Inc. (6)	2,523,353		2,523,353	6.1%
Directors:				
Edward H. Braun	19,602		19,602	*
Richard A. D Amore	84,693		84,693	*
Gordon Hunter	18,352		18,352	*
Keith D. Jackson	14,552		14,552	*
Roger McDaniel	19,443		19,443	*
John R. Peeler	246,918	395,046	641,964	1.5%
Peter J. Simone	17,992		17,992	*
Named Executive Officers:				
John R. Peeler	246,918	395,046	641,964	1.5%
Shubham Maheshwari	38,550	18,000	56,550	*
William J. Miller, Ph.D.	60,067	103,702	163,769	*
John Kiernan	28,848	44,107	72,955	*
All Directors and Executive Officers as a Group (10 persons)	549,017	560,855	1,109,872	2.7%

* Less than 1%.

(1) A person is deemed to be the beneficial owner of securities owned or which can be acquired by such person within 60 days of the measurement date upon the exercise of stock options. Shares owned include awards of restricted stock from the Company, both vested and unvested, with the exception of unvested restricted stock units and unvested performance-based restricted stock. Each person s percentage ownership is determined by assuming that

stock options beneficially owned by such person (but not those owned by any other person) have been exercised.

(2) Share ownership information is based on information contained in a Schedule 13G/A filed with the SEC on February 12, 2016. The address of this holder is 100 E. Pratt Street, Baltimore, Maryland 21202.

(3) Share ownership information is based on information contained in a Schedule 13G/A filed with the SEC on January 8, 2016. The address of this holder is 55 East 52nd Street, New York, New York 10055.

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(4) Share ownership information is based on information contained in a Schedule 13G/A filed with the SEC on February 2, 2016. The address of this holder is c/o The Bank of New York Mellon Corporation, 225 Liberty Street, New York, New York 10286.

(5) Share ownership information is based on information contained in a Schedule 13G/A filed with the SEC on February 11, 2016. The address of this holder is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

(6) Share ownership information is based on information contained in a Schedule 13G/A filed with the SEC on January 26, 2016. The address of this holder is 880 Carillon Parkway, St. Petersburg, Florida 33716.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act) requires Veeco s officers and directors, and persons who own more than 10% of Veeco s common stock, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC). These persons are required by SEC regulations to furnish Veeco with copies of all Section 16(a) forms they file. SEC regulations require us to identify in this proxy statement anyone who filed a required report late or failed to file a required report. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during 2015 all Section 16(a) filing requirements were satisfied on a timely basis.

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GOVERNANCE

Governance Highlights

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 SEC and by The NASDAQ Stock Market LLC (NASDAQ).

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 fact, 83.3% of Veeco s six continuing directors and nominees are independent, and none serve on more than three other public company boards. All of Veeco s directors attended at least 75% of Board and applicable committee meetings last year. Veeco undergoes an annual Board, committee and individual director self-evaluation process, and the independent directors, guided by the independent Lead Director, meet regularly without management and perform an annual performance assessment of the Chief Executive Officer.

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 govern director qualifications, conflicts of interest, succession planning, periodic board self-assessment and other governance matters. The Board has used an outside governance advisor to facilitate the board self-assessment at least every three years.

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. A majority of Veeco s Board members has attended one or more director education programs within the past five years.

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

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

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

Independence of the Board

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

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

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

Compensation Committee Interlocks and Insider Participation. During 2015, 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 the 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

Mr. Peeler, the Company s Chief Executive Officer, also serves as Chairman of the Board. We have a separate, independent Lead Director. Although we do not have a formal policy addressing the topic, we believe that when the Chairman of the Board is an employee of the Company or otherwise not independent, it is important to have a separate Lead Director, who is an independent director.

Mr. McDaniel serves as the Lead Director. In that role, he presides over the Board s executive sessions, during which our independent directors meet without management, and he serves as

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the principle liaison between management and the independent directors of the Board. The Lead Director also:

- confers with the Chairman of the Board regarding Board meeting agendas;
- has the authority to call meetings of the independent directors;
- chairs meetings of the independent directors including, where appropriate, setting the agenda and briefing the Chairman of the Board on issues discussed during the meeting;
- oversees the annual performance evaluation of the CEO;
- consults with the Governance Committee and the Chairman of the Board regarding assignment of Board members to various committees; and
- performs such other functions as the Board may require.

Mr. McDaniel has served as a Veeco director since 1998 and as Lead Director (or Presiding Director) since 2010. Upon Mr. McDaniel s retirement from the Board in 2016, another independent member of the Board will be appointed Lead Director.

We believe the combination of Mr. Peeler as our Chairman of the Board and an independent director as our Lead Director is an effective structure for the Company. The division of duties and the additional avenues of communication between the Board and our management associated with this structure provide 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 Audit 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

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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 2015, Veeco s Board held six meetings. Each Director attended at least 75% of the meetings of the Board and Board committees on which such Director served during 2015. It is the policy of the Board to hold executive sessions without management at every regularly scheduled board meeting and as requested by a director. The Lead Director presides over these executive sessions. All members of the Board are welcome to attend the Annual Meeting of Stockholders. In 2015, Mr. Peeler was the only director who attended the Annual Meeting of Stockholders. The Board has established the following committees: an Audit Committee, a Compensation Committee, a Governance Committee and a Strategic Planning Committee.

Audit Committee. As defined in Section 3(a)(58)(A) of the Exchange Act, the Company established an Audit Committee which reviews the scope and results of the audit and other services provided by Veeco s independent registered public accounting firm. The Audit Committee consists of Messrs. Jackson, McDaniel and Simone (Chairman). The Board has determined that all members of the Audit Committee are financially literate as that term is defined by NASDAQ and by applicable SEC rules. The Board has determined that each of Messrs. Jackson, McDaniel and Simone is an audit committee financial expert as defined by applicable SEC rules. During 2015, the Audit Committee met ten times.

Compensation Committee. The Compensation Committee sets the compensation levels of senior management and administers Veeco s equity compensation 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). None of the members of the Compensation Committee has interlocking relationships as defined by the SEC. The Compensation Committee consists of Messrs. D Amore, McDaniel and Hunter (Chairman). During 2015, the Compensation Committee met seven 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, as more fully described below. The Governance Committee is comprised entirely of independent directors, as defined by the NASDAQ listing standards, and currently consists of Messrs. Hunter, Simone and Jackson (Chairman). During 2015, the Governance Committee met four times.

Strategic Planning Committee. The Company s Strategic Planning Committee oversees the Company s strategic planning process. The Strategic Planning Committee consists of Messrs. D Amore, Hunter, Peeler, Simone and Braun (Chairman). During 2015, the Strategic Planning Committee met three times.

Board Composition and Nomination Process

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

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business judgment, management, accounting and finance, knowledge of the industries in which the Company operates, understanding of manufacturing and services, strategic vision, knowledge of international markets, marketing, research and development and other areas relevant to the Company s business. Under our Corporate Governance Guidelines, the Board periodically conducts a critical self-evaluation, including an assessment of the make-up of the Board as a whole. In any particular situation, the Governance 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.

Compensation of Directors

For services performed in 2015, Veeco s Director Compensation Policy provides that members of the Board of Directors who are not employees of Veeco shall be paid quarterly retainers as follows: for service as a Board member, $17,500, as chair of the Audit Committee, $5,000, as chair of the Compensation Committee, $3,750, as chair of the Governance Committee, $2,500, as chair of the Strategic Planning Committee, $2,500, and as Lead Director, $4,250. Each non-employee Director shall also receive 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. For 2015, the Compensation Committee determined that the value of this annual award should be $120,000 per director. The restrictions on these shares lapse on the earlier of the first anniversary of the date of grant and the date immediately preceding the date of the next annual meeting of stockholders. In addition, the Company s Director Compensation Policy in effect for 2015 gives the Board the authority to compensate directors who perform significant additional services on behalf of the Board or a Committee. Such compensation is to be determined by the Board in its discretion, taking into consideration the scope and extent of such additional services. Directors who are employees, such as Mr. Peeler, do not receive additional compensation for serving as directors.

Mr. Braun, the Company s former Chairman and former CEO, serves on the Board and is compensated for such service pursuant to a Service Agreement dated January 1, 2012 (which amended and replaced a Service Agreement dated July 24, 2008). The Service Agreement provides that for services performed after May 4, 2012, 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 cash retainers shall be paid through the Company s regular, bi-weekly payroll process. In addition, Mr. Braun shall be entitled to participate in the group health and insurance programs available generally to senior executives of the Company.

The following table provides information on compensation awarded or paid to the non-employee directors of Veeco for the fiscal year ended December 31, 2015.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	All Other Compensation ($)(4)	Total ($)
Edward H. Braun	80,000	119,975	495	200,470
Richard A. D Amore	70,000	119,975		189,975
Gordon Hunter	83,153	119,975		203,128
Keith D. Jackson	76,306	119,975		196,281
Roger D. McDaniel	92,542	119,975		212,517
Peter J. Simone	90,000	119,975		209,975
Susan Wang	44,139	119,975		164,114

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(1) Represents quarterly retainers paid for Board service during 2015. For Mr. Braun, includes payments under a Service Agreement dated January 1, 2012, which sets forth the compensation to be paid to Mr. Braun for his service on the Board.

(2) Reflects awards of 3,854 shares of restricted stock to each director on May 14, 2015. These restricted stock awards vest on the earlier of (i) the first anniversary of the date of grant, and (ii) the date immediately preceding the date of the next annual meeting of stockholders. In accordance with SEC rules, the amounts shown reflect the grant date fair value of the award, which was $31.13 per share.

(3) As of December 31, 2015, 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	3,854	
Richard A. D Amore	3,854	
Gordon Hunter	3,854	
Keith D. Jackson	3,854	
Roger D. McDaniel	3,854	
Peter J. Simone	3,854	
Susan Wang	3,854	

(4) All Other Compensation consists of premiums for group term life insurance payable to Mr. Braun under his Service Agreement dated January 1, 2012.

Stock Ownership Guidelines

In January 2014, the Company established stock ownership guidelines for the Company s Directors and for certain employees, including the NEOs. Under these guidelines, each covered individual has five years to reach the minimum levels of Veeco common stock ownership identified by the Stock Ownership Guidelines. The Company s Directors are required to hold Veeco stock with a value equal to at least three times the Directors annual cash retainers (excluding retainers for committee or lead director service), measured as of December 31st of the most recently completed year. Minimum ownership levels for Company employees are addressed in the Compensation Discussion and Analysis section below.

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 under 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.

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COMPENSATION

Executive Officers

The executive officers of Veeco, their ages and positions as of March 8, 2016, are as follows:

Name	Age	Position
John R. Peeler	61	Chairman and Chief Executive Officer
Shubham Maheshwari	44	Executive Vice President and Chief Financial Officer
William J. Miller, Ph.D.	47	President
John P. Kiernan	53	Senior Vice President, Finance, Chief Accounting Officer, Corporate Controller and Treasurer

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

Shubham (Sam) Maheshwari has been Executive Vice President and Chief Financial Officer of Veeco since May 2014. From 2011 to 2014, Mr. Maheshwari served as Chief Financial Officer of OnCore Manufacturing LLC, a global manufacturer of electronic products in the medical, aerospace, defense and industrial markets. From 2009 to 2011, he held various finance roles including Senior Vice President Finance, Treasury, Tax and Investor Relations at Spansion, Inc., a global leader in flash memory based embedded system solutions. Mr. Maheshwari helped lead Spansion s emergence from bankruptcy to become a successful public company. From 1998 to 2009, he was with KLA-Tencor Corporation, a global semiconductor capital equipment manufacturing company, in various senior level corporate development and finance roles, including Vice President of Corporate Development and Corporate Controller.

William J. Miller, Ph.D. has been President since January 2016. He was Executive Vice President, Process Equipment beginning in December 2011, and was Executive Vice President, Compound Semiconductor from July 2010 until December 2011. Prior thereto, Dr. Miller was Senior Vice President and General Manager of Veeco s MOCVD business beginning in January 2009. From January 2006 to January 2009, Dr. Miller was Vice President, General Manager of Veeco s Data Storage equipment business. He held leadership positions of increasing responsibility in both the engineering and operations organizations since he joined Veeco in November 2002. Prior to joining Veeco, Dr. Miller held a range of engineering and operations leadership positions at Advanced Energy Industries, Inc.

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

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Compensation Discussion and Analysis

Veeco provides high-tech capital equipment solutions used to manufacture a broad range of electronic devices that enable key global trends such as improving energy efficiency, enhancing mobility, and increasing connectivity. Veeco operates in highly specialized, cyclical businesses that are often characterized by periods of significant volatility and are difficult to predict. Our products require significant R&D investment, sustained over a long period of time. Our customers buying patterns are highly dependent on industry and technology trends and, in certain cases, government subsidies that can have a significant impact on our markets. Our markets often reflect patterns of customer consolidation that has, at times, resulted in excess capacity. In many of our markets, we compete with a small group of companies, many of whom are smaller than Veeco, each of whom face most of the same challenges and who, at times, have behaved in a way that has had a significant impact on our customers which has, in turn, significantly impacted our business.

Our executive compensation programs are designed to face these challenges, to balance the short- and long-term interests of both stockholders and executives and, at the same time, retain and continue to attract executives throughout inherent downturns, motivating them for our longer term success. We must be able to align our costs with prevailing market conditions while not losing sight of the importance of continuing to attract, retain and motivate the key employees who are critical to our long term success.

Veeco s compensation programs for the NEOs and the Company s other executives are designed to aid in the attraction, retention and motivation of our leadership team. The Company seeks to foster a performance-oriented culture by linking a significant portion of each executive s compensation to the achievement of performance targets important to the success of the Company and its stockholders. This Compensation Discussion and Analysis describes Veeco s current compensation programs and policies, which are subject to change.

2015 Business Highlights

- We grew revenues by 21% to $477 million, despite facing adverse business conditions in the second half of 2015 that impacted demand for our Metal Organic Chemical Vapor Deposition (MOCVD) products.
- We strengthened our leadership positions in MOCVD with the successful launch of the EPIKTM 700 GaN MOCVD system.
- We expanded our addressable markets by successfully integrating Veeco Precision Surface Processing (Veeco PSP) and exceeding our annual revenue growth objectives for Veeco PSP.
- We reduced our GAAP operating loss from $79 million in 2014 to $23 million in 2015.
- We increased our non-GAAP adjusted EBITDA by a factor of 15 to $42 million, demonstrating our ongoing focus on operational execution.
- We initiated a share repurchase program in October 2015 and deployed $9 million to repurchase approximately 469,000 shares of common stock in Q4 2015.

Executive Compensation Strategy and Objectives

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

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

Stockholder-aligned: A significant portion of potential compensation should be performance- and equity-based to more closely align the interests of executives with those of the stockholders.

Fair and Competitive: Compensation levels should be fair, internally and externally, and competitive with overall compensation levels at other companies in our industry, including larger companies with which we compete for talent. Our compensation programs should promote our ability to both attract and retain our employees, including our executives.

Our target pay mix places a significant emphasis on performance-based variable compensation (performance-based restricted stock unit awards and target bonus). As illustrated below, 58% and 46% of our target CEO and other NEO compensation packages, respectively, are comprised of performance-based variable compensation.

Elements of 2015 Executive Compensation Program

Our compensation programs are comprised of four elements: base salary, cash bonus, equity-based compensation and benefits and perquisites. Each of these elements is used to attract executives and reward them for performance results as described below:

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Element	Description / Characteristics	Primary Objectives
Base Salary	• Annual fixed cash compensation	• Attract and retain highly qualified talent
Annual Cash Incentive	• Cash-based compensation • 100% Performance-based • Mix of annual financial and individual goals • Payable only after first accounting for the cost of the bonus	• Align executive s compensation with annual goals important to the success of the Company • Promote a pay-for-performance culture
Long-Term Incentive	• Long-term (typically 3 4 years) stock-based compensation • Majority of awards are performance-based restricted stock units (PRSU) with a target performance period of 3 years • PRSU awards earned based on two financial metrics: EBITDA and revenue • Balance of awards are time-based restricted stock	• Incentivize long-term performance • Align the interests of executives with stockholders in the creation of long-term value • Retain employees through the use of vesting schedules • Foster a culture of stock ownership.
Benefits & Perquisites	• Senior Executive Change in Control Policy • Company-subsidized health and welfare benefits • 401(k) Savings Plan	• Promote productivity, remain competitive, and increase employee loyalty to the Company.

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

Executive Compensation Governance and Procedures

The Compensation Committee (hereinafter in this Compensation Discussion and Analysis section, the Committee) administers the Company s compensation programs operating under a charter adopted by the Board. This charter authorizes the Committee to interpret the Company s compensation and equity plans and establish rules for their implementation and administration. The Committee consists of three independent directors who are appointed annually. The Committee works closely with the CEO and the Senior Vice President, Human Resources and relies on information provided by independent compensation consultants.

When making compensation decisions, the Committee considers the compensation practices and the competitive market for executives at companies with which we compete for talent. To this end, the Company utilizes a number of resources which, during 2015, included: meetings with Compensation Strategies, Inc., an independent compensation consultant; compensation surveys prepared by Radford; and executive compensation information compiled by Compensation Strategies, Inc. from the proxy statements of other companies, including a peer group.

Veeco s peer group (the Peer Group) reflects the companies that closely resemble Veeco based on industry and competition for talent. This Peer Group is comprised of companies that are smaller than, similar to and larger than Veeco. One company, GT Advanced Technologies Inc., was removed from the Peer Group due to its bankruptcy filing in October 2014. Compensation Strategies uses statistical regression techniques to adjust market data to

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construct market pay levels that are reflective of Veeco s size based on revenues. For 2015, the Peer Group consisted of the following fourteen companies:

Advanced Energy Industries, Inc.	Kulicke and Soffa Industries, Inc.
Applied Materials Inc.	Lam Research Corporation
Axcelis Technologies Inc.	MKS Instruments, Inc.
Brooks Automation Inc.	Newport Corporation
Entegris, Inc.	Rudolph Technologies, Inc.
Intevac, Inc.	Teradyne, Inc.
KLA-Tencor Corporation	Ultratech Inc.

The Company considers the executive compensation practices of the companies in its Peer Group and the Radford survey (hereinafter collectively, the market data) as only one of several factors used in setting compensation. The Company uses the market data only as a reference point in its determination of the types and amount of compensation based on its own evaluation. For 2015, total compensation of Veeco s NEOs and other executives is generally within the 50th to 75th percentile of the market, although individuals may be compensated above or below this level for various reasons, including, but not limited to, competitive factors, Veeco s financial and operating performance and consideration of individual performance and experience.

In addition to reviewing the market data, the Committee meets with the Company s CEO and Senior Vice President, Human Resources to consider recommendations with respect to compensation for the NEOs and other executives. These recommendations include base salary levels, cash bonus targets and awards, equity compensation awards and perquisite programs. The Committee considers these recommendations along with other factors in determining specific compensation levels for the NEOs. The Committee discusses the elements of the CEO s compensation with him, but makes the final decisions regarding his compensation without him present.

Decisions regarding the Company s compensation program elements are made by the Committee in regularly scheduled and ad hoc meetings. Issues of significant importance are frequently discussed over several meetings. This practice provides the Committee with the opportunity to raise and address concerns before arriving at a decision. Prior to each meeting, the Committee is provided with the written materials, information and analyses as may be required to assist the Committee in its decision-making process. To the extent possible, meetings of the Committee are conducted in person. When this is not possible, meetings are conducted telephonically. The CEO and the Senior Vice President, Human Resources are regularly invited to attend Committee meetings but the Committee meets privately in executive sessions to consider certain matters including, but not limited to, the compensation of the CEO.

Elements of Our Executive Compensation Program

The Company evaluates each element of each executive s compensation individually and in the aggregate against market data for the position, experience, individual performance and the ability to affect future Company performance. The sections below describe the process for determining each of the four elements of the executive compensation program.

Base Salary

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

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Base salaries for executives are typically set during the first half of the year in conjunction with the Company s annual performance management process. In 2015, following a review of the market data and management s recommendations, the Committee increased base salaries as illustrated below:

Name		April 2014		April 2015	Percent Increase
J. Peeler	$	700,000	$	700,000	No Change(1)
S. Maheshwari	$	400,000	$	420,000	5.0%
W. Miller	$	415,000	$	435,000	4.8%(2)
J. Kiernan	$	293,790	$	300,000	2.1%

(1) Mr. Peeler s base salary has not been increased since April 2011.

(2) Dr. Miller s base salary was further increased to $460,000 in January 2016 in conjunction with his promotion to President.

Cash Bonus Plan

The Company provides the opportunity for cash bonuses under its annual Bonus Plan to attract executives and reward them for performance consistent with the belief that a significant portion of the compensation of its executives should be performance-based. As a result, individuals are compensated based on the achievement of specific financial and individual performance goals intended to correlate closely with stockholder value. The Company believes that the opportunity to earn cash bonuses motivates executives to meet Company performance objectives that, in turn, are linked to the creation of stockholder value. The Company consistently utilizes profitability, as measured by EBITDA, as the primary element of its Bonus Plan. Secondary elements are determined each year based on a review of the Company s business plan and critical objectives. The cost of bonus awards is factored into financial performance results before bonus results are determined, ensuring that the cost of our bonus plan is included in our financial results. To help achieve our goal of retaining key talent, executives must generally be employees at the time awards are paid to be eligible to receive a bonus for that period.

On February 5, 2015, the Committee approved the 2015 Bonus Plan (the 2015 Plan) and the specific metrics thereof. Under the 2015 Plan, 75% of the potential bonus is based on the financial performance of the Company (the Financial Element), as measured first by adjusted EBITDA and then by gross margin and bookings. We define adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, adjusted to exclude share-based compensation expense, one-time charges relating to restructuring initiatives, non-cash asset impairments, certain other non-operating gains and losses, and acquisition-related items such as one-time transaction costs and the stepped-up cost of sales associated with the purchase accounting of acquired inventory. If adjusted EBITDA, after accounting for the cost of bonus payments, exceeds a predetermined threshold, targets are adjusted, ranging from 50% (for threshold performance) to 100% (for target performance) to 200% (for maximum or greater performance). No awards for the Financial Element are earned if adjusted EBITDA is less than the threshold performance level. If adjusted EBITDA is at or above threshold, the adjusted targets are compared to two equally-weighted secondary performance measures: (1) bookings and (2) gross margin. Actual bonus awards for the Financial Element are based on these measures, each as compared to predetermined targets, calculated independently and added together. Awards under the secondary performance measures will range from 50% of target to 100% (for target performance) to 150% (for maximum performance). The following tables illustrate performance versus plan and the resulting bonus award and weight for each financial measure:

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Primary Financial Measure: Adjusted EBITDA

Target		Plan Performance	Target Adjustment
$	50.0M	83.3%	79.1%

Secondary Financial Measures

	Weight		Target	Plan Performance	Award %
Bookings	50%	$	511.5M	75%	50%
Gross Margin	50%		38.1%	97.9%	90.2%

The Primary and Secondary financial measures, taken together resulted in a 55.5% award for financial performance.

Under the 2015 Plan, 25% of the potential bonus is based on individual performance against pre-established performance goals (the Individual Element), provided EBITDA is at least 5% of revenue. If the Company profitability goal is achieved, then the Individual Element of the bonus will be funded and actual awards for individual performance will be paid from a fixed pool and may range from zero to 150% of the target for individual performance.

Mr. Peeler s individual performance goals were set by the Board at the beginning of the year and included: (1) maintaining product leadership in our core markets, (2) building a high-performance global services organization, (3) completing the effective integration of Veeco PSP, (4) reducing cost of goods sold and increasing gross margins, (5) improving customer satisfaction, (6) building and developing the organization, (7) improving communications with investors, (8) leading the Company during uncertain market conditions, and (9) managing for financial performance. The Board discussed Mr. Peeler s overall performance in executive session and awarded Mr. Peeler 120% (out of a maximum of 150%) of the value for the Individual Element of his bonus in recognition of his strong leadership during this challenging year.

Actual awards for the other NEO s individual performance were based on results compared to goals set by Mr. Peeler at the beginning of the year in connection with the Company s performance management process. The individual performance goals for the other NEOs included functional objectives and individual objectives related to specific initiatives and organization development. The goals were not weighted and the award was considered on the totality of all of the individual performance results for each executive. Individual performance results could range from zero to 150%. After evaluation, Mr. Peeler made individual performance recommendations to the Committee, for each of the other NEOs, as set forth in the table below.

Total bonus awards under the 2015 Plan are capped at 200% of target bonus.

As a result of (i) financial performance for adjusted EBITDA, gross margin and bookings, and (ii) individual performance, Messrs. Peeler, Maheshwari and Kiernan and Dr. Miller earned 2015 Plan awards as follows:

2015 Bonus Awards

Name	Target Bonus	Financial (75% of Target)	Individual (25% of Target)	Total

J. Peeler	115% / $805,000	55.5% / $335,039	120.0% / $241,500	71.6% / $576,539
S. Maheshwari	80% / $336,000	55.5% / $139,835	125.0% / $105,000	72.9% / $244,835
W. Miller	80% / $348,000	55.5% / $144,829	120.0% / $104,400	71.6% / $249,229
J. Kiernan	50% / $150,000	55.5% / $62,426	110.0% / $41,250	69.1% / $103,676

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On February 18, 2016, the Committee approved the 2016 Bonus Plan (the 2016 Plan). Under the 2016 Plan, 75% of the potential bonus will be based on the financial performance of the Company, as measured by adjusted EBITDA (as defined above). If adjusted EBITDA, after accounting for the cost of bonus payments, exceeds a predetermined threshold, targets are adjusted, ranging from 25% (for threshold performance) to 100% (for target performance) to 200% (for maximum or greater performance). No awards for financial performance will be earned if adjusted EBITDA results are less than the threshold performance level. If adjusted EBITDA results are greater than the threshold performance level, the adjusted targets are compared to a measure of the ratio of bookings-to-billings as a secondary performance measure. Actual bonus awards will be based on these measures, as compared to predetermined targets, calculated independently. Awards under this secondary performance measure will range from 90% of target to 100% (for target performance) to 110% (for maximum or greater performance).

Under the 2016 Plan, 25% of the potential bonus will be based on individual performance, subject to first meeting a Company profitability goal. If the Company profitability goal is achieved, then the individual performance element of the bonus will be funded and actual awards for individual performance will be paid from a fixed pool and may range from zero to 150% of the target for individual performance.

Total bonus awards will be capped at 200% of target bonus.

Target bonus awards under the 2016 Plan for each NEO are expressed as a percentage of base salary. For 2016, the annual target bonus for Messrs. Peeler, Maheshwari and Kiernan is 115%, 80% and 50%, respectively. For 2016, the annual target bonus for Dr. Miller was increased from 80% to 100% in connection with his promotion to President.

Equity-Based Compensation

The Company believes that a substantial portion of an executive s compensation should be awarded in equity since equity-based compensation is directly linked to stockholder interests. Equity awards vest over time and are subject to the recipient s continued employment, therefore acting as a significant retention incentive. Lastly, equity awards help to create stock ownership among the Company s executives. The Committee believes that higher-level executives should receive a greater portion of their long term incentive in the form of performance-based restricted stock as an effective means of incentivizing key performance objectives.

The Company granted equity-based awards in 2015 such as restricted stock or restricted stock units (hereinafter collectively, restricted stock) and performance-based restricted stock units (PRSUs) to the NEOs and certain other key employees to create a clear and meaningful alignment between compensation and stockholder return.

In 2015, the Company did not grant stock options after considering the following: (1) a trend among peer companies away from the use of stock options in favor of restricted stock, (2) acknowledgement that stock options are not considered performance-based compensation by shareholder advisors, (3) challenges in employee perception of the value of stock options.

The Company considered several factors in the design of the 2015 equity award process. Long term incentive compensation guidelines, denominated as a dollar value and based on the market data (as discussed above), were developed for each of the NEOs and the other executives. Performance-based restricted stock and restricted stock awards were valued at fair market value and not discounted to reflect the impact of vesting.

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The actual value of stock awards granted to each individual was based on several factors including, but not limited to: (i) a fixed budget for awards, (ii) the Company s guidelines (as described above), (iii) the individual s level of responsibility, (iv) past performance and ability to affect future Company performance and (v) noteworthy achievements. The CEO applied these factors to arrive at a recommendation for each of his direct reports. This recommendation was then split into performance- and time-based restricted stock with a designated ratio of 51% and 49%, respectively, and presented for approval to the Committee. The CEO discussed the rationale for his recommendations with the Committee. The Committee then approved a schedule setting forth all awards to all employees, on an individual-by-individual basis.

The Committee determined Mr. Peeler s 2015 equity award in conjunction with an analysis of his total compensation package, a review of market data and his performance during 2015 and a review of the stockholder advisor quantitative pay-for-performance methodology. On June 12, 2015, the Committee approved an equity package award to Mr. Peeler valued at $1.7 million and agreed to grant equity valued at approximately $1.3 million on June 12, 2015, which was split into performance- and time-based restricted stock with a designated ratio of 63% and 37%, respectively; see discussion regarding Performance-based Restricted Stock Unit Awards below. The Committee agreed to grant the balance of the award ($0.4 million) closer to the end of the fiscal year subject to a review of the Company s performance. Had this additional award been granted, the majority of Mr. Peeler s 2015 long-term incentives would still have been performance-based. In view of the Company s performance, the Committee did not grant this additional award to Mr. Peeler.

Mr. Peeler s performance-based restricted stock and time-based restricted stock awards carry the same terms as awards granted to the other NEOs, as described below.

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

On June 12, 2015, the Committee granted equity awards to the NEOs as follows:

		Performance-based Restricted Stock		**Time-based Restricted Stock**	
Name	**Date of Grant**	**Amount**	**Fair Market Value Per Share**	**Amount**	**Fair Market Value Per Share**
J. Peeler	06/12/2015	26,620	$ 31.34	15,640	$ 31.34
S. Maheshwari	06/12/2015	12,020	$ 31.34	11,550	$ 31.34
W. Miller	06/12/2015	12,850	$ 31.34	12,350	$ 31.34
J. Kiernan	06/12/2015	3,400	$ 31.34	3,270	$ 31.34

Performance-based Restricted Stock Unit Awards

A majority of the total long term incentive awards granted on June 12, 2015 (63% and 51% for the CEO and other NEOs, respectively), are subject to the achievement of designated performance criteria. If the performance criteria are not met, the PRSU award will be forfeited. One-half of the PRSUs may be earned based on the Company s cumulative revenue (the Revenue Units) and one-half of the PRSUs may be earned based on the Company s

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cumulative adjusted EBITDA (the EBITDA Units), each based on a target performance period of three years.

The Revenue Units and EBITDA Units will be earned if the Company meets cumulative revenue and EBITDA targets established at the beginning of the performance period (as set forth in the chart below).

Target Achieved	**Percentage of Revenue Units Earned**	**Percentage of EBITDA Units Earned**
On or before Q2 2017	150%	150%
During Q3 2017	138%	138%
During Q4 2017	125%	125%
During Q1 2018	113%	113%
During Q2 2018	100%	100%
During Q3 2018	88%	92%
During Q4 2018	75%	83%
During Q1 2019	63%	75%
During Q2 2019	50%	67%
During Q3 2019	38%	58%
During Q4 2019	25%	50%
After Q4 2019	0%	0%

The performance criteria will be measured on the date we file our quarterly report on Form 10-Q for the relevant performance period. Awards are earned on the date on which it is determined that the applicable cumulative revenue target or the applicable cumulative EBITDA target has been achieved (each, a Determination Date). Once earned, the number of eligible Units that will vest on the Determination Date will be determined by applying a four-year vesting schedule, consisting of annual 25% increments measured from the date of award with the remaining Units with respect to such target, if any, vesting in 25% increments on subsequent anniversaries of the date of award.

Time-based restricted stock awards granted on June 12, 2015 vest over a four year period with one third of the award vesting on each of the second, third and fourth anniversaries of the grant date.

Benefits and Perquisites

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

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In 2009, the Company adopted the Senior Executive Change in Control Policy. This policy was designed to provide specified executives, including Dr. Miller and Messrs. Maheshwari and Kiernan, with severance benefits in the event that their employment is terminated under qualifying circumstances related to a change in control. Mr. Peeler is not covered by the Senior Executive Change in Control Policy (see Potential Payments Upon Termination or Change in Control below for an explanation of benefits payable to Mr. Peeler in connection with his termination, including in connection with a change in control). The Committee recognizes that, as is the case for most publicly held companies, the possibility of a change in control exists, and the Company wishes to ensure that the NEOs are not disincentivized from discharging their duties with respect to a proposed or actual transaction involving a change in control. Accordingly, through the adoption of the Senior Executive Change in Control Policy, the Company has provided additional inducement for such NEOs to remain in the employ of the Company in the event of a proposed change in control.

Say-on-Pay

Our Board, the Committee and our management value the opinions of our stockholders. We have determined that our stockholders should vote, and do in fact vote, on a say-on-pay proposal on executive officer compensation each year. At the 2014 and 2015 annual meetings of stockholders, approximately 68% and 97%, respectively, of votes were cast in favor of our say-on-pay proposal.

Compensation Recoupment Policy

In January 2014, the Company adopted a Compensation Recoupment Policy (the Clawback Policy) for certain employees, including the NEOs. Under the Clawback Policy, in the event of a financial restatement due to fraud or intentional illegal conduct as determined by the independent members of the Board, a culpable executive officer may be required to reimburse the Company for performance-based cash compensation if the amount of such compensation would have been lower had it been calculated based on such restated financial statements.

Stock Ownership Guidelines

In January 2014, the Company established stock ownership guidelines for certain employees, including the NEOs, and members of the Board. Under these guidelines, each covered individual has five years to reach the minimum levels of stock ownership identified by the Stock Ownership Guidelines.

- Each Director is required to hold Veeco stock with a value equal to at least three times the Director s annual cash retainer (excluding retainers for committee or lead director service);
- Veeco s CEO is required to hold Veeco stock with a value equal to at least four times his base salary;
- Veeco s President is required to hold Veeco stock with a value equal to at least three times his base salary;
- Executive Vice Presidents are required to hold Veeco stock with a value equal to at least two times their base

salaries; and

- Other covered executive officers are required to hold Veeco stock with a value equal to at least their base salaries.

Under the guidelines, covered employees are required to hold 50% of the net after tax shares realized upon vesting or exercise until the stock ownership guidelines are met. Participants must maintain compliance once the guidelines have been met, except for the effect of a decrease in stock price in which case they will be required to retain at least 50% of shares

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acquired upon vesting or exercise until the stock ownership guidelines are again achieved. At the end of 2015, all of the covered individuals were either in compliance with our Stock Ownership Guidelines or have a period of time remaining to meet the required ownership level.

Anti-Hedging/Anti-Pledging Policy

The Company has adopted an insider trading policy which incorporates anti-hedging and anti-pledging provisions. Consequently, no employee, executive officer or director may enter into a hedge or pledge of the Company s common stock.

Financial and Tax Considerations

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

Conclusion

Attracting and retaining talented and motivated management and key employees is essential to creating long-term stockholder value. Offering a competitive, performance-based compensation program with a substantial equity component helps to achieve this objective by aligning the interests of the executive officers and other key employees with those of stockholders. We believe that Veeco s 2015 compensation program met these objectives and that the Company s 2016 compensation program is appropriate in light of the challenges facing the Company and its employees.

Compensation Committee Report

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis for 2015. Based on the review and the discussions, the Committee recommended to the Board of Directors (and the Board approved), that the Compensation Discussion and Analysis be included in Veeco s proxy statement for its 2016 Annual Meeting of Stockholders.

This report is submitted by the Committee.

Richard A. D Amore

Gordon Hunter

Roger D. McDaniel (Chairman)

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Summary Compensation Table

The following table sets forth a summary of annual and long-term compensation awarded to, earned by, or paid for the fiscal year ended December 31, 2015 to (a) the principal executive officer of Veeco, (b) the principal financial officer of Veeco, and (c) each of the next most highly compensated executive officers (as defined in Rule 3b-7 under the Exchange Act) of Veeco serving at the end of the year, of which there were two as of December 31, 2015 (the NEOs).

Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Stock Awards ($) (2)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	All Other Compensation ($) (5)	Total ($)
John R. Peeler Chairman and CEO	2015	700,000		1,324,428		576,539	79,263	2,680,230
	2014	700,000		808,256	299,499	814,722	76,211	2,698,688
	2013	700,000		1,273,951	746,885		139,697	2,860,533
Shubham Maheshwari EVP and CFO (6)	2015	414,615		738,684		244,835	191,256	1,589,390
	2014	252,308		899,640	629,100	214,283	88,581	2,083,912
	2013							
William J. Miller, Ph.D., President	2015	429,616		789,768		249,229	16,890	1,485,503
	2014	415,001		382,892	41,970	338,111	16,733	1,294,707
	2013	415,001		1,063,403	198,080		16,410	1,692,895
John P. Kiernan, SVP, Finance, CAO, Corp. Controller and Treasurer	2015	298,328		209,038		103,676	29,212	640,254
	2014	291,860		142,441	52,853	170,969	16,964	675,087
	2013	286,624	60,000	708,428	99,040		16,602	1,170,694

(1) Reflects an award paid to Mr. Kiernan in 2013 in recognition of his assistance in connection with an accounting review which commenced in 2012 and was completed in the fourth quarter of 2013. All other bonuses were performance-based bonuses pursuant to the Company s Management Bonus Plan, which are reflected under the column labeled Non-Equity Incentive Plan Compensation.

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

Restricted Stock Awards

Grant Date	Grant Date Fair Value	Name	Number of Shares(1)
12/13/2013*	$ 30.47	J. Peeler	41,810
		W. Miller	34,900
		J. Kiernan	23,250
[redacted]			
06/12/2014**	$ 32.67	J. Peeler	24,740
		W. Miller	11,720
		J. Kiernan	4,360
[redacted]			

(1) Includes both performance-based and time-based restricted stock awards, as described below.

* The December 2013 restricted stock awards to all NEOs, and the June 2014 restricted stock award to Mr. Maheshwari, are scheduled to vest one third per year on each of the second, third and fourth anniversaries of the grant date.

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**Certain of the restricted stock awards granted on June 12, 2014 to Messrs. Peeler and Kiernan and to Dr. Miller are subject to the achievement of designated performance criteria. Such performance based shares are in the following amounts: for Mr. Peeler, 17,670 shares; for Mr. Kiernan, 3,120 shares; and for Dr. Miller, 8,370 shares.

***Certain of the restricted stock awards granted on June 12, 2015 to Messrs. Peeler, Maheshwari and Kiernan and to Dr. Miller are subject to the achievement of designated performance criteria. Such performance based shares are in the following amounts: for Mr. Peeler, 26,620 shares; for Mr. Maheshwari, 12,020 shares; for Mr. Kiernan, 3,400 shares; and for Dr. Miller, 12,850 shares.

(3) In accordance with SEC rules, the amounts shown reflect the grant date fair value of the option awards. Assumptions used in the calculation of these amounts are included in Note 15 to the Company s audited financial statements for the fiscal year ended December 31, 2015, included in the 2015 Annual Report on Form 10-K (the Consolidated Financial Statements). The amounts shown relate to the following option awards (no options were granted to the NEOs in 2015):

Stock Option Awards				
Grant Date		Grant Date Fair Value	Name	Number of Shares
12/13/2013	$	12.38	J. Peeler	60,330
			W. Miller	16,000
			J. Kiernan	8,000
06/02/2014	$	11.65	S. Maheshwari	54,000
06/12/2014	$	11.44	J. Peeler	26,180
			W. Miller	12,410
			J. Kiernan	4,620

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

Name	Year	Profit Sharing Plan ($)	Bonus Plan ($)	Special Profit Sharing Plan ($)	Commissions ($)	Total Non-Equity Incentive Plan Compensation ($)
J. Peeler	2015		576,539			576,539
	2014		814,722			814,722
	2013					
S. Maheshwari	2015		244,835			244,835
	2014		214,283			214,283

	2013		
W. Miller	2015	249,229	249,229
	2014	338,111	338,111
	2013		
J. Kiernan	2015	103,676	103,676
	2014	170,969	170,969
	2013		

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(5) All Other Compensation for 2015 consists of car allowances, 401(k) matching contributions, premiums for group term life insurance, and relocation\housing allowances.

Name	Car Allowance \ Lease ($)	401(k) Matching Contribution ($)	Premium for Group Term Life Insurance ($)	Relocation \ Housing Allowance ($)	Other Payments ($)	Total Other Compensation ($)
J. Peeler	18,000	7,950	2,376	50,937		79,263
S. Maheshwari	8,400	7,950	360	117,851	103,713*	191,256
W. Miller	8,400	7,950	540			16,890
J. Kiernan	8,400	7,950	686		12,176**	29,212

* For Mr. Maheshwari, this consists of tax gross-up with respect to benefits received in connection with the completion of his relocation to Long Island, including tax gross-up in the amount of $23,632 for relocation expenses provided in 2014 (which totaled $50,107).

** For Mr. Kiernan, this consists of a 20-year service award valued at $7,675, and the related tax gross up ($4,501).

(6) Mr. Maheshwari joined Veeco and was named Executive Vice President and Chief Financial Officer effective May 6, 2014.

Grants of Plan-Based Awards

The following table sets forth certain information concerning grants to each NEO during 2015 of stock options, shares of restricted stock and restricted stock units made under the Company s 2010 Stock Incentive Plan (as amended, the 2010 Plan). In 2015, no stock options were awarded to the NEOs. The restricted stock awards made to the NEOs in 2015 are also included in the Stock Awards column of the Summary Compensation Table.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Market Price on Date of Grant ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
J. Peeler					42,260				1,324,428
	6/12/2015								
	6/12/2015								

S. Maheshwari		23,570	738,684
	6/12/2015		
	6/12/2015		
W. Miller		25,200	789,768
	6/12/2015		
	6/12/2015		
J. Kiernan		6,670	209,038
	6/12/2015		
	6/12/2015		

(1) The Company made bonus awards under its 2010 Plan for performance in 2015. These bonuses, which were earned during 2015 and paid in the first quarter of 2016, are reflected in the Summary Compensation Table under the column entitled Non-Equity Incentive Plan Compensation. Aside from these awards, the Company did not grant long-term cash or other non-equity incentive plan awards in 2015.

(2) Includes both performance-based and time-based restricted stock awards.

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Outstanding Equity Awards at Fiscal Year End

The following table provides certain information as of December 31, 2015, concerning unexercised options and stock awards including those that had been granted but not yet vested as of such date for each of the NEOs. The value of stock awards shown below is based upon the fair market value of the Company s common stock on December 31, 2015, which was $20.56 per share.

Option Awards	Stock Awards