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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2019**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 0-16244

VEECO INSTRUMENTS INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

11-2989601

(I.R.S. Employer Identification No.)

Terminal Drive

Plainview, New York

(Address of Principal Executive Offices)

11803

(Zip Code)

Registrant's telephone number, including area code:

(516) 677-0200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	VECO	The NASDAQ Global Select Market

As of April 25, 2019, there were 48,675,196 shares of the registrant's common stock outstanding.

VEECO INSTRUMENTS INC.

INDEX

Safe Harbor Statement	1
PART I—FINANCIAL INFORMATION	4
Item 1. Financial Statements	4
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3. Quantitative and Qualitative Disclosures about Market Risk	29
Item 4. Controls and Procedures	30
PART II—OTHER INFORMATION	30
Item 1. Legal Proceedings	30
Item 1A. Risk Factors	31
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 3. Defaults Upon Senior Securities	31
Item 4. Mine Safety Disclosures	31
Item 5. Other Information	31
Item 6. Exhibits	32
SIGNATURES	33

Safe Harbor Statement

This quarterly report on Form 10-Q (the “Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Discussions containing such forward-looking statements may be found in Part I - Items 1, 2, and 3 hereof, as well as within this Report generally. In addition, when used in this Report, the words “believes,” “anticipates,” “expects,” “estimates,” “targets,” “plans,” “intends,” “will,” and similar expressions related to the future are intended to identify forward-looking statements. All forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from projected results.

In addition, the preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates and assumptions are based on knowledge of current events and planned actions to be undertaken in the future, they may ultimately differ from actual results. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. All estimates and assumptions are subject to a number of risks and uncertainties that could cause actual results to differ materially from these estimates and assumptions.

The risks and uncertainties of Veeco Instruments Inc. (together with its consolidated subsidiaries, “Veeco,” the “Company,” “we,” “us,” and “our,” unless the context indicates otherwise) include, without limitation, the following:

- Unfavorable market conditions have adversely affected, and may continue to adversely affect, our operating results;
- We are exposed to the risks of operating a global business;
- International trade disputes could result in increases in tariffs and other trade restrictions and protectionist measures that could negatively impact our operations;
- Disruptions in our information technology systems or data security incidents could result in significant financial, legal, regulatory, business, and reputational harm to us;
- We may be unable to effectively enforce and protect our intellectual property rights;
- We may be subject to claims of intellectual property infringement by others;
- The price of our common shares is volatile, has declined significantly, and could further decline;
- We may be required to take additional impairment charges on assets;
- We face significant competition;
- We operate in industries characterized by rapid technological change;
- Our sales to manufacturers are highly dependent on sales of consumer electronics applications, which can experience significant volatility due to seasonal and other factors;
- We have a concentrated customer base, located primarily in a limited number of regions, which operate in highly concentrated industries;
- The cyclicity of the industries we serve directly affects our business;

Table of Contents

- The timing of our orders, shipments, and revenue recognition may cause our quarterly operating results to fluctuate significantly;
- Our sales cycle is long and unpredictable;
- Our backlog is subject to customer cancellation or modification which could result in decreased sales, increased inventory obsolescence, and liabilities to our suppliers for products no longer needed;
- We may be unable to obtain required export licenses for the sale of our products;
- Our operating results may be adversely affected by tightening credit markets;
- Our failure to estimate customer demand accurately could result in inventory obsolescence, liabilities to our suppliers for products no longer needed, and manufacturing interruptions or delays which could affect our ability to meet customer demand;
- Our failure to successfully manage our outsourcing activities or failure of our outsourcing partners to perform as anticipated could adversely affect our results of operations;
- We rely on a limited number of suppliers, some of whom are our sole source for particular components;
- Our inability to attract, retain, and motivate employees could have a material adverse effect on our business;
- We are exposed to risks associated with business combinations, acquisitions, and strategic investments;
- We are subject to internal control evaluations and attestation requirements of Section 404 of the Sarbanes-Oxley Act and any delays or difficulties in satisfying these requirements or negative reports concerning our internal controls could adversely affect our future results of operations and our stock price;
- Changes in accounting pronouncements or taxation rules or practices may adversely affect our financial results;
- Our income taxes may change;
- We have indebtedness in the form of convertible senior notes which could adversely affect our financial position, prevent us from implementing our strategy, and dilute the ownership interest of our existing shareholders;
- The accounting method for convertible debt securities that may be settled in cash, such as the Convertible Senior Notes, could have a material effect on our reported financial results;
- We are subject to foreign currency exchange risks;
- Our previously announced share repurchase program could affect the price of our common stock and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our common stock;
- We have adopted certain measures that may have anti-takeover effects which may make an acquisition of our Company by another company more difficult;
- We are exposed to various risks associated with global regulatory requirements;

[Table of Contents](#)

- We may be exposed to liabilities under the Foreign Corrupt Practices Act and other similar laws;
- We are subject to risks of non-compliance with environmental, health, and safety regulations; and
- We have significant operations in locations which could be materially and adversely impacted in the event of a natural disaster, an act of terrorism, or other significant disruption.

Consequently, such forward looking statements and estimates should be regarded solely as the current plans and beliefs of Veeco. We do not undertake any obligation to update any forward looking statements to reflect future events or circumstances after the date of such statements.

PART I — FINANCIAL INFORMATION**Item 1. Financial Statements**

Veeco Instruments Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share amounts)
(unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 169,439	\$ 212,273
Restricted cash	804	809
Short-term investments	67,215	48,189
Accounts receivable, net	74,860	66,808
Contract assets	10,479	10,397
Inventories	148,103	156,311
Deferred cost of sales	2,921	3,072
Prepaid expenses and other current assets	24,943	22,221
Total current assets	498,764	520,080
Property, plant, and equipment, net	77,737	80,284
Operating lease right-of-use assets	12,874	—
Intangible assets, net	80,931	85,149
Goodwill	184,302	184,302
Deferred income taxes	1,869	1,869
Other assets	29,117	29,132
Total assets	\$ 885,594	\$ 900,816
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 36,315	\$ 39,611
Accrued expenses and other current liabilities	44,040	46,450
Customer deposits and deferred revenue	68,881	72,736
Income taxes payable	792	1,256
Total current liabilities	150,028	160,053
Deferred income taxes	5,675	5,690
Long-term debt	290,473	287,392
Operating lease long-term liabilities	8,382	—
Other liabilities	9,238	9,906
Total liabilities	463,796	463,041
Stockholders' equity:		
Preferred stock, \$0.01 par value; 500,000 shares authorized; no shares issued and outstanding.	—	—
Common stock, \$0.01 par value; 120,000,000 shares authorized; 48,675,196 and 48,547,417 shares issued at March 31, 2019 and December 31, 2018, respectively; 48,675,196 and 48,024,685 shares outstanding at March 31, 2019 and December 31, 2018, respectively.	487	485
Additional paid-in capital	1,058,179	1,061,325
Accumulated deficit	(638,726)	(619,983)
Accumulated other comprehensive income	1,858	1,820
Treasury stock, at cost, 522,732 shares at December 31, 2018.	—	(5,872)
Total stockholders' equity	421,798	437,775
Total liabilities and stockholders' equity	\$ 885,594	\$ 900,816

See accompanying Notes to the Consolidated Financial Statements .

Veeco Instruments Inc. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three months ended March 31,	
	2019	2018
Net sales	\$ 99,371	\$ 158,574
Cost of sales	64,655	101,894
Gross profit	34,716	56,680
Operating expenses, net:		
Research and development	23,340	24,320
Selling, general, and administrative	19,902	26,383
Amortization of intangible assets	4,218	13,532
Restructuring	1,430	2,695
Acquisition costs	—	1,342
Other, net	(34)	(157)
Total operating expenses, net	48,856	68,115
Operating income (loss)	(14,140)	(11,435)
Interest income	1,245	624
Interest expense	(5,445)	(5,246)
Income (loss) before income taxes	(18,340)	(16,057)
Income tax expense (benefit)	190	(230)
Net income (loss)	\$ (18,530)	\$ (15,827)
Income (loss) per common share:		
Basic	\$ (0.40)	\$ (0.34)
Diluted	\$ (0.40)	\$ (0.34)
Weighted average number of shares:		
Basic	46,848	46,963
Diluted	46,848	46,963

See accompanying Notes to the Consolidated Financial Statements .

Veeco Instruments Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(in thousands)
(unaudited)

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Net income (loss)	\$ (18,530)	\$ (15,827)
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on available-for-sale securities	27	(8)
Foreign currency translation	11	32
Total other comprehensive income (loss), net of tax	<u>38</u>	<u>24</u>
Total comprehensive income (loss)	<u>\$ (18,492)</u>	<u>\$ (15,803)</u>

See accompanying Notes to the Consolidated Financial Statements .

Veeco Instruments Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three months ended March 31,	
	2019	2018
Cash Flows from Operating Activities		
Net income (loss)	\$ (18,530)	\$ (15,827)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,796	17,726
Non-cash interest expense	3,081	2,859
Deferred income taxes	(15)	(269)
Share-based compensation expense	3,157	4,537
Changes in operating assets and liabilities:		
Accounts receivable and contract assets	(8,134)	(11,177)
Inventories and deferred cost of sales	8,489	4,555
Prepaid expenses and other current assets	(2,457)	3,824
Accounts payable and accrued expenses	(12,260)	2,009
Customer deposits and deferred revenue	(3,855)	(17,559)
Income taxes receivable and payable, net	(463)	(2,283)
Other, net	(100)	(202)
Net cash provided by (used in) operating activities	<u>(22,291)</u>	<u>(11,807)</u>
Cash Flows from Investing Activities		
Capital expenditures	(2,180)	(2,259)
Proceeds from the sale of investments	22,500	34,000
Payments for purchases of investments	(41,258)	(54,300)
Net cash provided by (used in) investing activities	<u>(20,938)</u>	<u>(22,559)</u>
Cash Flows from Financing Activities		
Cash withholdings for employee stock purchase plan	1,021	1,136
Restricted stock tax withholdings	(642)	(427)
Purchases of common stock	—	(592)
Net cash provided by (used in) financing activities	<u>379</u>	<u>117</u>
Effect of exchange rate changes on cash and cash equivalents	11	32
Net increase (decrease) in cash, cash equivalents, and restricted cash	(42,839)	(34,217)
Cash, cash equivalents, and restricted cash - beginning of period	213,082	280,583
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 170,243</u>	<u>\$ 246,366</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 4,693	\$ 4,674
Income taxes paid	2,341	2,373
Non-cash operating and financing activities		
Net transfer of property, plant and equipment to inventory	130	339
Right-of-use assets obtained in exchange for lease obligations	238	—

See accompanying Notes to the Consolidated Financial Statements .

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
(unaudited)

Note 1 — Basis of Presentation

The accompanying unaudited Consolidated Financial Statements of Veeco have been prepared in accordance with U.S. GAAP as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 270 for interim financial information and with the instructions to Rule 10-01 of Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements as the interim information is an update of the information that was presented in Veeco’s most recent annual financial statements. For further information, refer to Veeco’s Consolidated Financial Statements and Notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2018 (“2018 Form 10-K”). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal, recurring nature.

Veeco reports interim quarters on a 13-week basis ending on the last Sunday of each quarter. The fourth quarter always ends on the last day of the calendar year, December 31. The 2019 interim quarters end on March 31, June 30, and September 29, and the 2018 interim quarters ended on April 1, July 1, and September 30. These interim quarters are reported as March 31, June 30, and September 30 in Veeco’s interim consolidated financial statements.

Revenue Recognition

Revenue is recognized upon the transfer of control of the promised product or service to the customer in an amount that reflects the consideration the Company expects to receive in exchange for such product or service. The Company’s contracts with customers generally do not contain variable consideration. In the rare instances where variable consideration is included, the Company estimates the amount of variable consideration and determines what portion of that, if any, has a high probability of significant subsequent revenue reversal, and if so, that amount is excluded from the transaction price. The Company’s contracts with customers frequently contain multiple deliverables, such as systems, upgrades, components, spare parts, installation, maintenance, and service plans. Judgment is required to properly identify the performance obligations within a contract and to determine how the revenue should be allocated among the performance obligations. The Company also evaluates whether multiple transactions with the same customer or related parties should be considered part of a single contract based on an assessment of whether the contracts or agreements are negotiated or executed within a short time frame of each other or if there are indicators that the contracts are negotiated in contemplation of one another.

When there are separate units of accounting, the Company allocates revenue to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling prices are determined based on the prices at which the Company separately sells the systems, upgrades, components, spare parts, installation, maintenance, and service plans. For items that are not sold separately, the Company estimates stand-alone selling prices generally using an expected cost plus margin approach.

Most of the Company’s revenue is recognized at a point in time when the performance obligation is satisfied. The Company considers many facts when evaluating each of its sales arrangements to determine the timing of revenue recognition, including its contractual obligations and the nature of the customer’s post-delivery acceptance provisions. The Company’s system sales arrangements, including certain upgrades, generally include field acceptance provisions that may include functional or mechanical test procedures. For many of these arrangements, a customer source inspection of the system is performed in the Company’s facility, test data is sent to the customer documenting that the system is functioning to the agreed upon specifications prior to delivery, or other quality assurance testing is performed internally to ensure system functionality prior to shipment. Historically, such source inspection or test data replicates the field acceptance provisions that are performed at the customer’s site prior to final acceptance of the system. When the Company objectively demonstrates that the criteria specified in the contractual acceptance provisions are achieved prior to delivery either through customer testing or the Company’s historical experience of its tools meeting specifications, transfer of control of the product to the customer is considered to have occurred and revenue is recognized upon system

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

delivery since there is no substantive contingency remaining related to the acceptance provisions at that date. For new products, new applications of existing products, or for products with substantive customer acceptance provisions where the Company cannot objectively demonstrate that the criteria specified in the contractual acceptance provisions have been achieved prior to delivery, revenue and the associated costs are deferred. The Company recognizes such revenue and costs upon obtaining objective evidence that the acceptance provisions can be achieved, assuming all other revenue recognition criteria have been met.

In certain cases the Company's contracts with customers contain a billing retention, typically 10% of the sales price, which is billed by the Company and payable by the customer when field acceptance provisions are completed. Revenue recognized in advance of the amount that has been billed is recorded as a contract asset on the Consolidated Balance Sheets.

The Company recognizes revenue related to maintenance and service contracts over time based upon the respective contract term. Installation revenue is recognized over time as the installation services are performed. The Company recognizes revenue from the sales of components, spare parts, and specified service engagements at a point in time, which is typically consistent with the time of delivery in accordance with the terms of the applicable sales arrangement.

The Company may receive customer deposits on system transactions. The timing of the transfer of goods or services related to the deposits is either at the discretion of the customer or expected to be within one year from the deposit receipt. As such, the Company does not adjust transaction prices for the time value of money. Incremental direct costs incurred related to the acquisition of a customer contract, such as sales commissions, are expensed as incurred since the expected amortization period is one year or less.

The Company has elected to treat shipping and handling costs as a fulfillment activity, and the Company includes such costs in cost of services when the Company recognizes revenue for the related goods. Taxes assessed by governmental authorities that are collected by the Company from a customer are excluded from revenue.

Leases

At contract inception, the Company determines if an arrangement is a lease, or contains a lease, of an identified asset for which the Company has the right to obtain substantially all of the economic benefits from its use and the right to direct its use. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. The implicit discount rate in the Company's leases generally cannot readily be determined, and therefore the Company uses its incremental borrowing rate based on information available at lease commencement date in determining the present value of future payments. The Company has options to renew or terminate certain leases. These options are included in the determination of lease term when it is reasonably certain that the Company will exercise such options. The Company does not separate lease and non-lease components in determining ROU assets or lease liabilities for real estate leases. Additionally, the Company does not recognize ROU assets or lease liabilities for leases with original terms or renewals of one year or less.

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02: *Leases*, which, along with subsequent ASUs related to this topic, has been codified as Accounting Standards Codification 842 ("ASC 842"). ASC 842 generally requires operating lessee rights and obligations to be recognized as assets and liabilities on the balance sheet. The new standard, which the Company adopted effective January 1, 2019, offers a transition option whereby companies can recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. The Company has adopted using this transition method, and therefore prior period balances have not been

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

adjusted. In addition, ASC 842 provides for a number of optional exemptions in transition. The Company has elected certain exemptions whereby prior conclusions regarding lease identification, lease classification, and initial direct costs were not reassessed under the new standard. The adoption of the standard impacted the Company's Consolidated Balance Sheets through the recognition of ROU assets and lease liabilities of approximately \$14.2 million each as of January 1, 2019, but did not have an impact on the Consolidated Statements of Operations, Statements of Comprehensive Income, or Statements of Cash Flows.

Note 2 — Income (Loss) Per Common Share

Basic income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the period. Diluted income per share is calculated by dividing net income by the weighted average number of shares used to calculate basic income (loss) per share plus the weighted average number of common share equivalents outstanding during the period. The dilutive effect of outstanding options to purchase common stock and share-based awards is considered in diluted income per share by application of the treasury stock method. The dilutive effect of performance share units is included in diluted income per common share in the periods the performance targets have been achieved. The computations of basic and diluted income (loss) per share for the three months ended March 31, 2019 and 2018 are as follows:

	Three months ended March 31,	
	2019	2018
	<i>(in thousands, except per share amounts)</i>	
Net income (loss)	\$ (18,530)	\$ (15,827)
Net income (loss) per common share:		
Basic	\$ (0.40)	\$ (0.34)
Diluted	\$ (0.40)	\$ (0.34)
Basic weighted average shares outstanding	46,848	46,963
Effect of potentially dilutive share-based awards	—	—
Diluted weighted average shares outstanding	46,848	46,963
Common share equivalents excluded from the diluted weighted average shares outstanding since Veeco incurred a net loss and their effect would be antidilutive	320	169
Potentially dilutive shares excluded from the diluted calculation as their effect would be antidilutive	2,426	2,092
Maximum potential shares to be issued for settlement of the Convertible Senior Notes excluded from the diluted calculation as their effect would be antidilutive	8,618	8,618

Note 3 — Assets

Investments

Short-term investments are generally classified as available-for-sale and reported at fair value, with unrealized gains and losses, net of tax, presented as a separate component of stockholders' equity under the caption "Accumulated other comprehensive income" in the Consolidated Balance Sheets. These securities may include U.S. treasuries, government agency securities, corporate debt, and commercial paper, all with maturities of greater than three months when purchased. All realized gains and losses and unrealized losses resulting from declines in fair value that are other than temporary are included in "Other, net" in the Consolidated Statements of Operations.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

Fair value is the price that would be received for an asset or the amount paid to transfer a liability in an orderly transaction between market participants. Veeco classifies certain assets based on the following fair value hierarchy:

Level 1: Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Veeco has evaluated the estimated fair value of financial instruments using available market information and valuations as provided by third-party sources. The use of different market assumptions or estimation methodologies could have a significant effect on the estimated fair value amounts.

The following table presents the portion of Veeco's assets that were measured at fair value on a recurring basis at March 31, 2019 and December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>(in thousands)</i>			
March 31, 2019				
Cash equivalents				
Certificate of deposits and time deposits	\$ 66,863	\$ —	\$ —	\$ 66,863
U.S. treasuries	19,917	—	—	19,917
Commercial paper	—	11,257	—	11,257
Total	<u>\$ 86,780</u>	<u>\$ 11,257</u>	<u>\$ —</u>	<u>\$ 98,037</u>
Short-term investments				
U.S. treasuries	\$ 51,726	\$ —	\$ —	\$ 51,726
Government agency securities	—	4,964	—	4,964
Corporate debt	—	1,999	—	1,999
Commercial paper	—	8,526	—	8,526
Total	<u>\$ 51,726</u>	<u>\$ 15,489</u>	<u>\$ —</u>	<u>\$ 67,215</u>
December 31, 2018				
Cash equivalents				
Certificate of deposits and time deposits	\$ 65,571	\$ —	\$ —	\$ 65,571
U.S. treasuries	3,990	—	—	3,990
Total	<u>\$ 69,561</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 69,561</u>
Short-term investments				
U.S. treasuries	\$ 37,184	\$ —	\$ —	\$ 37,184
Corporate debt	—	8,516	—	8,516
Commercial paper	—	2,489	—	2,489
Total	<u>\$ 37,184</u>	<u>\$ 11,005</u>	<u>\$ —</u>	<u>\$ 48,189</u>

There were no transfers between fair value measurement levels during the three months ended March 31, 2019.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

At March 31, 2019 and December 31, 2018, the amortized cost and fair value of available-for-sale securities consist of:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<i>(in thousands)</i>				
March 31, 2019				
U.S. treasuries	\$ 51,715	\$ 11	\$ —	\$ 51,726
Government agency securities	4,964	—	—	4,964
Corporate debt	1,999	—	—	1,999
Commercial paper	8,526	—	—	8,526
Total	\$ 67,204	\$ 11	\$ —	\$ 67,215
December 31, 2018				
U.S. treasuries	\$ 37,191	\$ —	\$ (7)	\$ 37,184
Corporate debt	8,525	—	(9)	8,516
Commercial paper	2,489	—	—	2,489
Total	\$ 48,205	\$ —	\$ (16)	\$ 48,189

There were no available-for-sale securities in a loss position at March 31, 2019. Available-for-sale securities in a loss position at December 31, 2018 consist of:

	December 31, 2018	
	Estimated Fair Value	Gross Unrealized Losses
<i>(in thousands)</i>		
U.S. treasuries	\$ 37,184	\$ (7)
Corporate debt	8,516	(9)
Total	\$ 45,700	\$ (16)

At March 31, 2019 and December 31, 2018, there were no short-term investments that had been in a continuous loss position for more than 12 months.

The maturities of securities classified as available-for-sale at March 31, 2019 were all due in one year or less. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. There were no realized gains or losses for the three months ended March 31, 2019 and 2018.

Accounts Receivable

Accounts receivable is presented net of an allowance for doubtful accounts of \$0.2 million and \$0.3 million at March 31, 2019 and December 31, 2018, respectively.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. Inventories at March 31, 2019 and December 31, 2018 consist of the following:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<i>(in thousands)</i>	
Materials	\$ 84,711	\$ 90,816
Work-in-process	36,299	42,354
Finished goods	27,093	23,141
Total	<u>\$ 148,103</u>	<u>\$ 156,311</u>

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets primarily consist of supplier deposits, prepaid value-added tax, lease deposits, prepaid insurance, and prepaid licenses. Veeco had deposits with its suppliers of \$15.1 million and \$12.8 million at March 31, 2019 and December 31, 2018, respectively.

Property, Plant, and Equipment

Property, plant, and equipment at March 31, 2019 and December 31, 2018 consist of the following:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<i>(in thousands)</i>	
Land	\$ 5,669	\$ 5,669
Building and improvements	61,286	61,124
Machinery and equipment ⁽¹⁾	129,864	128,385
Leasehold improvements	7,041	9,033
Gross property, plant, and equipment	203,860	204,211
Less: accumulated depreciation and amortization	126,123	123,927
Net property, plant, and equipment	<u>\$ 77,737</u>	<u>\$ 80,284</u>

(1) Machinery and equipment also includes software, furniture and fixtures

For the three months ended March 31, 2019 and 2018, depreciation expense was \$4.6 million and \$4.2 million, respectively.

Goodwill

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. There were no changes to goodwill during the three months ended March 31, 2019.

Intangible Assets

Intangible assets consist of purchased technology, customer relationships, patents, trademarks and tradenames, and backlog, and are initially recorded at fair value. Long-lived intangible assets are amortized over their estimated useful lives in a method reflecting the pattern in which the economic benefits are consumed or amortized on a straight-line basis if such pattern cannot be reliably determined.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

The components of purchased intangible assets were as follows:

	March 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Amount	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Amount
	<i>(in thousands)</i>					
Technology	\$ 337,218	\$ 293,528	\$ 43,690	\$ 337,218	\$ 290,808	\$ 46,410
Customer relationships	164,595	137,257	27,338	164,595	136,126	28,469
In-process R&D	13,710	10,530	3,180	13,710	10,530	3,180
Trademarks and tradenames	30,910	24,239	6,671	30,910	23,899	7,011
Other	3,686	3,634	52	3,686	3,607	79
Total	<u>\$ 550,119</u>	<u>\$ 469,188</u>	<u>\$ 80,931</u>	<u>\$ 550,119</u>	<u>\$ 464,970</u>	<u>\$ 85,149</u>

Other intangible assets primarily consist of patents, licenses, and backlog.

Other Assets

The Company has a non-marketable investment in Kateeva, Inc. (“Kateeva”), with a carrying value of \$21.0 million at March 31, 2019 and December 31, 2018. Additionally, the Company has a non-marketable investment in a separate entity, with a carrying value of \$3.5 million at March 31, 2019 and December 31, 2018. The Company does not exert significant influence over these investments, and its ownership interest is less than 20%. Neither equity investment has a readily observable market price, and therefore the Company has elected to measure these investments at cost, adjusted for changes in observable market prices minus impairment. The investments are included in “Other assets” on the Consolidated Balance Sheets. There were no changes in observable market prices for either investment for the three months ended March 31, 2019. These investments are subject to periodic impairment reviews; as there are no open-market valuations, the impairment analyses require judgment. The analyses include assessments of the companies’ financial condition, the business outlooks for their products and technologies, their projected results and cash flow, business valuation indications from recent rounds of financing, the likelihood of obtaining subsequent rounds of financing, and the impact of equity preferences held by Veeco relative to other investors.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

Note 4 — Liabilities*Accrued Expenses and Other Current Liabilities*

The components of accrued expenses and other current liabilities at March 31, 2019 and December 31, 2018 consist of:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<i>(in thousands)</i>	
Payroll and related benefits	\$ 17,722	\$ 20,486
Warranty	7,226	7,852
Operating lease liabilities	4,797	—
Interest	1,992	4,321
Professional fees	3,059	2,897
Sales, use, and other taxes	1,256	2,670
Restructuring liability	1,720	2,213
Other	6,268	6,011
Total	\$ 44,040	\$ 46,450

Warranty

Warranties are typically valid for one year from the date of system final acceptance, and Veeco estimates the costs that may be incurred under the warranty. Estimated warranty costs are determined by analyzing specific product and historical configuration statistics and regional warranty support costs and are affected by product failure rates, material usage, and labor costs incurred in correcting product failures during the warranty period. Unforeseen component failures or exceptional component performance can also result in changes to warranty costs. Changes in product warranty reserves for the three months ended March 31, 2019 include:

	<i>(in thousands)</i>
Balance - December 31, 2018	\$ 7,852
Warranties issued	1,427
Consumption of reserves	(1,978)
Changes in estimate	(75)
Balance - March 31, 2019	\$ 7,226

Restructuring Accruals

During the second quarter of 2018, the Company initiated plans to further reduce excess capacity associated with the manufacture and support of the Company's advanced packaging lithography and 3D wafer inspection systems by consolidating these operations into its San Jose, California facility. As a result of this and other cost saving initiatives, the Company announced headcount reductions of approximately 40 employees. During the three months ended March 31, 2019, additional accruals were recognized and payments were made related to these restructuring initiatives.

The Company continued to record restructuring charges in the first quarter of 2019 in an effort to streamline operations, enhance efficiencies, and reduce costs.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

	Personnel Severance and Related Costs	Facility Related Costs and Other	Total
	<i>(in thousands)</i>		
Balance - December 31, 2018	\$ 2,143	\$ 70	\$ 2,213
Provision	1,320	110	1,430
Payments	(1,743)	(180)	(1,923)
Balance - March 31, 2019	<u>\$ 1,720</u>	<u>\$ —</u>	<u>\$ 1,720</u>

Customer Deposits and Deferred Revenue

Customer deposits totaled \$26.6 million and \$28.3 million at March 31, 2019 and December 31, 2018, respectively. Deferred revenue represents amounts billed, other than deposits, in excess of the revenue that can be recognized on a particular contract at the balance sheet date. Changes in deferred revenue were as follows:

	<i>(in thousands)</i>
Balance - December 31, 2018	\$ 44,415
Deferral of revenue	792
Recognition of previously deferred revenue	(2,887)
Balance - March 31, 2019	<u>\$ 42,320</u>

As of March 31, 2019, the Company has approximately \$68.5 million of remaining performance obligations on contracts with an original estimated duration of one year or more, of which approximately 65% is expected to be recognized within one year, with the remaining amounts expected to be recognized between one to three years. The Company has elected to exclude disclosures regarding remaining performance obligations that have an original expected duration of one year or less.

Convertible Senior Notes

On January 10, 2017, the Company issued \$345.0 million of 2.70% convertible senior unsecured notes (the “Convertible Senior Notes”). The Company received net proceeds, after deducting underwriting discounts and fees and expenses payable by the Company, of approximately \$335.8 million. The Convertible Senior Notes bear interest at a rate of 2.70% per year, payable semiannually in arrears on January 15 and July 15 of each year, commencing on July 15, 2017. The Convertible Senior Notes mature on January 15, 2023 (the “Maturity Date”), unless earlier purchased by the Company, redeemed, or converted.

The carrying value of the Convertible Senior Notes is as follows:

	March 31, 2019	December 31, 2018
	<i>(in thousands)</i>	
Principal amount	\$ 345,000	\$ 345,000
Unamortized debt discount	(49,537)	(52,336)
Unamortized transaction costs	(4,990)	(5,272)
Net carrying value	<u>\$ 290,473</u>	<u>\$ 287,392</u>

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

Total interest expense related to the Convertible Senior Notes is as follows:

	Three months ended March 31,	
	2019	2018
	<i>(in thousands)</i>	
Cash Interest Expense		
Coupon interest expense	\$ 2,329	\$ 2,329
Non-Cash Interest Expense		
Amortization of debt discount	2,799	2,598
Amortization of transaction costs	282	261
Total Interest Expense	\$ 5,410	\$ 5,188

The Company determined the Convertible Senior Notes is a Level 2 liability in the fair value hierarchy and estimated its fair value as \$295.0 million at March 31, 2019.

Other Liabilities

As part of the acquisition of Ultratech, the Company assumed an executive non-qualified deferred compensation plan that allowed qualifying executives to defer cash compensation. The plan was frozen at the time of acquisition and no further contributions have been made. At March 31, 2019 and December 31, 2018, plan assets approximated \$3.4 million and \$3.2 million, respectively, representing the cash surrender value of life insurance policies and is included within "Other assets" in the Consolidated Balance Sheets, while plan liabilities approximated \$2.9 million and \$3.5 million, respectively, and is included within "Other liabilities" in the Consolidated Balance Sheets. Other liabilities at both March 31, 2019 and December 31, 2018 also includes asset retirement obligations of \$3.2 million, medical and dental benefits of \$2.2 million, and income tax payables of \$1.0 million.

Note 5 — Commitments and Contingencies

Leases

The Company's operating leases primarily include real estate leases for properties used for manufacturing, R&D activities, sales and service, and administration, as well as certain equipment leases. Some leases may include options to renew for a period of up to 5 years, while others may include options to terminate the lease. The weighted average remaining lease term of the Company's operating leases as of March 31, 2019 was 3 years, and the weighted average discount rate used in determining the present value of future lease payments was 6.0%.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

Minimum lease commitments at March 31, 2019 for property and equipment under operating lease agreements are payable as follows:

	Operating Leases
	<i>(in thousands)</i>
Payments due by period:	
2019 (excluding three months ended March 31, 2019)	\$ 4,144
2020	5,233
2021	2,431
2022	1,334
2023	853
Thereafter	548
Total future minimum lease payments	14,543
Less: Imputed interest	(1,364)
Total	<u>13,179</u>
Reported as of March 31, 2019	
Other current liabilities	4,797
Operating lease liabilities	8,382
Total	<u>\$ 13,179</u>

Minimum lease commitments at December 31, 2018 for property and equipment under operating lease agreements were payable as follows:

	Operating Leases
	<i>(in thousands)</i>
Payments due by period:	
2019	\$ 5,143
2020	5,056
2021	2,432
2022	1,812
2023	1,066
Thereafter	548
Total	<u>\$ 16,057</u>

Operating lease cost and variable lease cost for the three months ended March 31, 2019 were \$1.4 million and \$0.6 million, respectively. Additionally, the Company has an immaterial amount of short term leases. Lease expense for the three months ended March 31, 2018 was \$1.7 million. Operating cash flows from operating leases for the three months ended March 31, 2019 was \$1.5 million.

Purchase Commitments

Veeco has purchase commitments of \$90.5 million at March 31, 2019, substantially all of which become due within one year.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

Bank Guarantees

Veeco has bank guarantees and letters of credit issued by a financial institution on its behalf as needed. At March 31, 2019, outstanding bank guarantees and letters of credit totaled \$8.5 million, and unused bank guarantees and letters of credit of \$66.1 million were available to be drawn upon.

Legal Proceedings

On June 8, 2018, an Ultratech shareholder who received Veeco stock as part of the consideration for the Ultratech acquisition filed a purported class action complaint in the Superior Court of the State of California, County of Santa Clara, captioned Wolther v. Maheshwari et al., Case No. 18CV329690, on behalf of himself and others who purchased or acquired shares of Veeco pursuant to the registration statement and prospectus which Veeco filed with the SEC in connection with the Ultratech acquisition (the “Wolther Action”). On August 2 and August 8, 2018, two purported class action complaints substantially similar to the Wolther Action were filed on behalf of different plaintiffs in the same court as the Wolther Action. These cases have been consolidated with the Wolther Action, and a consolidated complaint was filed on December 11, 2018. The consolidated complaint seeks to recover damages and fees under Sections 11, 12, and 15 of the Securities Act of 1933 for, among other things, alleged false/misleading statements in the registration statement and prospectus relating to the Ultratech acquisition, relating primarily to the alleged failure to disclose delays in the advanced packaging business, increased MOCVD competition in China, and an intellectual property dispute. Veeco is defending this matter vigorously.

On December 21, 2018, a purported Veeco stockholder filed a derivative action in the Superior Court of the State of California, County of Santa Clara, captioned Vladimir Gusinsky Revocable Trust v. Peeler, et al., Case No. 18CV339925, on behalf of nominal defendant Veeco. The complaint seeks to assert claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment against current and former Veeco directors premised on purported misstatements and omissions in the registration statement relating to the Ultratech acquisition. The court ordered this action stayed until a future case management conference. Veeco is defending this matter vigorously.

The Company is involved in various other legal proceedings arising in the normal course of business. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

Note 6 — Derivative Financial Instruments

The Company is exposed to financial market risks arising from changes in currency exchange rates. Changes in currency exchange rates could affect the Company’s foreign currency denominated monetary assets and liabilities and forecasted cash flows. The Company enters into monthly forward derivative contracts with the intent of mitigating a portion of this risk. The Company only uses derivative financial instruments in the context of hedging and not for speculative purposes and had not designated its foreign exchange derivatives as hedges. Accordingly, changes in fair value from these contracts are recorded as “Other, net” in the Company’s Consolidated Statements of Operations. The Company executes derivative transactions with highly rated financial institutions to mitigate counterparty risk.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

The Company did not have any outstanding derivative contracts at March 31, 2019 or December 31, 2018. Additionally, the Company did not have any gains or losses from currency exchange derivatives during the three months ended March 31, 2019. The following table shows the gains and (losses) from currency exchange derivatives during the three months ended March 31, 2018, which are included in “Other, net” in the Consolidated Statements of Operations, as well as the weighted average notional amount of derivatives outstanding for the period:

	Three months ended March 31, 2018	
	Gains (Losses)	Weighted average notional amount
	<i>(in thousands)</i>	
Foreign currency exchange forwards	\$ 17	\$ 930

Note 7 — Equity

Statement of Stockholders’ Equity

The following tables present the changes in Stockholders’ Equity:

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
	<i>(in thousands)</i>							
Balance at December 31, 2018	48,547	\$ 485	523	\$ (5,872)	\$ 1,061,325	\$ (619,983)	\$ 1,820	\$ 437,775
Net loss	—	—	—	—	—	(18,530)	—	(18,530)
Other comprehensive income, net of tax	—	—	—	—	—	—	38	38
Share-based compensation expense	—	—	—	—	3,157	—	—	3,157
Net issuance under employee stock plans	128	2	(523)	5,872	(6,303)	(213)	—	(642)
Balance at March 31, 2019	48,675	\$ 487	—	\$ —	\$ 1,058,179	\$ (638,726)	\$ 1,858	\$ 421,798

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
	<i>(in thousands)</i>							
Balance at December 31, 2017	48,229	\$ 482	85	\$ (1,284)	\$ 1,051,953	\$ (212,870)	\$ 1,812	\$ 840,093
Net loss	—	—	—	—	—	(15,827)	—	(15,827)
Other comprehensive income, net of tax	—	—	—	—	—	—	24	24
Share-based compensation expense	—	—	—	—	4,537	—	—	4,537
Net issuance under employee stock plans	462	5	(115)	1,728	(2,159)	—	—	(426)
Purchases of common stock	—	—	30	(444)	—	—	—	(444)
Balance at March 31, 2018	48,691	\$ 487	—	\$ —	\$ 1,054,331	\$ (228,697)	\$ 1,836	\$ 827,957

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

Accumulated Other Comprehensive Income (“AOCI”)

The following table presents the changes in the balances of each component of AOCI, net of tax:

	Foreign Currency Translation	Unrealized Gains (Losses) on Available for Sale Securities	Total
	<i>(in thousands)</i>		
Balance - December 31, 2018	\$ 1,836	\$ (16)	\$ 1,820
Other comprehensive income (loss)	11	27	38
Balance - March 31, 2019	<u>\$ 1,847</u>	<u>\$ 11</u>	<u>\$ 1,858</u>

There were minimal reclassifications from AOCI into net income for the three months ended March 31, 2019 and 2018.

Note 8 — Share-based compensation

Restricted share awards are issued to employees that are subject to specified restrictions and a risk of forfeiture. The restrictions typically lapse over one to five years and may entitle holders to dividends and voting rights. Other types of share-based compensation include performance share awards, performance share units, and restricted share units (collectively with restricted share awards, “restricted shares”), as well as options to purchase common stock.

Share-based compensation expense was recognized in the following line items in the Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018:

	Three months ended March 31,	
	2019	2018
	<i>(in thousands)</i>	
Cost of sales	\$ 470	\$ 554
Research and development	792	954
Selling, general, and administrative	1,895	2,857
Restructuring	—	172
Total	<u>\$ 3,157</u>	<u>\$ 4,537</u>

For the three months ended March 31, 2019, equity activity related to stock options was as follows:

	Number of Shares	Weighted Average Exercise Price
	<i>(in thousands)</i>	
Balance - December 31, 2018	1,222	34.80
Expired or forfeited	(33)	33.82
Balance - March 31, 2019	<u>1,189</u>	34.83

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

For the three months ended March 31, 2019, equity activity related to non-vested restricted shares and performance shares was as follows:

	<u>Number of Shares</u> <i>(in thousands)</i>	<u>Weighted Average Grant Date Fair Value</u>
Balance - December 31, 2018	2,218	20.74
Granted	974	11.32
Performance award adjustments	(9)	32.67
Vested	(156)	21.71
Forfeited	(89)	21.84
Balance - March 31, 2019	<u>2,938</u>	17.50

Note 9 — Income Taxes

Income taxes are estimated for each of the jurisdictions in which the Company operates. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. Realization of net deferred tax assets is dependent on future taxable income. At March 31, 2019, the Company's U.S. deferred tax assets are fully offset by a valuation allowance since the Company cannot conclude that it is more likely than not that these future benefits will be realized.

At the end of each interim reporting period, the effective tax rate is aligned with expectations for the full year. This estimate is used to determine the income tax provision on a year-to-date basis and may change in subsequent interim periods. If necessary, the year-to-date tax benefit for interim period losses is limited to the amount that could be recognizable at the end of the fiscal year.

Loss before income taxes and income tax expense (benefit) for the three months ended March 31, 2019 and 2018 were as follows:

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
	<i>(in thousands)</i>	
Loss before income taxes	\$ (18,340)	\$ (16,057)
Income tax expense (benefit)	\$ 190	\$ (230)

The Company's tax expense for the three months ended March 31, 2019 was \$0.2 million, compared to a tax benefit of \$0.2 million for the comparable prior period. The 2019 tax expense included an expense of \$0.1 million related to the Company's domestic operations, and \$0.1 million related to the Company's non-U.S. operations, compared to 2018 when the benefit included an expense of \$0.1 million related to the Company's domestic operations, and a \$0.3 million tax benefit related to the Company's non-U.S. operations. Although there was a domestic pre-tax loss for the three months ended March 31, 2019 and 2018, the Company did not provide a current tax benefit on domestic pre-tax losses, as the amounts are not realizable on a more-likely-than-not basis. The domestic tax expense for the three months ended March 31, 2019 and 2018 is primarily attributable to the tax amortization of indefinite-lived intangible assets that is not available to offset U.S. deferred tax assets. The non-US tax expense for the three months ended March 31, 2019 is primarily attributable to tax expense on non-U.S. operation profits and foreign withholding taxes on unremitted earnings as of March 31, 2019, offset by the amortization of intangible assets. The non-U.S. tax benefit for the three months ended March 31, 2018 is primarily attributable to the amortization of intangible assets, offset by tax expense on non-U.S.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

operation profits incurred during the period, as well as foreign withholding taxes on unremitted earnings as of March 31, 2018.

Note 10 — Segment Reporting and Geographic Information

Veeco operates and measures its results in one operating segment and therefore has one reportable segment: the design, development, manufacture, and support of thin film process equipment primarily sold to make electronic devices.

Veeco categorizes its sales into the following four end-markets:

Advanced Packaging, MEMS & RF Filters

Advanced Packaging includes a portfolio of wafer-level assembly technologies that enable the miniaturization and performance improvement of electronic products, such as smartphones, smartwatches, tablets, and laptops. Micro-Electro Mechanical Systems (“MEMS”) includes tiny mechanical devices such as sensors, switches, mirrors, and actuators embedded in semiconductor chips used in vehicles, smartphones, tablets, and games. RF Filters refers to RF filters used in smartphones, tablets, and mobile devices.

LED Lighting, Display & Compound Semiconductor

LED Lighting refers to Light Emitting Diode (“LED”) and semiconductor illumination sources used in various applications including, but not limited to, displays such as backlights, general lighting, automotive running lights, and headlamps. Display refers to LEDs used for displays and Organic Light Emitting Diode (“OLED”) displays found in outdoor display/signage applications, TVs, smartphones, wearable devices, and tablets. Compound Semiconductor includes Photonics, Power Electronics, and Radio Frequency (“RF”) Devices. Photonics refers to laser diodes, Vertical Cavity Surface Emitting Lasers (“VCSEL”) in 3D sensing and communications, and various other optical devices. Power Electronics refers to semiconductor devices such as rectifiers, inverters, and converters for the control and conversion of electric power. RF devices refers to radio frequency emitting and receiving devices that enable wireless communications. Such devices include power amplifiers, switches, and transceivers for applications such as mobile (including handsets and base stations), defense, automobile, and the Internet of Things.

Front-End Semiconductor

Front-End Semiconductor refers to the early steps in the process of integrated circuit fabrication where the microchips are created but still remain on the silicon wafer. This category includes Laser Spike Anneal, Ion Beam etch for front-end semiconductor applications, and Ion Beam deposition for EUV mask blanks.

Scientific & Industrial

Scientific refers to advanced materials research at university research institutions, industry research institutions, industry consortiums, and government research agencies. Industrial refers to large-scale product manufacturing applications including data storage and optical coatings: thin layers of material deposited on a lens or mirror that alters how light reflects and transmits.

Veeco Instruments Inc. and Subsidiaries
Notes to the Consolidated Financial Statements - continued
(unaudited)

Sales by end-market and geographic region for the three months ended March 31, 2019 and 2018 were as follows:

	Three months ended March 31,	
	2019	2018
	<i>(in thousands)</i>	
Sales by end-market		
Advanced Packaging, MEMS & RF Filters	\$ 23,127	\$ 27,153
LED Lighting, Display & Compound Semiconductor	13,550	89,916
Front-End Semiconductor	22,617	9,457
Scientific & Industrial	40,077	32,048
Total	\$ 99,371	\$ 158,574
Sales by geographic region		
United States	\$ 32,315	\$ 23,754
China	10,159	75,395
EMEA ⁽¹⁾	17,827	15,745
Rest of World	39,070	43,680
Total	\$ 99,371	\$ 158,574

(1) EMEA consists of Europe, the Middle East, and Africa

For geographic reporting, sales are attributed to the location in which the customer facility is located.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward Looking Statements

Our discussion below constitutes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Report, the words “believes,” “anticipates,” “expects,” “estimates,” “targets,” “plans,” “intends,” “will,” and similar expressions related to the future are intended to identify forward-looking statements. All forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from projected results. You should not place undue reliance on any forward-looking statements, which speak only as of the dates they are made.

Executive Summary

We are a leading manufacturer of innovative semiconductor and thin film process equipment. Our proven MOCVD, lithography, laser annealing, ion beam, and single wafer etch and clean technologies play an integral role in producing LEDs for solid-state lighting and displays, and in the fabrication of advanced semiconductor devices. With equipment designed to optimize performance, yield, and cost of ownership, we hold technology leadership positions in all these served markets.

We categorize our revenue by the key market segments into which we sell. Our four key markets are: Advanced Packaging, MEMS & RF Filters; LED Lighting, Display & Compound Semiconductor; Front-End Semiconductor; and Scientific & Industrial.

Sales in the Advanced Packaging, MEMS & RF Filter market were driven by shipment of Lithography and PSP systems to Foundry, Integrated Device Manufacturer (“IDM”), and Outsourced Semiconductor and Test (“OSAT”) customers in support of advanced packaging processes such as Fan-In and Fan-Out Wafer Level Packaging, and Copper Pillar. While Advanced Packaging has typically been associated with logic devices, recent traction in DRAM packaging with our lithography systems has been encouraging. We remain well positioned for future growth in these markets, supported by trends such as mobile connectivity, automotive electronics, big data processing, and 5G infrastructure deployment, as well as the longer term growth of FOWLP and other Advanced Packaging applications.

Sales in the LED Lighting, Display & Compound Semiconductor market were driven by systems shipped for display and photonics applications. We expect future business in this market to come from applications such as 3D sensors, VCSELs, laser diodes, and RF devices. Our broad portfolio of MOCVD and PSP technologies have been developed to support these emerging applications.

Sales in the Front-End Semiconductor market were primarily driven by laser annealing systems shipped to support an advanced-node, foundry process. Additionally, we continue to build momentum in the Front-End Semiconductor market with follow-on orders for our Low Defect Density Ion Beam Deposition (“LDD-IBD”) system for Extreme Ultraviolet (“EUV”) Mask Blank Production. We believe these orders reflect the ongoing adoption of EUV Lithography for advanced node, front-end semiconductor manufacturing.

Sales in the Scientific & Industrial market were supported by shipments of Ion Beam systems for data storage applications and optical coatings as well as shipments of MBE systems to universities and laboratories. Demand for our Ion Beam products for Data Storage is being driven by the requirements to improve areal density of magnetic heads for hard disk drive manufacturers as well as an overall projected volume increase of thin film magnetic heads. These two factors taken together are driving additional capacity and equipment upgrades. While equipment demand from each individual market may fluctuate quarter to quarter, the diverse customer base has historically provided a relatively stable revenue stream for the Company.

Results of Operations

For the three months ended March 31, 2019 and 2018

The following table presents revenue and expense line items reported in our Consolidated Statements of Operations for 2019 and 2018 and the period-over-period dollar and percentage changes for those line items. Our results of operations are reported as one business segment, represented by our single operating segment.

	Three Months Ended March 31,				Change	
	2019		2018		Period to Period	
	<i>(dollars in thousands)</i>					
Net sales	\$ 99,371	100%	\$ 158,574	100%	\$ (59,203)	(37)%
Cost of sales	64,655	65%	101,894	64%	(37,239)	(37)%
Gross profit	34,716	35%	56,680	36%	(21,964)	(39)%
Operating expenses, net:						
Research and development	23,340	23%	24,320	15%	(980)	(4)%
Selling, general, and administrative	19,902	20%	26,383	17%	(6,481)	(25)%
Amortization of intangible assets	4,218	4%	13,532	9%	(9,314)	(69)%
Restructuring	1,430	1%	2,695	2%	(1,265)	(47)%
Acquisition costs	—	-	1,342	1%	(1,342)	*
Other, net	(34)	-	(157)	-	123	*
Total operating expenses, net	48,856	49%	68,115	43%	(19,259)	(28)%
Operating income (loss)	(14,140)	(14)%	(11,435)	(7)%	(2,705)	24%
Interest income (expense), net	(4,200)	(4)%	(4,622)	(3)%	422	(9)%
Income (loss) before income taxes	(18,340)	(18)%	(16,057)	(10)%	(2,283)	14%
Income tax expense (benefit)	190	-	(230)	-	420	*
Net income (loss)	<u>\$ (18,530)</u>	(19)%	<u>\$ (15,827)</u>	(10)%	<u>\$ (2,703)</u>	17%

* Not meaningful

Net Sales

The following is an analysis of sales by market and by region:

	Three Months Ended March 31,				Change	
	2019		2018		Period to Period	
	<i>(dollars in thousands)</i>					
Sales by market						
Advanced Packaging, MEMS & RF Filters	\$23,127	23%	\$ 27,153	17%	\$ (4,026)	(15)%
LED Lighting, Display & Compound Semiconductor	13,550	14%	89,916	57%	(76,366)	(85)%
Front-End Semiconductor	22,617	23%	9,457	6%	13,160	139%
Scientific & Industrial	40,077	40%	32,048	20%	8,029	25%
Total	<u>\$99,371</u>	100%	<u>\$158,574</u>	100%	<u>\$ (59,203)</u>	(37)%
Sales by geographic region						
United States	\$32,315	33%	\$ 23,754	15%	\$ 8,561	36%
China	10,159	10%	75,395	47%	(65,236)	(87)%
EMEA	17,827	18%	15,745	10%	2,082	13%
Rest of World	39,070	39%	43,680	28%	(4,610)	(11)%
Total	<u>\$99,371</u>	100%	<u>\$158,574</u>	100%	<u>\$ (59,203)</u>	(37)%

Sales decreased for the three months ended March 31, 2019 against the comparable prior year period principally in the LED Lighting, Display & Compound Semiconductor market, offset by increases in the Front-End Semiconductor and Scientific & Industrial markets. Pricing was not a significant driver of the change in total sales. By geography, sales decreased in the China and Rest of World regions, offset by increases in the United States and EMEA regions. The most

significant decrease occurred in the China region, which was largely attributable to the decreased sales in the LED Lighting, Display & Compound Semiconductor market. We do not expect significant new orders for this market in this region in the near future. We expect there will continue to be year-to-year variations in our future sales distribution across markets and geographies.

Gross Profit

In the first quarter of 2019, gross profit decreased compared to the first quarter of 2018 due to a decrease in sales volume, as well as decreased gross margins. Gross margins decreased principally due to product and region mix of sales in the periods.

Research and Development

The markets we serve are characterized by continuous technological development and product innovation, and we invest in various research and development initiatives to maintain our competitive advantage and achieve our growth objectives. Research and development expenses decreased for the three months ended March 31, 2019 against the comparable prior period primarily related to personnel-related expenses and professional fees as a result of our initiative to streamline operations, enhance efficiency, and reduce costs.

Selling, General, and Administrative

Selling, general, and administrative expenses decreased primarily related to personnel-related expenses and professional fees as a result of our initiative to streamline operations, enhance efficiency, and reduce costs.

Amortization Expense

The decrease in amortization expense is a result of the impairment of intangible assets during the second quarter of 2018.

Restructuring Expense

During the second quarter of 2018, we initiated plans to further reduce excess capacity associated with the manufacture and support of our advanced packaging lithography and 3D wafer inspection systems by consolidating these operations into our San Jose, California facility. As a result of this and other cost saving initiatives, we announced headcount reductions of approximately 40 employees. During the three months ended March 31, 2019, additional accruals were recognized and payments were made related to these restructuring activities.

We continued to record restructuring charges in the first quarter of 2019 in an effort to streamline operations, enhance efficiencies, and reduce costs.

Interest Income (Expense)

We recorded net interest expense of \$4.2 million for the three months ended March 31, 2019, compared to \$4.6 million for the comparable prior year period. Included in interest expense for the three months ended March 31, 2019 and 2018 were non-cash charges of \$3.1 million and \$2.9 million, respectively, related to the amortization of debt discount and transaction costs of the Convertible Senior Notes.

Income Taxes

At the end of each interim reporting period, we estimate the effective income tax rate expected to be applicable for the full year. This estimate is used to determine the income tax provision or benefit on a year-to-date basis and may change in subsequent interim periods.

Our tax expense for the three months ended March 31, 2019 was \$0.2 million compared to a tax benefit of \$0.2 million for the comparable prior period. The 2019 tax expense included an expense of \$0.1 million related to our domestic

operations, and \$0.1 million related to our non-U.S. operations, compared to 2018 when the benefit included an expense of \$0.1 million related to our domestic operations, and a \$0.3 million tax benefit related to our non-U.S. operations. The domestic tax expense for both periods is primarily attributable to the tax amortization of indefinite-lived intangible assets that is not available to offset U.S. deferred tax assets. The current period non-U.S. tax expense is primarily attributable to tax expense on non-U.S. operation profits and foreign withholding taxes on unremitted earnings as of March 31, 2019, offset by the amortization of intangible assets. The comparable period non-U.S. tax benefit is primarily attributable to the amortization of intangible assets, offset by tax expense on non-U.S. operation profits incurred during the period, as well as foreign withholding taxes on unremitted earnings as of March 31, 2018.

Liquidity and Capital Resources

Our cash and cash equivalents, restricted cash, and short-term investments are as follows:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<i>(in thousands)</i>	
Cash and cash equivalents	\$ 169,439	\$ 212,273
Restricted cash	804	809
Short-term investments	67,215	48,189
Total	<u>\$ 237,458</u>	<u>\$ 261,271</u>

At March 31, 2019 and December 31, 2018, cash and cash equivalents of \$65.7 million and \$66.9 million, respectively, were held outside the United States. As of March 31, 2019, we had \$44.2 million of accumulated undistributed earnings generated by our non-U.S. subsidiaries for which the U.S. repatriation tax has been provided and did not require the use of cash due to the use of net operating loss carryforwards. Approximately \$8.3 million of undistributed earnings would be subject to foreign withholding taxes if distributed back to the United States. As of December 31, 2018, we had accrued for, and subsequently paid in January 2019, approximately \$1.9 million of withholding tax related to distributions made in 2018. We believe that our projected cash flow from operations, combined with our cash and short term investments, will be sufficient to meet our projected working capital requirements, contractual obligations, and other cash flow needs for the next twelve months, including scheduled interest payments on our Convertible Senior Notes due 2023.

A summary of the cash flow activity for the three months ended March 31, 2019 and 2018 is as follows:

Cash Flows from Operating Activities

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
	<i>(in thousands)</i>	
Net income (loss)	\$ (18,530)	\$ (15,827)
Non-cash items:		
Depreciation and amortization	8,796	17,726
Non-cash interest expense	3,081	2,859
Deferred income taxes	(15)	(269)
Share-based compensation expense	3,157	4,537
Changes in operating assets and liabilities	(18,780)	(20,833)
Net cash provided by (used in) operating activities	<u>\$ (22,291)</u>	<u>\$ (11,807)</u>

Net cash used in operating activities was \$22.3 million for the three months ended March 31, 2019 and was due to the net loss of \$18.5 million plus adjustments for non-cash items of \$15.0 million, offset by a decrease in cash flow from changes in operating assets and liabilities of \$18.8 million. The changes in operating assets and liabilities were largely attributable to 1) decreases in accounts payable and accrued expenses; 2) decreases in customer deposits and deferred revenue; 3) increases in accounts receivable; and 4) increases in prepaid expenses, all of which is partially offset by decreases in inventory.

Cash Flows from Investing Activities

	Three Months Ended	
	March 31,	
	2019	2018
	<i>(in thousands)</i>	
Capital expenditures	\$ (2,180)	\$ (2,259)
Changes in investments, net	(18,758)	(20,300)
Net cash provided by (used in) investing activities	\$ (20,938)	\$ (22,559)

The cash used in investing activities during the three months ended March 31, 2019 was attributable to net changes in investments as well as capital expenditures.

Cash Flows from Financing Activities

	Three Months Ended	
	March 31,	
	2019	2018
	<i>(in thousands)</i>	
Net proceeds from employee equity programs	\$ 379	\$ 709
Purchases of common stock	—	(592)
Net cash provided by (used in) financing activities	\$ 379	\$ 117

The cash provided by financing activities for the three months ended March 31, 2019 was related to cash proceeds from the employee stock purchase plan, offset by cash used to settle taxes related to employee equity programs.

Convertible Senior Notes

On January 10, 2017, we issued \$345.0 million of 2.70% convertible senior unsecured notes (the “Convertible Senior Notes”). We received net proceeds, after deducting underwriting discounts and fees and expenses payable by us, of approximately \$335.8 million. The Convertible Senior Notes bear interest at a rate of 2.70% per year, payable semiannually in arrears on January 15 and July 15 of each year, commencing on July 15, 2017. The Convertible Senior Notes mature on January 15, 2023, unless earlier purchased by the Company, redeemed, or converted. We believe that we have sufficient capital resources and cash flows from operations to support scheduled interest payments on this debt.

Contractual Obligations and Commitments

We have commitments under certain contractual arrangements to make future payments for goods and services. These contractual arrangements secure the rights to various assets and services to be used in the future in the normal course of business. We expect to fund these contractual arrangements with cash generated from operations in the normal course of business.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, expenses, and results of operations, liquidity, capital expenditures or capital resources other than bank guarantees and purchase commitments disclosed in the preceding footnotes.

Item 3. Quantitative and Qualitative Disclosures about Market Risk*Interest Rate Risk*

Our exposure to market rate risk for changes in interest rates primarily relates to our investment portfolio. We centrally manage our investment portfolios considering investment opportunities and risks, tax consequences, and overall financing strategies. Our investment portfolio includes fixed-income securities with a fair value of approximately \$67.2 million at March 31, 2019. These securities are subject to interest rate risk and, based on our investment portfolio at

March 31, 2019, a 100 basis point increase in interest rates would result in a decrease in the fair value of the portfolio of \$0.2 million. While an increase in interest rates may reduce the fair value of the investment portfolio, we will not realize the losses in the Consolidated Statements of Operations unless the individual fixed-income securities are sold prior to recovery or the loss is determined to be other-than-temporary.

Currency Exchange Risk

We conduct business on a worldwide basis and, as such, a portion of our revenues, earnings, and net investments in foreign affiliates is exposed to changes in currency exchange rates. The economic impact of currency exchange rate movements is complex because such changes are often linked to variability in real growth, inflation, interest rates, governmental actions, and other factors. These changes, if material, could cause us to adjust our financing and operating strategies. Consequently, isolating the effect of changes in currency does not incorporate these other important economic factors.

Changes in currency exchange rates could affect our foreign currency denominated monetary assets and liabilities and forecasted cash flows. We enter into monthly forward derivative contracts with the intent of mitigating a portion of this risk. We only use derivative financial instruments in the context of hedging and not for speculative purposes and had not designated our foreign exchange derivatives as hedges. Accordingly, changes in fair value from these contracts are recorded as “Other, net” in our Consolidated Statements of Operations. We execute derivative transactions with highly rated financial institutions to mitigate counterparty risk.

Our net sales to customers located outside of the United States represented approximately 67% of our total net sales for the three months ended March 31, 2019, and 85% for the comparable 2018 period. We expect that net sales to customers outside the United States will continue to represent a large percentage of our total net sales. Our sales denominated in currencies other than the U.S. dollar represented 6% of total net sales in the three months ended March 31, 2019, and 1% for the comparable 2018 period.

A 10% change in foreign exchange rates would have an immaterial impact on the consolidated results of operations since most of our sales outside the United States are denominated in U.S. dollars.

Item 4. Controls and Procedures

Management’s Report on Internal Control Over Financial Reporting

Our principal executive and financial officers have evaluated and concluded that our disclosure controls and procedures are effective as of March 31, 2019. The disclosure controls and procedures are designed to ensure that the information required to be disclosed in this report filed under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and is accumulated and communicated to our principal executive and financial officers as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

On January 1, 2019, we adopted ASC 842, *Leases*. We implemented additional internal controls around the adoption of this new accounting standard to ensure we adequately evaluate our leases and properly assess the impact on our financial statements. There were no other changes in internal control that have materially affected or are reasonably likely to materially affect internal control over financial reporting for the quarter ended March 31, 2019.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

On June 8, 2018, an Ultratech shareholder who received Veeco stock as part of the consideration for the Ultratech acquisition filed a purported class action complaint in the Superior Court of the State of California, County of Santa

Clara, captioned *Wolther v. Maheshwari et al.*, Case No. 18CV329690, on behalf of himself and others who purchased or acquired shares of Veeco pursuant to the registration statement and prospectus which Veeco filed with the SEC in connection with the Ultratech acquisition (the “Wolther Action”). On August 2 and August 8, 2018, two purported class action complaints substantially similar to the Wolther Action were filed on behalf of different plaintiffs in the same court as the Wolther Action. These cases have been consolidated with the Wolther Action, and a consolidated complaint was filed on December 11, 2018. The consolidated complaint seeks to recover damages and fees under Sections 11, 12, and 15 of the Securities Act of 1933 for, among other things, alleged false/misleading statements in the registration statement and prospectus relating to the Ultratech acquisition, relating primarily to the alleged failure to disclose delays in the advanced packaging business, increased MOCVD competition in China, and an intellectual property dispute. Veeco is defending this matter vigorously.

On December 21, 2018, a purported Veeco stockholder filed a derivative action in the Superior Court of the State of California, County of Santa Clara, captioned *Vladimir Gusinsky Revocable Trust v. Peeler, et al.*, Case No. 18CV339925, on behalf of nominal defendant Veeco. The complaint seeks to assert claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment against current and former Veeco directors premised on purported misstatements and omissions in the registration statement relating to the Ultratech acquisition. The court ordered this action stayed until a future case management conference. Veeco is defending this matter vigorously.

The Company is involved in various other legal proceedings arising in the normal course of business. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

Item 1A. Risk Factors

Information regarding risk factors appears in the Safe Harbor Statement at the beginning of this quarterly report on Form 10-Q and in Part I — Item 1A of our 2018 Form 10-K. There have been no material changes from the risk factors previously disclosed in our 2018 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On December 11, 2017, Veeco’s Board of Directors authorized a program to repurchase up to \$100 million of the Company’s outstanding common stock to be completed through December 11, 2019. We did not purchase any shares during the first quarter of 2019. At March 31, 2019, \$14.3 million of the \$100 million had been utilized. Repurchases may be made from time to time on the open market or in privately negotiated transactions in accordance with applicable federal securities laws. The timing and amount of future repurchases, if any, will depend upon market conditions, SEC regulations, and other factors. The repurchases would be funded using available cash balances and cash generated from operations. The program does not obligate us to acquire any particular amount of common stock and may be modified or suspended at any time at our discretion.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Unless otherwise indicated, each of the following exhibits has been filed with the Securities and Exchange Commission by Veeco under File No. 0-16244.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Exhibit	Filing Date	
10.1	Form of Notice of Performance Restricted Stock Unit Award and related terms and conditions pursuant to the Veeco 2010 Stock Incentive Plan, effective March 2019.				*
10.2	Form of Notice of Restricted Stock Award and related terms and conditions pursuant to the Veeco 2010 Stock Incentive Plan, effective March 2019 (time-based version A).				*
10.3	Form of Notice of Restricted Stock Award and related terms and conditions pursuant to the Veeco 2010 Stock Incentive Plan, effective March 2019 (time-based version B).				*
10.4	Amendment dated March 22, 2019 to the Letter Agreement between the Company and William J. Miller, Ph.D.				*
10.5	Amendment dated March 22, 2019 to the Letter Agreement between the Company and Shubham Maheshwari.				*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a—14(a) or Rule 15d—14(a) of the Securities and Exchange Act of 1934.				*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a—14(a) or Rule 15d—14(a) of the Securities and Exchange Act of 1934.				*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.				*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.				*
101.INS	XBRL Instance.				**
101.XSD	XBRL Schema.				**
101.PRE	XBRL Presentation.				**
101.CAL	XBRL Calculation.				**
101.DEF	XBRL Definition.				**
101.LAB	XBRL Label.				**

* Filed herewith

** Filed herewith electronically

VEECO INSTRUMENTS INC. 2010 STOCK INCENTIVE PLAN

NOTICE OF PERFORMANCE RESTRICTED STOCK UNIT AWARD (2019)

Veeco Instruments Inc. (the “Company”) is pleased to confirm the award to the employee named below (the “Grantee”) of Restricted Stock Units (the “Award”), subject to the terms and conditions of this Notice of Performance Restricted Stock Unit Award (2019) (the “Notice”), the Veeco Instruments Inc. 2010 Stock Incentive Plan, as amended from time to time (the “Plan”) and the Veeco Instruments Inc. Terms and Conditions of Restricted Stock Unit Award (2019) (the “Terms and Conditions”) attached hereto, as follows. Unless otherwise provided herein, the terms in this Notice shall have the same meaning as those defined in the Plan.

Grantee:

Date of Award: March 14, 2019

Target Number of Restricted Stock
Units Awarded (the “Units”):

Performance Period: March 14, 2019 to March 13, 2022

The Units shall be earned based on the Company’s Three Year Total Shareholder Return (“TSR”) versus the Three Year TSR of the Russell 2000 Index (the “Index”) measured at the end of the Performance Period. Subject to the Grantee’s Continuous Service and other limitations set forth in this Notice, the Terms and Conditions and the Plan, the Units shall be earned and will “vest” in accordance with the schedules set forth in Exhibit A. For purposes of this Notice and the Terms and Conditions, the term “vest” shall mean, with respect to any Units, that such Units are no longer subject to forfeiture to the Company. If the Grantee would become vested in a fraction of a Unit, such Unit shall not vest until the Grantee becomes vested in the entire Unit.

Except as may otherwise be specifically provided for under the terms of any other agreement or policy between the Company and the Grantee, vesting shall cease upon the date the Grantee terminates Continuous Service for any reason, including death or Disability, and in the event the Grantee terminates Continuous Service for any reason, including death or Disability, any unvested Units held by the Grantee at the time of such termination of the Grantee’s Continuous Service shall be forfeited.

Additional Provisions :

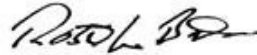
This Award shall be subject to the terms and conditions set forth in the Plan and the Terms and Conditions, including, without limitation, the Forfeiture for Restricted Activity, Clawback, Governing Law, and Venue and Jurisdiction provisions of Sections 2.2, 2.3, 4.1 through 4.5, 6.5, and 6.6 of the Terms and Conditions.

IMPORTANT NOTICE

Grantee must sign this Notice and return it to the Company's Sr. Vice President, Human Resources on or before April 14, 2019. Return your executed Notice to: Robert Bradshaw by mail at Terminal Drive, Plainview, New York 11803, or email at RBradshaw@Veeco.com.

PLEASE NOTE THAT YOUR ACCEPTANCE OF THE AWARD WILL ALSO CONSTITUTE ACCEPTANCE OF, AND AGREEMENT TO BE BOUND BY THE TERMS AND CONDITIONS GOVERNING THE PERFORMANCE RESTRICTED STOCK UNIT AWARD, INCLUDING WITHOUT LIMITATION, THE RESTRICTED ACTIVITY, CLAWBACK, GOVERNING LAW, AND VENUE AND JURISDICTION PROVISIONS OF SECTIONS 2.2, 2.3, 4.1 through 4.5, 6.5, AND 6.6 OF THE TERMS AND CONDITIONS.

VEECO INSTRUMENTS INC.



Name: Robert W. Bradshaw
Sr. Vice President
Title: Human Resources

Grantee Date

VEECO INSTRUMENTS INC. 2010 STOCK INCENTIVE PLAN

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD (2019)

These TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD (2019) (these “Terms and Conditions”) apply to any award by Veeco Instruments Inc., a Delaware corporation (the “Company”), of Restricted Stock Units, subject to certain restrictions pursuant to the Veeco Instruments Inc. 2010 Stock Incentive Plan (as it may be amended from time to time, the “Plan”), which specifically references these Terms and Conditions.

ARTICLE 1 ISSUANCE OF UNITS

The Company hereby issues to the Grantee (the “Grantee”) named in the Notice of Performance Restricted Stock Unit Award (2019) (the “Notice”) an award (the “Award”) of Restricted Stock Units, as set forth in the Notice (the “Units”), subject to the Notice, these Terms and Conditions, and the terms and provisions of the Plan, which is incorporated herein by reference. Unless otherwise provided herein, the terms in these Terms and Conditions shall have the same meaning as those defined in the Plan.

ARTICLE 2 CONVERSION OF UNITS AND ISSUANCE OF SHARES

2.1 General. Subject to Sections 2.2 through 2.4 below, one share of Common Stock shall be issuable for each Unit subject to the Award (the “Shares”) upon vesting. Immediately thereafter, or as soon as administratively feasible, the Company will transfer the appropriate number of Shares to the Grantee after satisfaction of any required tax or other withholding obligations. Any fractional Unit remaining after the Award is fully vested shall be discarded and shall not be converted into a fractional Share. Notwithstanding the foregoing, the relevant number of Shares shall be issued no later than March 15th of the year following the calendar year in which the Award vests. The Company may however, in its sole discretion, make a cash payment in lieu of the issuance of the Shares in an amount equal to the value of one share of Common Stock multiplied by the number of Units subject to the Award. The number of Shares covered by the Award shall be proportionately adjusted for any stock dividend affecting the Shares in accordance with Section 10 of the Plan.

2.2 Forfeiture for Restricted Activity. The Grantee acknowledges that the Company is making this Award of additional compensation, among other reasons, to provide an incentive to the Grantee to remain with and to promote the best interests of, the Company, and to protect the Company’s assets, including its goodwill, Confidential Information (as defined below) and trade secrets, which are legitimate business interests of the Company, and that engaging in “Restricted Activities” (as described in Article 4 below), would be detrimental to the legitimate business interests of the Company. Therefore, in exchange for this Award, notwithstanding anything to the contrary in these Terms and Conditions or otherwise, if the Grantee engages in “Restricted Activities” (as described in Sections 4.1 through 4.5 below), (a) all unvested Units will immediately be forfeited, and (b) the Grantee shall be required to (i) return to the Company, within 10 business days after the Company’s request to Grantee therefor, all Shares received

pursuant to the Award that are owned, directly or indirectly, by the Grantee, any Cash Dividend Equivalents, and any cash payment made in lieu of the issuance of the Shares, and (ii) pay to the Company, within 10 business days of the Company's request to the Grantee therefor, an amount equal to the excess, if any, of the aggregate after-tax proceeds (taking into account all amounts of tax that would be recoverable upon a claim of loss for payment of such proceeds in the year of repayment) the Grantee received upon the sale or other disposition of all Shares received pursuant to the Award (the "After-Tax Proceeds"). The forfeiture for Restricted Activity provisions of this Section 2.2 and Article 4 shall survive and continue to apply beyond settlement of all Awards under the Plan, any termination or expiration of this Award for any reason, and after the provisions of any employment or other agreement between the Company and the Grantee have lapsed.

2.3 Clawback. This Award, all Units received pursuant to the Award, all shares of Common Stock received pursuant to the Award that are owned, directly or indirectly, by the Grantee, any cash payments made in lieu of the issuance of the Shares, any Cash Dividend Equivalents, and any After-Tax Proceeds shall be subject to the Compensation Recoupment Policy, established by the Company, as amended from time to time, or any similar or successor policy.

2.4 Delay of Issuance of Shares. The Company shall delay the issuance of any Shares under this Article 2 to the extent necessary to comply with Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain "specified employees" of certain publicly-traded companies); in such event, any Shares to which the Grantee would otherwise be entitled during the six (6) month period following the date of the Grantee's termination of Continuous Service will be issuable on the first business day following the expiration of such six (6) month period.

ARTICLE 3 RIGHT TO SHARES

Except as set forth herein, the Grantee shall not have any right in, to or with respect to any of the Shares (including any voting rights) issuable under the Award until the Award is settled by the issuance of such Shares to the Grantee. Notwithstanding the foregoing, while one or more Shares remain subject to this Award, the Grantee shall have the right to accrue Cash Dividend Equivalents. For purposes herein, a "Cash Dividend Equivalent" means, for each Share subject to the Award, a cash payment equal to the cash dividend, if any, that would become payable to the Grantee with respect to such Share had the Grantee been the holder of such Share on the record date for such cash dividend. Cash Dividend Equivalents will be subject to all of the terms and conditions of the Award, including that the Cash Dividend Equivalents will vest, become payable, and be subject to forfeiture and clawback upon the same terms and at the same time as the Units to which they relate.

ARTICLE 4 FORFEITURE FOR RESTRICTED ACTIVITY

4.1 Restricted Activity. For the avoidance of doubt, the Company and the Grantee agree that the Grantee is free to engage in the activities described in this Article 4 and that the Company will not seek to enjoin or otherwise stop the Grantee from engaging in any such Restricted Activities (provided, however, that the Company reserves such rights as may exist at

law or in equity and/or pursuant to any other agreement entered into between the Company and the Grantee, including, without limitation, in the Veeco Instruments Inc. Employee Confidentiality and Inventions Agreement (“ECIA”), but that if the Grantee engages in such activities the Company shall have all of the rights set forth in Section 2.2 with respect to the Award, all Shares or cash received pursuant to the Award, and any After-Tax Proceeds.

4.2 Company Information. During the term of employment with the Company and for five years thereafter, the Grantee will not use or disclose to any individual or entity any Confidential Information (as defined below) of the Company except (i) in the performance of the Grantee’s duties for the Company, (ii) as authorized in writing by the Company, or (iii) as required by law or legal process, provided, that, prior to any such required disclosure, the Grantee will notify the Company of the requirement to disclose and, if requested, the Grantee will cooperate with the Company’s efforts to prevent or limit such disclosure. The Grantee understands that “Confidential Information” means any information that: (a) is disclosed to, learned by, or created by the Grantee in connection with the Grantee’s employment with the Company (or a predecessor company now owned by or part of the Company), and (b) the Company treats as proprietary, private or confidential. Confidential Information may include, without limitation, information relating to the Company’s products, services and methods of operation, the identities and competencies of the Company’s employees, customers and suppliers, trade secrets, know-how, processes, Inventions and the Company Related Inventions (each as defined in the ECIA), techniques, data, sketches, plans, drawings, chemical formulae, computer software, financial information, operating and cost data, research databases, selling and pricing information, business and marketing plans, and information concerning potential acquisitions, dispositions or joint ventures. The Grantee further understands that “Confidential Information” does not include any of the foregoing items that has become publicly known or made generally available (provided that information will not cease to be “Confidential Information” as a result of the Grantee’s breach of confidentiality). The Grantee will promptly notify the Company if the Grantee becomes aware of any unauthorized use or disclosure of Confidential Information.

4.3 Third Party Information. The Grantee recognizes that the Company has received and in the future will receive from its customers, suppliers and trading partners their confidential or proprietary information subject to a duty on the Company’s part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Grantee agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or entity or to use it except as necessary in carrying out the Grantee’s work for the Company consistent with the Company’s agreement with such third party.

4.4 Non-Competition. During employment with the Company and for one year thereafter, (a) the Grantee will not own, manage, work for or otherwise participate in any business whose products, services or activities compete with the current or currently contemplated products, services or activities of the Company in any state or country in which the Company sells products or conducts business and (x) in which the Grantee was involved or (y) with respect to which the Grantee had access to Confidential Information, in each case, during the 5 years prior to termination, provided, however, that the Grantee may own up to 1% of the securities of any such public company (but without otherwise participating in the activities of such enterprise); and (b) the Grantee will not, for himself or any other person: (i) induce or try to

induce any customer, supplier, licensor or business relation to stop doing business with the Company or otherwise interfere with the relationship between the Company and any of its customers, suppliers, licensors or business relations; or (ii) solicit the business of any person known by the Grantee to be a customer of the Company, whether or not the Grantee had personal contact with such person, with respect to products or activities that compete with the products or activities of the Company in existence or contemplated at the time of termination of the Grantee's Continuous Service. The Grantee agrees that this covenant is reasonable with respect to its scope, geographical area, and duration.

4.5 Non-Solicitation. During employment with the Company and for one year thereafter, the Grantee will not, for himself or any other person: (a) induce or try to induce any employee to leave the Company or otherwise interfere with the relationship between the Company and any of its employees, or (b) employ or engage as an independent contractor, any current or former employee of the Company, other than former employees who have not worked for the Company within the past year. The Grantee agrees that this covenant is reasonable with respect to its scope and duration.

4.6 Severability. The invalidity or unenforceability of any Section, paragraph, or provision (or any part thereof) of the Notice or these Terms and Conditions shall not affect the validity or enforceability of any one or more of the other paragraphs or provisions (or other parts thereof), and all other provisions shall remain in full force and effect. If any provision of the Notice or these Terms and Conditions is held to be excessively broad, then such provision shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law. _

4.7 Notice of Immunity under the Defend Trade Secrets Act and Other Protected Rights. The Grantee understands that, in accordance with the Defend Trade Secrets Act of 2016, the Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. The Grantee also understands that if the Grantee ever files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Grantee may disclose trade secrets to the Grantee's attorney and use the trade secret information in the court proceeding provided the Grantee: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order. Grantee understands that nothing contained in the Notice, these Terms and Conditions, or the Plan limits Grantee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Grantee further understands that nothing in the Notice, these Terms and Conditions, or the Plan limits Grantee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in the Notice, these Terms and Conditions, or the Plan limits Grantee's right to receive an award for information provided to any Government Agencies.

ARTICLE 5 TAXES

5.1 Tax Liability. The Grantee is ultimately liable and responsible for all taxes owed by the Grantee in connection with the Award, regardless of any action the Company or any Related Entity takes with respect to any tax withholding obligations that arise in connection with the Award. Neither the Company nor any Related Entity makes any representation or undertaking regarding the treatment of any tax withholding in connection with any aspect of the Award, including the grant, vesting, assignment, release or cancellation of the Units, the delivery of Shares, the payment of any Cash Dividend Equivalents, the subsequent sale of any Shares acquired upon vesting and the receipt of any dividends or dividend equivalents. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate the Grantee's tax liability.

5.2 Payment of Withholding Taxes. Prior to any event in connection with the Award (e.g., vesting) that the Company determines may result in any tax withholding obligation, whether United States federal, state, local or non-U.S., including any social insurance, employment tax, payment on account or other tax-related obligation (the "Tax Withholding Obligation"), the Grantee must arrange for the satisfaction of the amount of such Tax Withholding Obligation in a manner acceptable to the Company.

(a) *By Share Withholding*. If permissible under Applicable Law, the Grantee authorizes the Company to, upon the exercise of its sole discretion, withhold from those Shares otherwise issuable to the Grantee the whole number of Shares sufficient to satisfy the applicable Tax Withholding Obligation. The Grantee acknowledges that the withheld Shares may not be sufficient to satisfy the Grantee's Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the withholding of Shares described above.

(b) *By Sale of Shares*. Unless the Grantee determines to satisfy the Tax Withholding Obligation by some other means in accordance with clause (iii) below, the Grantee's acceptance of this Award constitutes the Grantee's instruction and authorization to the Company and any brokerage firm determined acceptable to the Company for such purpose to, upon the exercise of Company's sole discretion, sell on the Grantee's behalf a whole number of Shares from those Shares issuable to the Grantee as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the applicable Tax Withholding Obligation. Such Shares will be sold on the day such Tax Withholding Obligation arises (e.g., a vesting date) or as soon thereafter as practicable. The Grantee will be responsible for all broker's fees and other costs of sale, and the Grantee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. To the extent the proceeds of such sale exceed the Grantee's Tax Withholding Obligation, the Company agrees to pay such excess in cash to the Grantee. The Grantee acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the Grantee's Tax Withholding Obligation. Accordingly, the Grantee agrees to pay to the Company or any Related Entity as soon as practicable, including through additional payroll withholding, any amount of the Tax Withholding Obligation that is not satisfied by the sale of Shares described above.

(c) *By Check, Wire Transfer or Other Means* . At any time not less than five (5) business days (or such fewer number of business days as determined by the Administrator) before any Tax Withholding Obligation arises (e.g., a vesting date), the Grantee may elect to satisfy the Grantee's Tax Withholding Obligation by delivering to the Company an amount that the Company determines is sufficient to satisfy the Tax Withholding Obligation by (x) wire transfer to such account as the Company may direct, (y) delivery of a certified check payable to the Company, or (z) such other means as specified from time to time by the Administrator.

Notwithstanding the foregoing, the Company or a Related Entity also may satisfy any Tax Withholding Obligation by offsetting any amounts (including, but not limited to, salary, bonus and severance payments) payable to the Grantee by the Company and/or a Related Entity. Furthermore, in the event of any determination that the Company has failed to withhold a sum sufficient to pay all withholding taxes due in connection with the Award, the Grantee agrees to pay the Company the amount of such deficiency in cash within five (5) calendar days after receiving a written demand from the Company to do so, whether or not the Grantee is an employee of the Company at that time.

ARTICLE 6 OTHER PROVISIONS

6.1 Transfer Restrictions . The Units may not be transferred in any manner other than by will or by the laws of descent and distribution (if permitted under the Plan).

6.2 No Right to Continued Employment . Nothing in the Notice, these Terms and Conditions or the Plan shall confer upon Grantee any right to continue in the service of the Company or any Related Entity or shall interfere with or restrict in any way the rights of the Company or any Related Entity, which are hereby expressly reserved, to discharge Grantee at any time for any reason whatsoever, with or without cause, except as may otherwise be provided by any written agreement entered into by and between the Company and Grantee.

6.3 No Right to Future Awards . Nothing in the Notice, these Terms and Conditions or the Plan shall confer upon Grantee any right with respect to future Awards under the Plan, or any right with respect to any other award under any plan of the Company or any Related Entity.

6.4 Entire Agreement . The Notice, the Plan, and these Terms and Conditions constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee. For the avoidance of doubt, the restrictions set forth in Sections 4.1 through 4.5 above do not supersede any other agreement between the Company and Grantee, including, without limitation, the ECIA. Nothing in the Notice, the Plan and these Terms and Conditions (except as expressly provided therein) is intended to confer any rights or remedies on any persons other than the parties. Should any provision of the Notice, the Plan or these Terms and Conditions be determined to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

6.5 Governing Law. The Notice, the Plan and these Terms and Conditions are to be construed in accordance with and governed by the internal laws of the State of New York, without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of New York to the rights, duties, and obligations of the parties.

6.6 Venue and Jurisdiction. The Company and the Grantee (the “parties”) expressly agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or these Terms and Conditions shall be brought in the United States District Court for the Eastern District of New York (or should such court lack jurisdiction to hear such action, suit or proceeding, in a New York state court in the County of Nassau) and that the parties shall submit to the exclusive jurisdiction of such courts. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. The parties agree and submit to personal jurisdiction in either court. The Parties further agree that this Venue and Jurisdiction is binding on all matters related to the Notice, the Plan, or these Terms and Conditions and may not be altered or amended by any other arrangement or agreement (including an employment agreement) without the express written consent of Grantee and the Company. If any one or more provisions of this Section 6.6 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

6.7 Construction. The captions used in the Notice and these Terms and Conditions are inserted for convenience and shall not be deemed a part of the Award for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

6.8 Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or these Terms and Conditions shall be submitted by the Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

6.9 Waiver of Jury Trial. THE PARTIES EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUCH SUIT, ACTION OR PROCEEDING.

6.10 Severability. The invalidity or unenforceability of any paragraph or provision of these Terms and Conditions shall not affect the validity or enforceability of any other paragraph or provision, and all other provisions shall remain in full force and effect. If any provision of these Terms and Conditions is held to be excessively broad, then such provision shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law.

6.11 Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid,

addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

6.12 Nature of Award. In accepting the Award, the Grantee acknowledges and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and these Terms and Conditions;

(b) the Award is voluntary and occasional and does not create any contractual or other right to receive future awards of Units, or benefits in lieu of Units, even if Units have been awarded repeatedly in the past;

(c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;

(d) the Grantee's participation in the Plan is voluntary;

(e) the Grantee's participation in the Plan shall not create a right to any employment with the Grantee's employer and shall not interfere with the ability of the Company or the employer to terminate the Grantee's employment relationship, if any, at any time;

(f) the Award is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or any Related Entity;

(g) in the event that the Grantee is not an Employee of the Company or any Related Entity, the Award and the Grantee's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or any Related Entity;

(h) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(i) in consideration of the Award, no claim or entitlement to compensation or damages shall arise from termination of the Award or diminution in value of the Award or Shares acquired upon vesting of the Award, resulting from termination of the Grantee's Continuous Service by the Company or any Related Entity (for any reason whatsoever and whether or not in breach of local labor laws) and in consideration of the grant of the Award, the Grantee irrevocably releases the Company and any Related Entity from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing the Notice, the Grantee shall be deemed irrevocably to have waived his or her right to pursue or seek remedy for any such claim or entitlement;

(j) in the event of termination of the Grantee's Continuous Service (whether or not in breach of local labor laws), the Grantee's right to receive Awards under the Plan and to vest in such Awards, if any, will terminate effective as of the date that the Grantee is no longer

providing services and will not be extended by any notice period mandated under local law (e.g. , providing services would not include a period of “garden leave” or similar period pursuant to local law); furthermore, in the event of termination of the Grantee’s Continuous Service (whether or not in breach of local labor laws), the Administrator shall have the exclusive discretion to determine when the Grantee is no longer providing services for purposes of this Award;

(k) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee’s participation in the Plan or the Grantee’s acquisition or sale of the underlying Shares; and

(l) the Grantee is hereby advised to consult with the Grantee’s own personal tax, legal and financial advisers regarding the Grantee’s participation in the Plan before taking any action related to the Plan.

6.13 Data Protection and Privacy. The Grantee understands that the Company may (a) collect, process, store, use and disclose Grantee’s personal data, (b) make such data available to the Company’s affiliates and subsidiaries, as well as to certain appropriate third parties who provide products or services to the Company (for example, human resource service providers), and (c) transmit, transfer and store such data to/on the Company’s information systems which may be located outside Grantee’s home country, in countries which may have different data protection and privacy laws than Participant’s home country. Any such collection, processing, storage, use, disclosure, transmission or transfer shall be made only for lawful purposes, for example, managing Grantee’s employment relationship with the Company and administering the Company’s compensation programs. For more information, please consult the Company’s applicable policies covering personal data protection and privacy, as may be in effect from time to time.

6.14 Language. If the Grantee has received these Terms and Conditions or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by Applicable Law.

6.15 Amendment and Delay to Meet the Requirements of Section 409A. The Grantee acknowledges that the Company, in the exercise of its sole discretion and without the consent of the Grantee, may amend or modify these Terms and Conditions in any manner and delay the issuance of any Shares issuable pursuant to these Terms and Conditions to the minimum extent necessary to meet the requirements of Section 409A of the Code as amplified by any Treasury regulations or guidance from the Internal Revenue Service as the Company deems appropriate or advisable. In addition, the Company makes no representation that the Award will comply with Section 409A of the Code and makes no undertaking to prevent Section 409A of the Code from applying to the Award or to mitigate its effects on any deferrals or payments made in respect of the Units. The Grantee is encouraged to consult a tax adviser regarding the potential impact of Section 409A of the Code.

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VEECO INSTRUMENTS INC. 2010 STOCK INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK AWARD

Veeco Instruments Inc. (the “Company”), is pleased to confirm the award to the individual named below (“Grantee”) of restricted shares of common stock, par value \$0.01 per share, of the Company described below, subject to the terms and conditions of this Notice of Restricted Stock Award (the “Notice”), the Veeco Instruments Inc. 2010 Stock Incentive Plan, as amended from time to time (the “Plan”) and the terms and conditions set forth in the Veeco Instruments Inc. Terms and Conditions of Restricted Stock Award (2018) (the “Terms and Conditions”) attached hereto, as follows. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Notice.

Grantee:

Award Date: March 14, 2019

Aggregate number of shares of
Restricted Stock subject to the Award
(the “Award”):

Vesting/Lapsing of Restrictions :

Subject to Grantee’s Continuous Service, 1/4 of the shares comprising the Award will vest, and the restrictions with respect to such shares shall lapse, on each of the first (1st), second (2nd), third (3rd) and fourth (4th) anniversaries of the Award Date (each a “Vesting Date”). If Grantee would become vested in a fraction of a share on a Vesting Date, such share shall not vest until Grantee becomes vested in the entire share on the following Vesting Date.

Additional Provisions :

This Award shall be subject to the terms and conditions set forth in the Plan and the Terms and Conditions , including the Forfeiture for Restricted Activity, Clawback, Governing Law, and Venue and Jurisdiction provisions of Sections 3.5, 3.6, 4.1 through 4.5, 5.7, and 5.8 of the Terms and Conditions .

IMPORTANT NOTICE

Grantee must sign this Notice and return it to the Company’s Sr. Vice President, Human Resources on or before April 15, 2019. Return your executed Notice to: Robert Bradshaw by mail at 1 Terminal Drive, Plainview, New York 11803, or email at RBradshaw@Veeco.com.

PLEASE NOTE THAT YOUR ACCEPTANCE OF THE AWARD WILL ALSO CONSTITUTE YOUR ACCEPTANCE OF, AND AGREEMENT TO BE BOUND BY, THE TERMS AND CONDITIONS GOVERNING THE RESTRICTED STOCK AWARD, INCLUDING WITHOUT LIMITATION, THE RESTRICTED ACTIVITY, CLAWBACK, GOVERNING LAW, AND VENUE AND JURISDICTION PROVISIONS OF SECTIONS 3.5, 3.6, 4.1 through 4.5, 5.7, AND 5.8 OF THE TERMS AND CONDITIONS.

VEECO INSTRUMENTS INC.



Name: Robert W. Bradshaw
Sr. Vice President Human
Title: Resources

Grantee

Print Name

Signature

Date

**VEECO INSTRUMENTS INC. 2010 STOCK INCENTIVE PLAN
TERMS AND CONDITIONS OF RESTRICTED STOCK AWARD
(2018)**

These TERMS AND CONDITIONS OF RESTRICTED STOCK AWARD (2018) (these “Terms and Conditions”) apply to any award by Veeco Instruments Inc., a Delaware corporation (the “Company”), of the Company’s common stock, par value \$0.01 per share (“Common Stock”), subject to certain restrictions (“Restricted Stock”), pursuant to the Veeco Instruments Inc. 2010 Stock Incentive Plan (as it may be amended from time to time, the “Plan”), which specifically references these Terms and Conditions.

**ARTICLE 1
DEFINITIONS**

1.1 In General. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Plan and/or the applicable Notice of Restricted Stock Award (the “Notice”). In addition, wherever the following term is used in these Terms and Conditions, it shall have the meaning specified below, unless the context clearly indicates otherwise.

1.2 “Restrictions” shall mean the restrictions on sale or other transfer set forth in Section 5.2 and the exposure to the risk of forfeiture set forth in Section 3.1 , 3.2, 3.5, and 3.6.

**ARTICLE 2
RESTRICTED STOCK AWARD**

2.1 Award of Restricted Stock. The Award is made in consideration of Grantee’s agreement to remain in the service of the Company and for other good and valuable consideration which the Administrator has determined exceeds the aggregate par value of the shares of Common Stock subject to the Award.

2.2 Award Subject to Plan. The Award is subject to the terms and provisions of the Plan, including the provisions of Section 11 of the Plan in the event of a Corporate Transaction.

**ARTICLE 3
RESTRICTIONS**

3.1 Forfeiture. Unless otherwise provided by written agreement between the Company and Grantee, which may be entered into at any time, including in connection with the termination of Grantee’s Continuous Service, any Shares subject to the Award which are not vested at the time Grantee’s Continuous Service terminates shall thereupon be forfeited immediately and without any further action by the Company or Grantee. Grantee also may be required to forfeit shares of Restricted Stock subject to the Award, including shares of Common Stock received pursuant to the Award, in accordance with Section 3.5 below.

3.2 Vesting and Lapse of Restrictions. Subject to Sections 3.1, 3.5, and 3.6, the Restrictions shall lapse with respect to 1/4 of the shares of Restricted Stock subject to the Award, and Grantee's rights thereto shall vest, on each of the first (1st), second (2nd), third (3rd) and fourth (4th) anniversaries of the Award Date (each a "Vesting Date"); provided, however, that in each case Grantee remains in Continuous Service from the Award Date through such Vesting Date. If Grantee would become vested in a fraction of a share on a Vesting Date, such share shall not vest until Grantee becomes vested in the entire share on the following Vesting Date.

3.3 Legend. Until such time as the Restrictions have lapsed, the Company may instruct the transfer agent for the Common Stock and/or other record-keepers to include a restrictive code or similar notation in its records (or legend on stock certificates, if any) to denote the Restrictions and any applicable federal and/or state securities laws restrictions relating to Restricted Stock. The notation or legend may include the following:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS SET FORTH IN THE PLAN AND IN THE TERMS AND CONDITIONS APPLICABLE TO THE RESTRICTED STOCK AWARD, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL OFFICE OF THE CORPORATION.”

3.4 Payment of Taxes; Issuance of Shares.

(a) Grantee understands, acknowledges and agrees that, unless a Section 83(b) election is made (as described in Section 3.9), the difference between the Fair Market Value of a Share at the time it vests, and the amount, if any, paid by Grantee for such Share is subject to state and federal income taxes and Grantee is responsible for paying such taxes.

(b) If the Company is required to withhold any such taxes, Grantee hereby authorizes the Company and any brokerage firm determined acceptable to the Company for such purposes to sell on Grantee's behalf a whole number of Shares from the number of vested Shares delivered to Grantee at the time the Restrictions lapse to generate cash proceeds sufficient to satisfy the tax withholding obligation ("Sale Provisions"). The Shares will be sold as soon as practicable following the day the tax withholding obligation arises. Grantee will be responsible for all brokerage fees and other costs of sale and Grantee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. Grantee acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy Grantee's tax withholding obligation. Accordingly, Grantee agrees to pay to the Company as soon as practicable any amount of the tax withholding obligation that is not satisfied by the sale of Shares described above. By accepting the Award, Grantee expresses his or her intent that the Sale Provisions described above regarding the sale of

Shares to pay taxes are intended to constitute a Rule 10b5-1 sales plan and to satisfy the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The Company may, at its discretion, fulfill its tax withholding obligation by reducing the number of vested Shares delivered to Grantee at the time the Restrictions lapse by the number of Shares required to satisfy such tax withholding requirements with respect to Shares (but not cash dividends) (based on the Fair Market Value of Shares at such time). Such Shares shall be returned to the Company. Grantee's acknowledgement and acceptance of these tax provisions are conditions precedent to the right of Grantee to receive the Award under the Plan and these Terms and Conditions.

(c) In lieu of the sale or reduction of Shares delivered described in paragraph (b) above, Grantee may pay to the Company the amount of tax required to be withheld in cash, by check or in other form satisfactory to the Company. Such payment must be made by the date on which the Restrictions lapse or such later date as is established by the Company (not to exceed 15 days after the date on which the Restrictions lapse).

(d) The Shares will be deposited directly into Grantee's brokerage account with the Company's approved broker when vested and any applicable withholding obligations have been satisfied.

(e) The Company is hereby authorized to satisfy any required withholding with respect to cash dividends from the dividends.

3.5 Forfeiture for Restricted Activity. Grantee acknowledges that the Company is making this Award of additional compensation, among other reasons, to provide an incentive to Grantee to remain with and to promote the best interests of, the Company, and to protect the Company's assets, including its goodwill, Confidential Information (as defined below) and trade secrets, which are legitimate business interests of the Company, and that engaging in "Restricted Activities" (as described in Article IV below), would be detrimental to the legitimate business interests of the Company. Therefore, in exchange for this Award, notwithstanding anything to the contrary in these Terms and Conditions or otherwise, if Grantee engages in "Restricted Activities" (as described in Sections 4.1 through 4.5 below), (a) all unvested shares of Restricted Stock will immediately be forfeited, and (b) Grantee shall be required to (i) return to the Company, within 10 business days after the Company's request to Grantee therefor, all shares of Common Stock received pursuant to the Award that are owned, directly or indirectly, by Grantee and (ii) pay to the Company, within 10 business days of the Company's request to Grantee therefor, an amount equal to the excess, if any, of the aggregate after-tax proceeds (taking into account all amounts of tax that would be recoverable upon a claim of loss for payment of such proceeds in the year of repayment) Grantee received upon the sale or other disposition of all shares of Common Stock received pursuant to the Award (the "After-Tax Proceeds"). The forfeiture for Restricted Activity provisions of this Section 3.5 and Article IV shall survive and continue to apply beyond settlement of all Awards under the Plan, any termination or expiration of this Award for any reason, and after the provisions of any employment or other agreement between the Company and Grantee have lapsed.

3.6 Clawback. This Award and all shares of Common Stock received pursuant to the Award, and all shares of Common Stock received pursuant to the Award that are owned, directly or indirectly, by Grantee and any After-Tax Proceeds shall be subject to the Compensation Recoupment Policy, established by the Company, as amended from time to time, or any similar or successor policy.

3.7 Stop-Transfer Notices. In order to ensure compliance with the Restrictions and any provisions set forth in these Terms and Conditions, the Notice or the Plan, the Company may issue appropriate “stop transfer” instructions to its transfer agent, if any, and, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records. The Company may issue a “stop transfer” instruction if Grantee fails to satisfy any tax withholding obligations.

3.8 Certain Changes in Capitalization; Additional Securities. If the shares of the Company’s Common Stock as a whole are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company, whether through merger, consolidation, reorganization, recapitalization, reclassification, stock dividend, stock split, combination of shares, exchange of shares, change in corporate structure or the like, the Administrator, in its sole discretion, shall have the discretion and power to determine and to make effective provision for acceleration of the time or times at which any Restrictions shall lapse or be removed. In addition, in the case of the occurrence of any event described in this Section 3.8, the Administrator, subject to the provisions of the Plan and these Terms and Conditions, shall make an appropriate and proportionate adjustment in the number and kind of Shares subject to the Award, to the end that after such event Grantee’s proportionate interest shall be maintained as before the occurrence of such event. Any such adjustment made by the Administrator shall be final and binding upon Grantee, the Company and all other interested persons. Any securities or cash received (including any regular cash dividend) as the result of ownership of the Restricted Stock (the “Additional Securities”), including, but not by way of limitation, warrants, options and securities received as a stock dividend or stock split, or as a result of a recapitalization or reorganization or other similar change in the Company’s capital structure, shall be retained in escrow in the same manner and subject to the same conditions and Restrictions as the Restricted Stock with respect to which they were issued, including, without limitation, the vesting provisions set forth under Vesting/Lapsing of Restrictions in the Notice. Grantee shall be entitled to direct the Company to exercise any warrant or option received as Additional Securities upon supplying the funds necessary to do so, in which event the securities so purchased shall constitute Additional Securities, but Grantee may not direct the Company to sell any such warrant or option. If Additional Securities consist of a convertible security, Grantee may exercise any conversion right, and any securities so acquired shall constitute Additional Securities. In the event of any change in certificates evidencing the Shares or the Additional Securities by reason of any recapitalization, reorganization or other transaction that results in the creation of Additional Securities, the escrow holder is authorized to deliver to the issuer the certificates evidencing the Shares or the Additional Securities in exchange for the certificates of the replacement securities.

3.9 Section 83(b) Election. Grantee understands that, under Section 83(a) of the Internal Revenue Code of 1986, as amended (the “Code”), Grantee will recognize as ordinary income the difference between the amount, if any, paid for the Shares and the Fair Market Value of the Shares at the time the Restrictions on such Shares lapse. Grantee understands that, notwithstanding the preceding sentence, Grantee may elect to be taxed at the time of the Award Date, rather than at the time the Restrictions lapse, by filing an election under Section 83(b) of the Code (an “83(b) Election”) with the Internal Revenue Service within 30 days of the Award Date. In the event Grantee files an 83(b) Election, Grantee will recognize ordinary income in an amount equal to the difference between the amount, if any, paid for the Shares and the Fair Market Value of such Shares as of the Award Date, and will be responsible for paying all such taxes, and, if applicable, paying the Company the amount of any tax required to be withheld thereon at the time of such election, in the manner set forth in Section 3.4. Grantee further understands that a copy of such 83(b) Election form must be filed with his or her federal income tax return for the calendar year in which the Award falls, and a copy delivered to the Company. Grantee acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to this Award, and does not purport to be complete or to deal with any state, local or foreign tax requirements that might apply. **GRANTEE FURTHER ACKNOWLEDGES THAT THE COMPANY IS NOT RESPONSIBLE FOR FILING GRANTEE’S 83(B) ELECTION, AND THE COMPANY HAS DIRECTED GRANTEE TO SEEK INDEPENDENT ADVICE REGARDING THE APPLICABLE PROVISIONS OF THE CODE, THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FEDERAL GOVERNMENT OR FOREIGN COUNTRY IN WHICH GRANTEE MAY RESIDE, AND THE TAX CONSEQUENCES OF GRANTEE’S DEATH.**

ARTICLE 4 FORFEITURE FOR RESTRICTED ACTIVITY

4.1 Restricted Activity. For the avoidance of doubt, the Company and Grantee agree that Grantee is free to engage in the activities described in this Article IV and that the Company will not seek to enjoin or otherwise stop Grantee from engaging in any such Restricted Activities (provided, however, that the Company reserves such right as it may exist at law or in equity and/or pursuant to any other agreement entered into between the Company and Grantee, including, without limitation, in the Veeco Instruments Inc. Employee Confidentiality and Inventions Agreement (“ECIA”)), but that if Grantee engages in such activities the Company shall have all of the rights set forth in Section 3.5 with respect to the Award, all shares of Common Stock received pursuant to the Award, and any After-Tax Proceeds.

4.2 Company Information: During the term of employment with the Company and for five years thereafter, Grantee will not use or disclose to any individual or entity any Confidential Information (as defined below) of the Company except (i) in the performance of Grantee’s duties for the Company, (ii) as authorized in writing by the Company, or (iii) as required by law or legal process, provided, that, prior to any such required disclosure, Grantee will notify the Company of the requirement to disclose and, if requested, Grantee will cooperate with the Company’s efforts to prevent or limit such

disclosure. Grantee understands that "Confidential Information" means any information that: (a) is disclosed to, learned by, or created by Grantee in connection with Grantee's employment with the Company (or a predecessor company now owned by or part of the Company), and (b) the Company treats as proprietary, private or confidential. Confidential Information may include, without limitation, information relating to the Company's products, services and methods of operation, the identities and competencies of the Company's employees, customers and suppliers, trade secrets, know-how, processes, Inventions and the Company Related Inventions (each as defined in the ECIA), techniques, data, sketches, plans, drawings, chemical formulae, computer software, financial information, operating and cost data, research databases, selling and pricing information, business and marketing plans, and information concerning potential acquisitions, dispositions or joint ventures. Grantee further understands that "Confidential Information" does not include any of the foregoing items which has become publicly known or made generally available (provided that information will not cease to be "Confidential Information" as a result of Grantee's breach of confidentiality). Grantee will promptly notify the Company if Grantee becomes aware of any unauthorized use or disclosure of Confidential Information.

4.3 Third Party Information: Grantee recognizes that the Company has received and in the future will receive from its customers, suppliers and trading partners their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Grantee agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or entity or to use it except as necessary in carrying out Grantee's work for the Company consistent with the Company's agreement with such third party.

4.4 Non-competition. During employment with the Company and for one year thereafter, (a) Grantee will not own, manage, work for or otherwise participate in any business whose products, services or activities compete with the current or currently contemplated products, services or activities of the Company in any state or country in which the Company sells products or conducts business and (x) in which Grantee was involved or (y) with respect to which Grantee had access to Confidential Information, in each case, during the 5 years prior to termination, provided, however, that Grantee may own up to 1% of the securities of any such public company (but without otherwise participating in the activities of such enterprise); and (b) Grantee will not, for himself or any other person: (i) induce or try to induce any customer, supplier, licensor or business relation to stop doing business with the Company or otherwise interfere with the relationship between the Company and any of its customers, suppliers, licensors or business relations; or (ii) solicit the business of any person known by Grantee to be a customer of the Company, whether or not Grantee had personal contact with such person, with respect to products or activities that compete with the products or activities of the Company in existence or contemplated at the time of termination of Grantee's Continuous Service. Grantee agrees that this covenant is reasonable with respect to its scope, geographical area, and duration.

4.5 Non-solicitation. During employment with the Company and for one year thereafter, Grantee will not, for himself or any other person: (a) induce or try to induce any employee to leave the Company or otherwise interfere with the relationship between the Company and any of its employees, or (b) employ or engage as an independent contractor, any current or former employee of the Company, other than former employees who have not worked for the Company within the past year. Grantee agrees that this covenant is reasonable with respect to its scope and duration.

4.6 Severability: The invalidity or unenforceability of any paragraph or provision (or any part thereof) of the Notice or these Terms and Conditions shall not affect the validity or enforceability of any one or more of the other paragraphs or provisions (or other parts thereof), and all other provisions shall remain in full force and effect. If any provision of the Notice or these Terms and Conditions is held to be excessively broad, then such provision shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law.

1. Notice of Immunity under the Defend Trade Secrets Act and Other Protected Rights. Grantee understands that, in accordance with the Defend Trade Secrets Act of 2016, Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Grantee also understands that if Grantee ever files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Grantee may disclose trade secrets to Grantee's attorney and use the trade secret information in the court proceeding provided Grantee: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order. Grantee understands that nothing contained in the Notice, these Terms and Conditions, or the Plan limits Grantee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Grantee further understands that nothing in the Notice, these Terms and Conditions, or the Plan limits Grantee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in the Notice, these Terms and Conditions, or the Plan limits Grantee's right to receive an award for information provided to any Government Agencies.

ARTICLE 5 OTHER PROVISIONS

5.1 Book Entry; Escrow. The unvested Shares will be held in book-entry or global certificate form. If the Company instead chooses to issue share certificates representing the Shares, the certificates for the Shares shall be deposited in escrow with the Secretary or Assistant Secretary of the Company or such other escrow holder as the Company may appoint; provided, however, that in no event shall Grantee retain physical custody of any certificates representing unvested Shares issued to him. The deposited certificates shall remain in escrow until all of the Restrictions lapse or shall have been removed.

5.2 Restricted Stock Not Transferable. No unvested Shares or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Grantee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 5.2 shall not prevent transfers by will or by applicable laws of descent and distribution.

5.3 Rights as Stockholder. Except as otherwise provided herein, upon issuance of the Shares pursuant to Section 5.1, Grantee shall have all the rights of a stockholder with respect to said Shares, subject to the Restrictions herein, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares; provided, however, that any and all Additional Securities received by Grantee with respect to such Restricted Stock shall, as provided in Section 3.8, also be subject to the Restrictions until the Restrictions on the underlying Shares lapse or are removed pursuant to these Terms and Conditions.

5.4 No Right to Continued Employment. Nothing in the Notice, these Terms and Conditions or the Plan shall confer upon Grantee any right to continue in the service of the Company or any Related Entity or shall interfere with or restrict in any way the rights of the Company or any Related Entity, which are hereby expressly reserved, to discharge Grantee at any time for any reason whatsoever, with or without cause, except as may otherwise be provided by any written agreement entered into by and between the Company and Grantee.

5.5 No Right to Future Awards. Nothing in the Notice, these Terms and Conditions or the Plan shall confer upon Grantee any right with respect to future Awards under the Plan, or any right with respect to any other award under any plan of the Company or any Related Entity.

5.6 Entire Agreement. The Notice, these Terms and Conditions and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Grantee with respect to the subject matter hereof, and may not be modified adversely to

Grantee's interest except by means of a writing signed by the Company and Grantee. For the avoidance of doubt, the restrictions set forth in Sections 4.2 through 4.5 above do not supersede any other agreement between the Company and Grantee, including, without limitation, the ECIA. Nothing in the Notice, the Plan and these Terms and Conditions (except as expressly provided therein) is intended to confer any rights or remedies on any persons other than the parties. Should any provision of the Notice, the Plan or these Terms and Conditions be determined to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

5.7 **Governing Law.** The Notice, the Plan and these Terms and Conditions are to be construed in accordance with and governed by the internal laws of the State of New York, without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of New York to the rights, duties, and obligations of the parties.

5.8 **Venue and Jurisdiction.** The Company, Grantee, and Grantee's assignees pursuant to Section 5.2 (the "parties") expressly agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or these Terms and Conditions shall be brought in the United States District Court for the Eastern District of New York (or should such court lack jurisdiction to hear such action, suit or proceeding, in a New York state court in the County of Nassau) and that the parties shall submit to the exclusive jurisdiction of such courts. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. The parties agree and submit to personal jurisdiction in either court. The Parties further agree that this Venue and Jurisdiction is binding on all matters related to the Notice, the Plan, or these Terms and Conditions and may not be altered or amended by any other arrangement or agreement (including an employment agreement) without the express written consent of Grantee and the Company. If any one or more provisions of this Section 5.8 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

5.9 **Jury Trial.** THE PARTIES EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE NOTICE, THE PLAN OR THESE TERMS AND CONDITIONS.

5.10 **Conformity to Securities Laws.** Grantee acknowledges that the Plan and these Terms and Conditions are intended to conform to the extent necessary with all provisions of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, including without limitation Rule 16b-3 under the Exchange Act. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Award is granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable

law, the Plan and these Terms and Conditions shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.11 Amendment, Suspension and Termination. The Award and these Terms and Conditions may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board, provided that, except as may otherwise be provided by the Plan, neither the amendment, suspension nor termination of the Award or these Terms and Conditions shall, without the consent of Grantee, alter or impair any rights or obligations under any Award.

5.12 Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or these Terms and Conditions shall be submitted by Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

5.13 Notices. Notices required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail by certified mail, with postage and fees prepaid, addressed to Grantee to his address shown in the Company records, and to the Company at its principal executive office.

5.14 Severability. The invalidity or unenforceability of any paragraph or provision of these Terms and Conditions shall not affect the validity or enforceability of any other paragraph or provision, and all other provisions shall remain in full force and effect. If any provision of these Terms and Conditions is held to be excessively broad, then such provision shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law.

5.15 Certain Provisions Applicable to Grantees Employed at International Locations. The Company will assess its requirements regarding tax, social insurance and any other payroll tax (“Tax-Related Items”) withholding and reporting in connection with the Shares. These requirements may change from time to time as laws or interpretations change. Regardless of the actions of the Company in this regard, Grantee hereby acknowledges and agrees that the ultimate liability for any and all Tax-Related Items is and remains his or her responsibility and liability and that the Company makes no representations nor undertakings regarding treatment of any Tax-Related Items in connection with any aspect of the Award and does not commit to structure the terms of the grant or any aspect of the Award to reduce or eliminate Grantee’s liability regarding Tax-Related Items. In the event that the Company must withhold any Tax-Related Items in connection with the Award, Grantee agrees to make arrangements satisfactory to the Company to satisfy all withholding requirements. Grantee authorizes the Company to withhold all applicable Tax-Related Items legally due from Grantee from his or her wages or other cash compensation paid him or her by the Company and/or to cause the sale of vested Shares on Grantee’s behalf or reduce the number of vested Shares delivered to Grantee at the time the Restrictions lapse, as contemplated by Section 3.4 above, to satisfy such Tax-Related Items.

5.16 Data Protection and Privacy. The Grantee understands that the Company

may (a) collect, process, store, use and disclose Grantee's personal data, (b) make such data available to the Company's affiliates and subsidiaries, as well as to certain appropriate third parties who provide products or services to the Company (for example, human resource service providers), and (c) transmit, transfer and store such data to/on the Company's information systems which may be located outside Grantee's home country, in countries which may have different data protection and privacy laws than Participant's home country. Any such collection, processing, storage, use, disclosure, transmission or transfer shall be made only for lawful purposes, for example, managing Grantee's employment relationship with the Company and administering the Company's compensation programs. For more information, please consult the Company's applicable policies covering personal data protection and privacy, as may be in effect from time to time.

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VEECO INSTRUMENTS INC. 2010 STOCK INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK AWARD

Veeco Instruments Inc. (the “Company”), is pleased to confirm the award to the individual named below (“Grantee”) of restricted shares of common stock, par value \$0.01 per share, of the Company described below, subject to the terms and conditions of this Notice of Restricted Stock Award (the “Notice”), the Veeco Instruments Inc. 2010 Stock Incentive Plan, as amended from time to time (the “Plan”) and the terms and conditions set forth in the Veeco Instruments Inc. Terms and Conditions of Restricted Stock Award (2018) (the “Terms and Conditions”) attached hereto, as follows. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Notice.

Grantee:

Award Date:

March 14, 2019

Aggregate number of shares of
Restricted Stock subject to the Award
(the “Award”):

Vesting/Lapsing of Restrictions :

Subject to Grantee’s Continuous Service, the shares comprising the Award will vest, and the restrictions with respect to such shares shall lapse, as follows:

- 20% on the date which is twelve (12) months from the Award Date
- 20% on the date which is eighteen (18) months from the Award Date
- 20% on the date which is thirty (30) months from the Award Date
- 20% on the date which is forty-two (42) months from the Award Date
- 20% on the date which is forty-eight (48) months from the Award Date

If Grantee would become vested in a fraction of a share on a Vesting Date, such share shall not vest until Grantee becomes vested in the entire share on the following Vesting Date.

Additional Provisions :


This Award shall be subject to the terms and conditions set forth in the Plan and the Terms and Conditions , including the Forfeiture for Restricted Activity, Clawback, Governing Law, and Venue and Jurisdiction provisions of Sections 3.5, 3.6, 4.1 through 4.5, 5.7, and 5.8 of the Terms and Conditions .

IMPORTANT NOTICE

Grantee must sign this Notice and return it to the Company’s Sr. Vice President, Human Resources on or before April 15, 2019. Return your executed Notice to: Robert Bradshaw by mail at 1 Terminal Drive, Plainview, New York 11803, or email at RBradshaw@Veeco.com.

PLEASE NOTE THAT YOUR ACCEPTANCE OF THE AWARD WILL ALSO CONSTITUTE YOUR ACCEPTANCE OF, AND AGREEMENT TO BE BOUND BY, THE TERMS AND CONDITIONS GOVERNING THE RESTRICTED STOCK AWARD, INCLUDING WITHOUT LIMITATION, THE RESTRICTED ACTIVITY, CLAWBACK, GOVERNING LAW, AND VENUE AND JURISDICTION PROVISIONS OF SECTIONS 3.5, 3.6, 4.1 through 4.5, 5.7, AND 5.8 OF THE TERMS AND CONDITIONS.

VEECO INSTRUMENTS INC.



Name: Robert W. Bradshaw
Sr. Vice President Human
Title: Resources

Grantee

Print Name

Signature

Date

**VEECO INSTRUMENTS INC. 2010 STOCK INCENTIVE PLAN
TERMS AND CONDITIONS OF RESTRICTED STOCK AWARD
(2018)**

These TERMS AND CONDITIONS OF RESTRICTED STOCK AWARD (2018) (these “Terms and Conditions”) apply to any award by Veeco Instruments Inc., a Delaware corporation (the “Company”), of the Company’s common stock, par value \$0.01 per share (“Common Stock”), subject to certain restrictions (“Restricted Stock”), pursuant to the Veeco Instruments Inc. 2010 Stock Incentive Plan (as it may be amended from time to time, the “Plan”), which specifically references these Terms and Conditions.

**ARTICLE 1
DEFINITIONS**

1.1 In General. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Plan and/or the applicable Notice of Restricted Stock Award (the “Notice”). In addition, wherever the following term is used in these Terms and Conditions, it shall have the meaning specified below, unless the context clearly indicates otherwise.

1.2 “Restrictions” shall mean the restrictions on sale or other transfer set forth in Section 5.2 and the exposure to the risk of forfeiture set forth in Section 3.1 , 3.2, 3.5, and 3.6.

**ARTICLE 2
RESTRICTED STOCK AWARD**

2.1 Award of Restricted Stock. The Award is made in consideration of Grantee’s agreement to remain in the service of the Company and for other good and valuable consideration which the Administrator has determined exceeds the aggregate par value of the shares of Common Stock subject to the Award.

2.2 Award Subject to Plan. The Award is subject to the terms and provisions of the Plan, including the provisions of Section 11 of the Plan in the event of a Corporate Transaction.

**ARTICLE 3
RESTRICTIONS**

3.1 Forfeiture. Unless otherwise provided by written agreement between the Company and Grantee, which may be entered into at any time, including in connection with the termination of Grantee’s Continuous Service, any Shares subject to the Award which are not vested at the time Grantee’s Continuous Service terminates shall thereupon be forfeited immediately and without any further action by the Company or Grantee. Grantee also may be required to forfeit shares of Restricted Stock subject to the Award, including shares of Common Stock received pursuant to the Award, in accordance with Section 3.5 below.

3.2 Vesting and Lapse of Restrictions. Subject to Sections 3.1, 3.5, and 3.6, the Restrictions shall lapse as follows:

- 20% on the date which is twelve (12) months from the Award Date
- 20% on the date which is eighteen (18) months from the Award Date
- 20% on the date which is thirty (30) months from the Award Date
- 20% on the date which is forty-two (42) months from the Award Date
- 20% on the date which is forty-eight (48) months from the Award Date

(each a “Vesting Date”); provided, however, that in each case Grantee remains in Continuous Service from the Award Date through such Vesting Date. If Grantee would become vested in a fraction of a share on a Vesting Date, such share shall not vest until Grantee becomes vested in the entire share on the following Vesting Date.

3.3 Legend. Until such time as the Restrictions have lapsed, the Company may instruct the transfer agent for the Common Stock and/or other record-keepers to include a restrictive code or similar notation in its records (or legend on stock certificates, if any) to denote the Restrictions and any applicable federal and/or state securities laws restrictions relating to Restricted Stock. The notation or legend may include the following:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS SET FORTH IN THE PLAN AND IN THE TERMS AND CONDITIONS APPLICABLE TO THE RESTRICTED STOCK AWARD, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL OFFICE OF THE CORPORATION.”

3.4 Payment of Taxes; Issuance of Shares.

(a) Grantee understands, acknowledges and agrees that, unless a Section 83(b) election is made (as described in Section 3.9), the difference between the Fair Market Value of a Share at the time it vests, and the amount, if any, paid by Grantee for such Share is subject to state and federal income taxes and Grantee is responsible for paying such taxes.

(b) If the Company is required to withhold any such taxes, Grantee hereby authorizes the Company and any brokerage firm determined acceptable to the Company for such purposes to sell on Grantee’s behalf a whole number of Shares from the number of vested Shares delivered to Grantee at the time the Restrictions lapse to generate cash proceeds sufficient to satisfy the tax withholding obligation (“Sale Provisions”). The Shares will be sold as soon as practicable following the day the tax withholding obligation arises. Grantee will be responsible for all brokerage fees and other costs of sale and Grantee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. Grantee acknowledges that the Company or its designee is under no obligation to arrange for such sale at any

particular price, and that the proceeds of any such sale may not be sufficient to satisfy Grantee's tax withholding obligation. Accordingly, Grantee agrees to pay to the Company as soon as practicable any amount of the tax withholding obligation that is not satisfied by the sale of Shares described above. By accepting the Award, Grantee expresses his or her intent that the Sale Provisions described above regarding the sale of Shares to pay taxes are intended to constitute a Rule 10b5-1 sales plan and to satisfy the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The Company may, at its discretion, fulfill its tax withholding obligation by reducing the number of vested Shares delivered to Grantee at the time the Restrictions lapse by the number of Shares required to satisfy such tax withholding requirements with respect to Shares (but not cash dividends) (based on the Fair Market Value of Shares at such time). Such Shares shall be returned to the Company. Grantee's acknowledgement and acceptance of these tax provisions are conditions precedent to the right of Grantee to receive the Award under the Plan and these Terms and Conditions.

(c) In lieu of the sale or reduction of Shares delivered described in paragraph (b) above, Grantee may pay to the Company the amount of tax required to be withheld in cash, by check or in other form satisfactory to the Company. Such payment must be made by the date on which the Restrictions lapse or such later date as is established by the Company (not to exceed 15 days after the date on which the Restrictions lapse).

(d) The Shares will be deposited directly into Grantee's brokerage account with the Company's approved broker when vested and any applicable withholding obligations have been satisfied.

(e) The Company is hereby authorized to satisfy any required withholding with respect to cash dividends from the dividends.

3.5 Forfeiture for Restricted Activity. Grantee acknowledges that the Company is making this Award of additional compensation, among other reasons, to provide an incentive to Grantee to remain with and to promote the best interests of, the Company, and to protect the Company's assets, including its goodwill, Confidential Information (as defined below) and trade secrets, which are legitimate business interests of the Company, and that engaging in "Restricted Activities" (as described in Article IV below), would be detrimental to the legitimate business interests of the Company. Therefore, in exchange for this Award, notwithstanding anything to the contrary in these Terms and Conditions or otherwise, if Grantee engages in "Restricted Activities" (as described in Sections 4.1 through 4.5 below), (a) all unvested shares of Restricted Stock will immediately be forfeited, and (b) Grantee shall be required to (i) return to the Company, within 10 business days after the Company's request to Grantee therefor, all shares of Common Stock received pursuant to the Award that are owned, directly or indirectly, by Grantee and (ii) pay to the Company, within 10 business days of the Company's request to Grantee therefor, an amount equal to the excess, if any, of the aggregate after-tax proceeds (taking into account all amounts of tax that would be recoverable upon a claim of loss for payment of such proceeds in the year of repayment) Grantee received upon the sale or other disposition of all shares of Common Stock

received pursuant to the Award (the “After-Tax Proceeds”). The forfeiture for Restricted Activity provisions of this Section 3.5 and Article IV shall survive and continue to apply beyond settlement of all Awards under the Plan, any termination or expiration of this Award for any reason, and after the provisions of any employment or other agreement between the Company and Grantee have lapsed.

3.6 Clawback. This Award and all shares of Common Stock received pursuant to the Award, and all shares of Common Stock received pursuant to the Award that are owned, directly or indirectly, by Grantee and any After-Tax Proceeds shall be subject to the Compensation Recoupment Policy, established by the Company, as amended from time to time, or any similar or successor policy.

3.7 Stop-Transfer Notices. In order to ensure compliance with the Restrictions and any provisions set forth in these Terms and Conditions, the Notice or the Plan, the Company may issue appropriate “stop transfer” instructions to its transfer agent, if any, and, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records. The Company may issue a “stop transfer” instruction if Grantee fails to satisfy any tax withholding obligations.

3.8 Certain Changes in Capitalization; Additional Securities. If the shares of the Company’s Common Stock as a whole are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company, whether through merger, consolidation, reorganization, recapitalization, reclassification, stock dividend, stock split, combination of shares, exchange of shares, change in corporate structure or the like, the Administrator, in its sole discretion, shall have the discretion and power to determine and to make effective provision for acceleration of the time or times at which any Restrictions shall lapse or be removed. In addition, in the case of the occurrence of any event described in this Section 3.8, the Administrator, subject to the provisions of the Plan and these Terms and Conditions, shall make an appropriate and proportionate adjustment in the number and kind of Shares subject to the Award, to the end that after such event Grantee’s proportionate interest shall be maintained as before the occurrence of such event. Any such adjustment made by the Administrator shall be final and binding upon Grantee, the Company and all other interested persons. Any securities or cash received (including any regular cash dividend) as the result of ownership of the Restricted Stock (the “Additional Securities”), including, but not by way of limitation, warrants, options and securities received as a stock dividend or stock split, or as a result of a recapitalization or reorganization or other similar change in the Company’s capital structure, shall be retained in escrow in the same manner and subject to the same conditions and Restrictions as the Restricted Stock with respect to which they were issued, including, without limitation, the vesting provisions set forth under Vesting/Lapsing of Restrictions in the Notice. Grantee shall be entitled to direct the Company to exercise any warrant or option received as Additional Securities upon supplying the funds necessary to do so, in which event the securities so purchased shall constitute Additional Securities, but Grantee may not direct the Company to sell any such warrant or option. If Additional Securities consist of a convertible security, Grantee may exercise any conversion right, and any securities so acquired shall constitute Additional Securities. In the event of any change in certificates evidencing the Shares or the

Additional Securities by reason of any recapitalization, reorganization or other transaction that results in the creation of Additional Securities, the escrow holder is authorized to deliver to the issuer the certificates evidencing the Shares or the Additional Securities in exchange for the certificates of the replacement securities.

3.9 Section 83(b) Election. Grantee understands that, under Section 83(a) of the Internal Revenue Code of 1986, as amended (the “Code”), Grantee will recognize as ordinary income the difference between the amount, if any, paid for the Shares and the Fair Market Value of the Shares at the time the Restrictions on such Shares lapse. Grantee understands that, notwithstanding the preceding sentence, Grantee may elect to be taxed at the time of the Award Date, rather than at the time the Restrictions lapse, by filing an election under Section 83(b) of the Code (an “83(b) Election”) with the Internal Revenue Service within 30 days of the Award Date. In the event Grantee files an 83(b) Election, Grantee will recognize ordinary income in an amount equal to the difference between the amount, if any, paid for the Shares and the Fair Market Value of such Shares as of the Award Date, and will be responsible for paying all such taxes, and, if applicable, paying the Company the amount of any tax required to be withheld thereon at the time of such election, in the manner set forth in Section 3.4. Grantee further understands that a copy of such 83(b) Election form must be filed with his or her federal income tax return for the calendar year in which the Award falls, and a copy delivered to the Company. Grantee acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to this Award, and does not purport to be complete or to deal with any state, local or foreign tax requirements that might apply. GRANTEE FURTHER ACKNOWLEDGES THAT THE COMPANY IS NOT RESPONSIBLE FOR FILING GRANTEE’S 83(B) ELECTION, AND THE COMPANY HAS DIRECTED GRANTEE TO SEEK INDEPENDENT ADVICE REGARDING THE APPLICABLE PROVISIONS OF THE CODE, THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FEDERAL GOVERNMENT OR FOREIGN COUNTRY IN WHICH GRANTEE MAY RESIDE, AND THE TAX CONSEQUENCES OF GRANTEE’S DEATH.

ARTICLE 4 FORFEITURE FOR RESTRICTED ACTIVITY

4.1 Restricted Activity . For the avoidance of doubt, the Company and Grantee agree that Grantee is free to engage in the activities described in this Article IV and that the Company will not seek to enjoin or otherwise stop Grantee from engaging in any such Restricted Activities (provided, however, that the Company reserves such right as it may exist at law or in equity and/or pursuant to any other agreement entered into between the Company and Grantee, including, without limitation, in the Veeco Instruments Inc. Employee Confidentiality and Inventions Agreement (“ECIA”)), but that if Grantee engages in such activities the Company shall have all of the rights set forth in Section 3.5 with respect to the Award, all shares of Common Stock received pursuant to the Award, and any After-Tax Proceeds.

4.2 Company Information: During the term of employment with the Company and for five years thereafter, Grantee will not use or disclose to any individual

or entity any Confidential Information (as defined below) of the Company except (i) in the performance of Grantee's duties for the Company, (ii) as authorized in writing by the Company, or (iii) as required by law or legal process, provided, that, prior to any such required disclosure, Grantee will notify the Company of the requirement to disclose and, if requested, Grantee will cooperate with the Company's efforts to prevent or limit such disclosure. Grantee understands that "Confidential Information" means any information that: (a) is disclosed to, learned by, or created by Grantee in connection with Grantee's employment with the Company (or a predecessor company now owned by or part of the Company), and (b) the Company treats as proprietary, private or confidential. Confidential Information may include, without limitation, information relating to the Company's products, services and methods of operation, the identities and competencies of the Company's employees, customers and suppliers, trade secrets, know-how, processes, Inventions and the Company Related Inventions (each as defined in the ECIA), techniques, data, sketches, plans, drawings, chemical formulae, computer software, financial information, operating and cost data, research databases, selling and pricing information, business and marketing plans, and information concerning potential acquisitions, dispositions or joint ventures. Grantee further understands that "Confidential Information" does not include any of the foregoing items which has become publicly known or made generally available (provided that information will not cease to be "Confidential Information" as a result of Grantee's breach of confidentiality). Grantee will promptly notify the Company if Grantee becomes aware of any unauthorized use or disclosure of Confidential Information.

4.3 Third Party Information: Grantee recognizes that the Company has received and in the future will receive from its customers, suppliers and trading partners their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Grantee agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or entity or to use it except as necessary in carrying out Grantee's work for the Company consistent with the Company's agreement with such third party.

4.4 Non-competition. During employment with the Company and for one year thereafter, (a) Grantee will not own, manage, work for or otherwise participate in any business whose products, services or activities compete with the current or currently contemplated products, services or activities of the Company in any state or country in which the Company sells products or conducts business and (x) in which Grantee was involved or (y) with respect to which Grantee had access to Confidential Information, in each case, during the 5 years prior to termination, provided, however, that Grantee may own up to 1% of the securities of any such public company (but without otherwise participating in the activities of such enterprise); and (b) Grantee will not, for himself or any other person: (i) induce or try to induce any customer, supplier, licensor or business relation to stop doing business with the Company or otherwise interfere with the relationship between the Company and any of its customers, suppliers, licensors or business relations; or (ii) solicit the business of any person known by Grantee to be a customer of the Company, whether or not Grantee had personal contact with such person, with respect to products or activities that compete with the products or activities of the

Company in existence or contemplated at the time of termination of Grantee's Continuous Service. Grantee agrees that this covenant is reasonable with respect to its scope, geographical area, and duration.

4.5 Non-solicitation. During employment with the Company and for one year thereafter, Grantee will not, for himself or any other person: (a) induce or try to induce any employee to leave the Company or otherwise interfere with the relationship between the Company and any of its employees, or (b) employ or engage as an independent contractor, any current or former employee of the Company, other than former employees who have not worked for the Company within the past year. Grantee agrees that this covenant is reasonable with respect to its scope and duration.

4.6 Severability: The invalidity or unenforceability of any paragraph or provision (or any part thereof) of the Notice or these Terms and Conditions shall not affect the validity or enforceability of any one or more of the other paragraphs or provisions (or other parts thereof), and all other provisions shall remain in full force and effect. If any provision of the Notice or these Terms and Conditions is held to be excessively broad, then such provision shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law.

1. Notice of Immunity under the Defend Trade Secrets Act and Other Protected Rights. Grantee understands that, in accordance with the Defend Trade Secrets Act of 2016, Grantee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Grantee also understands that if Grantee ever files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Grantee may disclose trade secrets to Grantee's attorney and use the trade secret information in the court proceeding provided Grantee: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order. Grantee understands that nothing contained in the Notice, these Terms and Conditions, or the Plan limits Grantee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Grantee further understands that nothing in the Notice, these Terms and Conditions, or the Plan limits Grantee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in the Notice, these Terms and Conditions, or the Plan limits Grantee's right to receive an award for information provided to any Government Agencies.

ARTICLE 5 OTHER PROVISIONS

5.1 Book Entry; Escrow. The unvested Shares will be held in book-entry or global certificate form. If the Company instead chooses to issue share certificates representing the Shares, the certificates for the Shares shall be deposited in escrow with the Secretary or Assistant Secretary of the Company or such other escrow holder as the Company may appoint; provided, however, that in no event shall Grantee retain physical custody of any certificates representing unvested Shares issued to him. The deposited certificates shall remain in escrow until all of the Restrictions lapse or shall have been removed.

5.2 Restricted Stock Not Transferable. No unvested Shares or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Grantee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect; provided, however, that this Section 5.2 shall not prevent transfers by will or by applicable laws of descent and distribution.

5.3 Rights as Stockholder. Except as otherwise provided herein, upon issuance of the Shares pursuant to Section 5.1, Grantee shall have all the rights of a stockholder with respect to said Shares, subject to the Restrictions herein, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares; provided, however, that any and all Additional Securities received by Grantee with respect to such Restricted Stock shall, as provided in Section 3.8, also be subject to the Restrictions until the Restrictions on the underlying Shares lapse or are removed pursuant to these Terms and Conditions.

5.4 No Right to Continued Employment. Nothing in the Notice, these Terms and Conditions or the Plan shall confer upon Grantee any right to continue in the service of the Company or any Related Entity or shall interfere with or restrict in any way the rights of the Company or any Related Entity, which are hereby expressly reserved, to discharge Grantee at any time for any reason whatsoever, with or without cause, except as may otherwise be provided by any written agreement entered into by and between the Company and Grantee.

5.5 No Right to Future Awards. Nothing in the Notice, these Terms and Conditions or the Plan shall confer upon Grantee any right with respect to future Awards under the Plan, or any right with respect to any other award under any plan of the Company or any Related Entity.

5.6 Entire Agreement. The Notice, these Terms and Conditions and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Grantee with respect to the subject matter hereof, and may not be modified adversely to

Grantee's interest except by means of a writing signed by the Company and Grantee. For the avoidance of doubt, the restrictions set forth in Sections 4.2 through 4.5 above do not supersede any other agreement between the Company and Grantee, including, without limitation, the ECIA. Nothing in the Notice, the Plan and these Terms and Conditions (except as expressly provided therein) is intended to confer any rights or remedies on any persons other than the parties. Should any provision of the Notice, the Plan or these Terms and Conditions be determined to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

5.7 **Governing Law.** The Notice, the Plan and these Terms and Conditions are to be construed in accordance with and governed by the internal laws of the State of New York, without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of New York to the rights, duties, and obligations of the parties.

5.8 **Venue and Jurisdiction.** The Company, Grantee, and Grantee's assignees pursuant to Section 5.2 (the "parties") expressly agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or these Terms and Conditions shall be brought in the United States District Court for the Eastern District of New York (or should such court lack jurisdiction to hear such action, suit or proceeding, in a New York state court in the County of Nassau) and that the parties shall submit to the exclusive jurisdiction of such courts. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. The parties agree and submit to personal jurisdiction in either court. The Parties further agree that this Venue and Jurisdiction is binding on all matters related to the Notice, the Plan, or these Terms and Conditions and may not be altered or amended by any other arrangement or agreement (including an employment agreement) without the express written consent of Grantee and the Company. If any one or more provisions of this Section 5.8 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

5.9 **Jury Trial.** THE PARTIES EXPRESSLY WAIVE ANY RIGHT THEY HAVE OR MAY HAVE TO A JURY TRIAL OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE NOTICE, THE PLAN OR THESE TERMS AND CONDITIONS.

5.10 **Conformity to Securities Laws.** Grantee acknowledges that the Plan and these Terms and Conditions are intended to conform to the extent necessary with all provisions of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, including without limitation Rule 16b-3 under the Exchange Act. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Award is granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable

law, the Plan and these Terms and Conditions shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.11 Amendment, Suspension and Termination. The Award and these Terms and Conditions may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board, provided that, except as may otherwise be provided by the Plan, neither the amendment, suspension nor termination of the Award or these Terms and Conditions shall, without the consent of Grantee, alter or impair any rights or obligations under any Award.

5.12 Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, the Plan or these Terms and Conditions shall be submitted by Grantee or by the Company to the Administrator. The resolution of such question or dispute by the Administrator shall be final and binding on all persons.

5.13 Notices. Notices required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail by certified mail, with postage and fees prepaid, addressed to Grantee to his address shown in the Company records, and to the Company at its principal executive office.

5.14 Severability. The invalidity or unenforceability of any paragraph or provision of these Terms and Conditions shall not affect the validity or enforceability of any other paragraph or provision, and all other provisions shall remain in full force and effect. If any provision of these Terms and Conditions is held to be excessively broad, then such provision shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law.

5.15 Certain Provisions Applicable to Grantees Employed at International Locations. The Company will assess its requirements regarding tax, social insurance and any other payroll tax (“Tax-Related Items”) withholding and reporting in connection with the Shares. These requirements may change from time to time as laws or interpretations change. Regardless of the actions of the Company in this regard, Grantee hereby acknowledges and agrees that the ultimate liability for any and all Tax-Related Items is and remains his or her responsibility and liability and that the Company makes no representations nor undertakings regarding treatment of any Tax-Related Items in connection with any aspect of the Award and does not commit to structure the terms of the grant or any aspect of the Award to reduce or eliminate Grantee’s liability regarding Tax-Related Items. In the event that the Company must withhold any Tax-Related Items in connection with the Award, Grantee agrees to make arrangements satisfactory to the Company to satisfy all withholding requirements. Grantee authorizes the Company to withhold all applicable Tax-Related Items legally due from Grantee from his or her wages or other cash compensation paid him or her by the Company and/or to cause the sale of vested Shares on Grantee’s behalf or reduce the number of vested Shares delivered to Grantee at the time the Restrictions lapse, as contemplated by Section 3.4 above, to satisfy such Tax-Related Items.

5.16 Data Protection and Privacy. The Grantee understands that the Company

may (a) collect, process, store, use and disclose Grantee's personal data, (b) make such data available to the Company's affiliates and subsidiaries, as well as to certain appropriate third parties who provide products or services to the Company (for example, human resource service providers), and (c) transmit, transfer and store such data to/on the Company's information systems which may be located outside Grantee's home country, in countries which may have different data protection and privacy laws than Participant's home country. Any such collection, processing, storage, use, disclosure, transmission or transfer shall be made only for lawful purposes, for example, managing Grantee's employment relationship with the Company and administering the Company's compensation programs. For more information, please consult the Company's applicable policies covering personal data protection and privacy, as may be in effect from time to time.

* * * * *

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

March 22, 2019

William J. Miller, Ph.D

Dear Bill:

Reference is made to the letter agreement between Veeco and you dated August 29, 2018 (the “Letter Agreement”). This letter will confirm the parties’ agreement to amend the Letter Agreement, effective as of the date hereof, as follows:

The row entitled “2019 Annual Equity Award” in Exhibit A to the Letter Agreement shall be deleted in its entirety and the following shall be substituted therefor:

2019 Annual Equity Award	\$1,500 to be granted in conjunction with 2019 annual award program (determined based upon an assumed value of the common stock of the Company of \$15.00 per share), or 100,000 shares: <ul style="list-style-type: none"> • 60% to be performance-based restricted stock units • 40% to be time-based restricted stock subject to ratable 4-year vesting
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Except as set forth above, the Letter Agreement shall continue in accordance with its terms. Executive agrees that the modification of the terms of his employment as set forth above shall not constitute Good Reason.

Please sign and return a copy of this letter to signify your agreement.

Sincerely,

/s/ Robert W. Bradshaw

Robert W. Bradshaw
 Sr. Vice President, Human Resources

ACCEPTED AND AGREED:

/s/ William J. Miller

 William J. Miller, Ph.D.

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 Phone (516) 677-0200
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 www.veeco.com

March 22, 2019

Shubham (Sam) Maheshwari

Dear Sam:

Reference is made to the letter agreement between Veeco and you dated August 29, 2018 (the “Letter Agreement”). This letter will confirm the parties’ agreement to amend the Letter Agreement, effective as of the date hereof, as follows:

The row entitled “2019 Annual Equity Award” in Exhibit A to the Letter Agreement shall be deleted in its entirety and the following shall be substituted therefor:

2019 Annual Equity Award	\$850 to be granted in conjunction with 2019 annual award program (determined based upon an assumed value of the common stock of the Company of \$15.00 per share), or 56,666 shares: <ul style="list-style-type: none"> • 60% to be performance-based restricted stock units • 40% to be time-based restricted stock subject to 4-year vesting
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Except as set forth above, the Letter Agreement shall continue in accordance with its terms. Executive agrees that the modification of the terms of his employment as set forth above shall not constitute Good Reason.

Please sign and return a copy of this letter to signify your agreement.

Sincerely,

/s/ Robert W. Bradshaw

Robert W. Bradshaw
 Sr. Vice President, Human Resources

ACCEPTED AND AGREED:

/s/ Shubham Maheshwari

 Shubham Maheshwari
