

VEECO INSTRUMENTS INC
Form 10-Q
May 09, 2012
Table of Contents

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, 2012

OR

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

For the transition period from to .

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 Number)

Terminal Drive
Plainview, New York
(Address of Principal Executive Offices)

11803
(Zip Code)

Registrant's telephone number, including area code: **(516) 677-0200**

Website: **www.veeco.com**

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x

Accelerated filer o

Non-accelerated filer o
(Do not check if a Smaller reporting company)

Smaller reporting company o

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

Edgar Filing: VEECO INSTRUMENTS INC - Form 10-Q

38,857,528 shares of common stock, \$0.01 par value per share, were outstanding as of the close of business on May 7, 2012.

Table of Contents

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 2 and 3 hereof, as well as within this Report generally. In addition, when used in this Report, the words believes, anticipates, expects, estimates, plans, intends and similar expressions 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. These risks and uncertainties include, without limitation, the following:

- Our operating results have been, and may continue to be, adversely affected by unfavorable market conditions;
- Market adoption of LED technology for general lighting could be slower than anticipated;
- 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 and our ability to adapt to fluctuating order volumes;
- The further reduction or elimination of foreign government subsidies and economic incentives may adversely affect the future order rate for our MOCVD equipment;
- Our operating results have been, and may continue to be, adversely affected by tightening credit markets;
- Our backlog is subject to customer cancellation or modification and such cancellation could result in decreased sales and increased provisions for excess and obsolete inventory and/or liabilities to our suppliers for products no longer needed;
- The failure to estimate customer demand accurately could result in excess or obsolete inventory and/or liabilities to our suppliers for products no longer needed, while manufacturing interruptions or delays could affect our ability to meet customer demand;
- The cyclical nature of the industries we serve directly affects our business;
- We rely on a limited number of suppliers, some of whom are our sole source for particular components;

Edgar Filing: VEECO INSTRUMENTS INC - Form 10-Q

- Our sales to HB LED and data storage manufacturers are highly dependent on these manufacturers' sales for consumer electronics applications, which can experience significant volatility due to seasonal and other factors, which could materially adversely impact our future results of operations;
- We are exposed to the risks of operating a global business, including the need to obtain export licenses for certain of our shipments and political risks in the countries we operate;
- The timing of our orders, shipments, and revenue recognition may cause our quarterly operating results to fluctuate significantly;
- We operate in industries characterized by rapid technological change;
- We face significant competition;
- We depend on a limited number of customers, located primarily in a limited number of regions, that operate in highly concentrated industries;
- Our sales cycle is long and unpredictable;
- Our inability to attract, retain, and motivate key employees could have a material adverse effect on our business;
- The price of our common shares may be volatile and could decline significantly;
- We are subject to foreign currency exchange risks;
- The enforcement and protection of our intellectual property rights may be expensive and could divert our limited resources;
- We may be subject to claims of intellectual property infringement by others;

- Our acquisition strategy subjects us to risks associated with evaluating and pursuing these opportunities and

Table of Contents

integrating these businesses;

- We may be required to take additional impairment charges for goodwill and indefinite-lived intangible assets or definite-lived intangible and long-lived assets;
- Changes in accounting pronouncements or taxation rules or practices may adversely affect our financial results.
- We are subject to internal control evaluations and attestation requirements of Section 404 of the Sarbanes-Oxley Act;
- We are subject to risks of non-compliance with environmental, health and safety regulations.
- We have significant operations in locations which could be materially and adversely impacted in the event of a natural disaster or other significant disruption;
- We have adopted certain measures that may have anti-takeover effects which may make an acquisition of our Company by another company more difficult; and
- The matters set forth in this Report generally, including the risk factors set forth in Part 2. Item 1A. Risk Factors.

Consequently, such forward-looking statements should be regarded solely as the Company's current plans, estimates, and beliefs. The Company does not undertake any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

Available Information

We file annual, quarterly and current reports, information statements and other information with the Securities and Exchange Commission (the SEC). The public may obtain information by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is www.sec.gov.

Internet Address

We maintain a website where additional information concerning our business and various upcoming events can be found. The address of our website is www.veeco.com. We provide a link on our website, under Investors Financial Information SEC Filings, through which investors can access our filings with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to such reports. These filings are posted to our website, as soon as reasonably practicable after we electronically file such material with the SEC.

Table of Contents

VEECO INSTRUMENTS INC.

INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements:</u>
	<u>Condensed Consolidated Statements of Income and Comprehensive Income for the Three Months Ended March 31, 2012 and 2011 (Unaudited)</u>
	5
	<u>Condensed Consolidated Balance Sheets as of March 31, 2012 (Unaudited) and December 31, 2011</u>
	6
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2012 and 2011 (Unaudited)</u>
	7
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>
	8
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	15
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	25
<u>Item 4.</u>	<u>Controls and Procedures</u>
	25
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>
	27
<u>Item 1A.</u>	<u>Risk Factors</u>
	27
<u>Item 6.</u>	<u>Exhibits</u>
	28
<u>SIGNATURES</u>	29

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Veeco Instruments Inc. and Subsidiaries****Condensed Consolidated Statements of Income****(In thousands, except per share data)****(Unaudited)**

	Three months ended March 31,	
	2012	2011
Net sales	\$ 139,909	\$ 254,676
Cost of sales	74,641	123,713
Gross profit	65,268	130,963
Operating expenses (income):		
Selling, general and administrative	19,773	22,936
Research and development	23,306	19,871
Amortization	1,215	908
Restructuring	63	
Other, net	(35)	40
Total operating expenses	44,322	43,755
Operating income	20,946	87,208
Interest (income) expense, net	(203)	1,299
Loss on extinguishment of debt		304
Income from continuing operations before income taxes	21,149	85,605
Income tax provision	4,687	27,626
Income from continuing operations	16,462	57,979
Discontinued operations:		
Loss from discontinued operations before income taxes	(81)	(8,037)
Income tax benefit	(31)	(2,700)
Loss from discontinued operations	(50)	(5,337)
Net income	\$ 16,412	\$ 52,642
Income (loss) per common share:		
Basic:		
Continuing operations	\$ 0.43	\$ 1.46
Discontinued operations		(0.14)
Income	\$ 0.43	\$ 1.32
Diluted :		
Continuing operations	\$ 0.42	\$ 1.36
Discontinued operations		(0.12)
Income	\$ 0.42	\$ 1.24

Weighted average shares outstanding:		
Basic	38,261	39,842
Diluted	38,863	42,531

Veeco Instruments Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three months ended	
	March 31,	
	2012	2011
Net income	\$ 16,412	\$ 52,642
Other comprehensive income (loss), net of tax		
Unrealized (loss) gain on available-for-sale securities	(118)	63
Less: Reclassification adjustments for gains included in net income	(10)	(37)
Net unrealized (loss) gain on available-for-sale securities	(128)	26
Foreign currency translation	(489)	471
Comprehensive income	\$ 15,795	\$ 53,139

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

Veeco Instruments Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 275,332	\$ 217,922
Short-term investments	247,826	273,591
Restricted cash	852	577
Accounts receivable, net	90,341	95,038
Inventories	103,276	113,434
Prepaid expenses and other current assets	27,948	40,756
Assets held for sale	2,341	2,341
Deferred income taxes	10,222	10,885
Total current assets	758,138	754,544
Property, plant and equipment at cost, net	91,998	86,067
Goodwill	55,828	55,828
Intangible assets, net	24,668	25,882
Other assets	13,720	13,742
Total assets	\$ 944,352	\$ 936,063
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 38,243	\$ 40,398
Accrued expenses and other current liabilities	103,219	107,656
Deferred profit	7,612	10,275
Income taxes payable	1,888	3,532
Liabilities of discontinued segment held for sale	5,359	5,359
Current portion of long-term debt	253	248
Total current liabilities	156,574	167,468
Deferred income taxes	5,023	5,029
Long-term debt	2,341	2,406
Other liabilities	436	640
Equity:		
Preferred stock, 500,000 shares authorized; no shares issued and outstanding		
Common stock; \$.01 par value; authorized 120,000,000 shares; 38,787,631 and 38,768,436 shares issued and outstanding in 2012 and 2011, respectively	436	435
Additional paid-in-capital	692,015	688,353
Retained earnings	281,729	265,317
Accumulated other comprehensive income	5,973	6,590
Less: treasury stock, at cost; 5,278,828 shares in 2012 and 2011	(200,175)	(200,175)
Total equity	779,978	760,520
Total liabilities and equity	\$ 944,352	\$ 936,063

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

Veeco Instruments Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three months ended March 31,	
	2012	2011
Operating activities		
Net income	\$ 16,412	\$ 52,642
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,715	2,661
Amortization of debt discount		769
Non-cash equity-based compensation	3,130	2,800
Loss on extinguishment of debt		304
Deferred income taxes	674	7,988
Excess tax benefits from stock option exercises	(91)	(2,188)
Other, net	14	42
Non-cash items from discontinued operations		1,041
Changes in operating assets and liabilities:		
Accounts receivable	5,079	55,888
Inventories	10,599	(12,843)
Accounts payable	(2,179)	6,478
Accrued expenses, deferred profit and other current liabilities	(7,169)	(11,142)
Income taxes payable	(1,556)	(32,743)
Other, net	13,282	3,190
Net cash provided by operating activities	41,910	74,887
Investing activities		
Capital expenditures	(8,455)	(9,402)
Transfers to restricted cash	(275)	
Proceeds from sales of short-term investments	43,569	122,148
Payments for purchases of short-term investments	(18,503)	(154,339)
Other		1
Net cash provided by (used in) investing activities	16,336	(41,592)
Financing activities		
Proceeds from stock option exercises	537	2,951
Restricted stock tax withholdings	(95)	(13)
Excess tax benefits from stock option exercises	91	2,188
Repayments of long-term debt	(60)	(7,514)
Other		6
Net cash provided by (used in) financing activities	473	(2,382)
Effect of exchange rate changes on cash and cash equivalents	(1,309)	792
Net increase in cash and cash equivalents	57,410	31,705
Cash and cash equivalents at beginning of year	217,922	245,132
Cash and cash equivalents at end of year	\$ 275,332	\$ 276,837

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**Veeco Instruments Inc. and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited)****Note 1 Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of Veeco Instruments Inc. (together with its consolidated subsidiaries, Veeco, the Company or we) have been prepared in accordance with accounting principles generally accepted in the United States (U.S.) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation (consisting of normal recurring accruals) have been included. Operating results for the three months ended March 31, 2012, are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011.

Consistent with prior years, we report interim quarters, other than fourth quarters which always end on December 31, on a 13-week basis ending on the last Sunday of each period. The interim quarter ends are determined at the beginning of each year based on the 13-week quarters. The 2012 interim quarter ends are April 1, July 1 and September 30. The 2011 interim quarter ends were April 3, July 3 and October 2. For ease of reference, we report these interim quarter ends as March 31, June 30 and September 30 in our interim condensed consolidated financial statements.

Income Per Common Share

The following table sets forth the reconciliation of basic weighted average shares outstanding and diluted weighted average shares outstanding (in thousands):

	Three months ended	
	March 31,	
	2012	2011
Basic weighted average shares outstanding	38,261	39,842
Dilutive effect of stock options and restricted stock	602	1,149
Dilutive effect of convertible notes		1,540
Diluted weighted average shares outstanding	38,863	42,531

Basic income per common share is computed using the weighted average number of common shares outstanding during the period. Diluted income per common share is computed using the weighted average number of common shares and common equivalent shares outstanding during the period. For the three months ended March 31, 2012 and 2011, no shares were excluded from the computation of diluted weighted average shares outstanding.

Edgar Filing: VEECO INSTRUMENTS INC - Form 10-Q

During the second quarter of 2011, the entire outstanding principal balance of our convertible debt was converted, with the principal amount paid in cash and the conversion premium paid in shares. The convertible notes met the criteria for determining the effect of the assumed conversion using the treasury stock method of accounting, since we had settled the principal amount of the notes in cash. Using the treasury stock method, it was determined that the impact of the assumed conversion for the three months ended March 31, 2011, had a dilutive effect of 1.5 million common equivalent shares.

Derivative Financial Instruments

We use derivative financial instruments to minimize the impact of foreign exchange rate changes on earnings and cash flows. In the normal course of business, our operations are exposed to fluctuations in foreign exchange rates. In order to reduce the effect of fluctuating foreign currencies on short-term foreign currency-denominated intercompany transactions and other known foreign currency exposures, we enter into monthly forward contracts. We do not use derivative financial instruments for trading or speculative purposes. Our forward contracts are not expected to subject us to material risks due to exchange rate movements because gains and losses on these contracts are intended to offset exchange gains and losses on the underlying assets and liabilities. The forward contracts are marked-to-market through

Table of Contents

earnings. We conduct our derivative transactions with highly rated financial institutions in an effort to mitigate any material credit risk.

The aggregate foreign currency exchange loss included in the accompanying Condensed Consolidated Statements of Income was approximately (\$0.1) million and (\$0.3) million during the three months ended March 31, 2012 and 2011, respectively. Included in the aggregate foreign currency exchange loss were gains related to forward contracts of \$0.1 million and \$0.5 million during the three months ended March 31, 2012 and 2011, respectively. These amounts were recognized and are included in Other, net in the accompanying Condensed Consolidated Statements of Income.

As of March 31, 2012, approximately \$0.1 million of gains related to forward contracts were included in prepaid expenses and other current assets and were subsequently received in April 2012. As of December 31, 2011, there were no gains or losses related to forward contracts included in prepaid expenses and other current assets or accrued expenses and other current liabilities. Monthly forward contracts with a notional amount of \$3.3 million, entered into in March 2012 for April 2012, will be settled in April 2012.

The weighted average notional amount of derivative contracts outstanding during the three months ended March 31, 2012 was approximately \$2.4 million.

Note 2 Discontinued Operations

CIGS Solar Systems Business

On July 28, 2011, we announced a plan to discontinue our CIGS solar systems business. The action, which was completed on September 27, 2011, was in response to the dramatically reduced cost of mainstream solar technologies driven by significant reductions in prices, large industry investment, a lower than expected end market acceptance for CIGS technology and technical barriers in scaling CIGS. This business was previously included as part of our LED & Solar segment. Accordingly, the results of operations for the CIGS solar systems business have been recorded as discontinued operations in the accompanying condensed consolidated statements of income for all periods presented.

Metrology

On August 15, 2010, we signed a definitive agreement to sell our Metrology business to Bruker Corporation (Bruker) comprising our entire Metrology reporting segment for \$229.4 million. Accordingly, Metrology's operating results were accounted for as discontinued operations and the related assets and liabilities were classified as held for sale. The sales transaction closed on October 7, 2010, except for assets located in China due to local restrictions. Total proceeds, which included a working capital adjustment of \$1 million, totaled \$230.4 million of which \$7.2 million relates to the net assets in China. The Company recorded a liability to defer the gain of \$5.4 million on disposal related to the assets in China.

Edgar Filing: VEECO INSTRUMENTS INC - Form 10-Q

Summary information related to discontinued operations is as follows (*in thousands*):

	Three months ended March 31, 2012			Three months ended March 31, 2011		
	Solar Systems	Metrology	Total	Solar Systems	Metrology	Total
Net sales	\$	\$	\$	\$	\$	\$
Cost of sales				1,631		1,631
Gross profit				(1,631)		(1,631)
Total operating expenses		81	81	5,908	498	6,406
Operating loss	\$	\$ (81)	\$ (81)	\$ (7,539)	\$ (498)	\$ (8,037)
Net loss from discontinued operations, net of tax	\$	\$ (50)	\$ (50)	\$ (4,896)	\$ (441)	\$ (5,337)

Liabilities of discontinued segment held for sale, totaling \$5.4 million, as of March 31, 2012 and December 31, 2011, consist of the deferred gain related to the net assets of the former Metrology business in China.

Table of Contents**Note 3 Equity***Equity-based Compensation*

Equity-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over each employee's requisite service period. The following compensation expense was included in the Condensed Consolidated Statements of Income for the three months ended March 31, 2012 and 2011 (*in thousands*):

	Three months ended March 31,			
	2012		2011	
Equity-based compensation expense	\$	3,130	\$	2,800

As a result of the discontinuance of our CIGS solar systems business, equity-based compensation expense related to the business totaling \$0.3 million has been classified as discontinued operations in determining the Condensed Consolidated Statements of Income for the three months ended March 31, 2011.

As of March 31, 2012, the total unrecognized compensation costs related to nonvested stock and stock option awards was \$13.8 million and \$10.5 million, respectively. The related weighted average period over which we expect that such unrecognized compensation costs will be recognized is approximately 2.9 years for nonvested stock awards and 1.7 years for option awards.

Stock Option and Restricted Stock Activity

A summary of our restricted stock awards including restricted stock units for the three months ended March 31, 2012, is presented below:

	Shares (000 s)		Weighted- Average Grant-Date Fair Value
Nonvested at December 31, 2011	618	\$	33.61
Granted	9		25.87
Vested	(10)		30.88
Forfeited (including cancelled awards)	(25)		31.54
Nonvested at March 31, 2012	592	\$	33.63

A summary of our stock option awards for the three months ended March 31, 2012, is presented below:

	Shares (000s)		Weighted- Average Exercise Price		Aggregate Intrinsic Value (000s)	Weighted- Average Remaining Contractual Life (in years)
Outstanding at December 31, 2011	2,106	\$	25.58			
Granted	10		23.58			
Exercised	(38)		14.11			
Forfeited (including cancelled options)	(40)		29.42			
Outstanding at March 31, 2012	2,038	\$	25.71	\$	16,662	5.8
Options exercisable at March 31, 2012	967	\$	18.47	\$	10,841	4.3

Treasury Stock

On August 24, 2010, our Board of Directors authorized the repurchase of up to \$200 million of our common

Table of Contents

stock. The Company had no share repurchase activity for the three months ended March 31, 2011. All funds for this repurchase program were exhausted as of August 19, 2011. Repurchases were made from time to time on the open market in accordance with applicable federal securities laws.

Note 4 Balance Sheet Information*Short-term Investments*

Available-for-sale securities consist of the following (*in thousands*):

	March 31, 2012			
	Amortized Cost	Gains in Accumulated Other Comprehensive Income	Losses in Accumulated Other Comprehensive Income	Estimated Fair Value
Government Agency Securities	\$ 54,782	\$ 44	\$	\$ 54,826
FDIC insured corporate bonds	106,331	45		106,376
Treasury bills	86,626		(2)	86,624
Total available-for-sale securities	\$ 247,739	\$ 89	\$ (2)	\$ 247,826

	December 31, 2011			
	Amortized Cost	Gains in Accumulated Other Comprehensive Income	Losses in Accumulated Other Comprehensive Income	Estimated Fair Value
Government Agency Securities	\$ 88,585	\$ 119	\$	\$ 88,704
FDIC insured corporate bonds	114,640	56		114,696
Treasury bills	70,147	44		70,191
Total available-for-sale securities	\$ 273,372	\$ 219	\$	\$ 273,591

During the three months ended March 31, 2012, available-for-sale securities were sold for total proceeds of \$43.6 million. The gross realized gains on these sales were minimal for the three months ended March 31, 2012. For purpose of determining gross realized gains, the cost of securities sold is based on specific identification. Net unrealized holding losses on available-for-sale securities of \$0.1 million for the three months ended March 31, 2012, have been included in accumulated other comprehensive income. During the three months ended March 31, 2011, available-for-sale securities were sold for total proceeds of \$122.1 million. The gross realized gains on these sales were minimal for the three months ended March 31, 2011. Net unrealized holding gains on available-for-sale securities of less than \$0.1 million for the three months ended March 31, 2011, have been included in accumulated other comprehensive income.

Contractual maturities of available-for-sale debt securities at March 31, 2012, are as follows (*in thousands*):

	Estimated Fair Value
Due in one year or less	\$ 33,272
Due in 1 - 2 years	214,554
Total investments in debt securities	\$ 247,826

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Table of Contents*Restricted Cash*

As of March 31, 2012 and December 31, 2011, restricted cash consisted of \$0.9 million and \$0.6 million, respectively, which serves as collateral for bank guarantees that provide financial assurance that the Company will fulfill certain customer obligations. This cash is held in custody by the issuing bank, and is restricted as to withdrawal or use while the related bank guarantees are outstanding.

Accounts Receivable, net

Accounts receivable are shown net of the allowance for doubtful accounts of \$0.5 million as of March 31, 2012 and December 31, 2011.

Inventories

Inventories are stated at the lower of cost (principally first-in, first-out) or market. Inventories consist of (*in thousands*):

	March 31, 2012		December 31, 2011
Raw materials	\$ 60,786	\$	57,169
Work in process	25,714		20,118
Finished goods	16,776		36,147
	\$ 103,276	\$	113,434

Accrued Warranty

We estimate the costs that may be incurred under the warranty we provide and record a liability in the amount of such costs at the time the related revenue is recognized. Factors that affect our warranty liability include product failure rates, material usage and labor costs incurred in correcting product failures during the warranty period. We periodically assess the adequacy of our recognized warranty liability and adjust the amount as necessary. Changes in our warranty liability during the period are as follows (*in thousands*):

	2012		March 31, 2011
Balance as of the beginning of period	\$ 9,778	\$	9,238
Warranties issued during the period	1,007		3,014
Settlements made during the period	(1,951)		(2,121)
Balance as of the end of period	\$ 8,834	\$	10,131

Note 5 Segment Information

We manage the business, review operating results and assess performance, as well as allocate resources, based upon two separate reporting segments that reflect the market focus of each business. The Light Emitting Diode (LED) & Solar segment consists of metal organic chemical vapor deposition (MOCVD) systems, molecular beam epitaxy (MBE) systems and thermal deposition sources. These systems are primarily sold to customers in the high-brightness LED (HB LED) and solar industries, as well as to scientific research customers. This segment has manufacturing, product development and marketing sites in Somerset, New Jersey, Poughkeepsie, New York and St. Paul, Minnesota. The Data Storage segment consists of the ion beam etch, ion beam deposition, diamond-like carbon, physical vapor deposition and dicing and slicing products sold primarily to customers in the data storage industry. This segment has manufacturing, product development and marketing sites in Plainview, New York, Camarillo, California and Ft. Collins, Colorado.

We evaluate the performance of our reportable segments based on income (loss) from continuing operations before interest, income taxes, amortization and certain items (Segment profit (loss)), which is the primary indicator used to plan and forecast future periods. The presentation of this financial measure facilitates meaningful comparison with prior periods, as management believes Segment profit (loss) reports baseline performance and thus provides useful information. Certain items include restructuring credits, equity-based compensation expense and loss on extinguishment of debt. The accounting policies of the reportable segments are the same as those described in the

Table of Contents

summary of critical accounting policies.

The following tables present certain data pertaining to our reportable product segments and a reconciliation of segment profit (loss) to income (loss) from continuing operations before income taxes for the three months ended March 31, 2012 and 2011, respectively, and goodwill and total assets as of March 31, 2012 and December 31, 2011 (*in thousands*):

	LED & Solar	Data Storage	Unallocated Corporate Amount	Total
Three months ended March 31, 2012				
Net sales	\$ 95,574	\$ 44,335	\$	\$ 139,909
Segment profit (loss)	\$ 17,486	\$ 8,953	\$ (1,085)	\$ 25,354
Interest, net			(203)	(203)
Amortization	863	352		1,215
Equity-based compensation	1,006	411	1,713	3,130
Restructuring	58	5		63
Income (loss) from continuing operations before income taxes	\$ 15,559	\$ 8,185	\$ (2,595)	\$ 21,149
Three months ended March 31, 2011				
Net sales	\$ 214,698	\$ 39,978	\$	\$ 254,676
Segment profit (loss)	\$ 80,977	\$ 12,231	\$ (2,292)	\$ 90,916
Interest, net			1,299	1,299
Amortization	487	363	58	908
Equity-based compensation	679	308	1,813	2,800
Loss on extinguishment of debt			304	304
Income (loss) from continuing operations before income taxes	\$ 79,811	\$ 11,560	\$ (5,766)	\$ 85,605
As of March 31, 2012				
Goodwill	\$ 55,828	\$	\$	\$ 55,828
Total assets	\$ 288,835	\$ 73,450	\$ 582,067	\$ 944,352
As of December 31, 2011				
Goodwill	\$ 55,828	\$	\$	\$ 55,828
Total assets	\$ 319,457	\$ 57,203	\$ 559,403	\$ 936,063

As of March 31, 2012 and December 31, 2011 corporate total assets were comprised principally of cash and cash equivalents and short-term investments.

Note 6 Debt*Mortgage Payable*

We have a mortgage payable, with approximately \$2.6 million outstanding as of March 31, 2012. The mortgage accrues interest at an annual rate of 7.91%, and the final payment is due on January 1, 2020. The fair value of the mortgage as of March 31, 2012 was approximately \$2.8 million.

Convertible Notes

During the first quarter of 2011, at the option of the holders, \$7.5 million of our convertible notes were tendered for conversion at a price of \$45.95 per share in a net share settlement. We paid the principal amount of \$7.5 million in cash and issued 111,318 shares of our common stock. We recorded a loss on extinguishment totaling \$0.3 million related to these transactions.

During the second quarter of 2011, we issued a notice of redemption on the remaining outstanding principal balance of notes outstanding. As a result, at the option of the holders, the notes were tendered for conversion at a price of \$50.59 per share, calculated as defined in the indenture relating to the notes, in a net share settlement. As a result, we paid the principal amount of \$98.1 million in cash and issued 1,660,095 shares of our common stock. We recorded a loss on extinguishment totaling \$3.0 million related to these transactions.

Table of Contents**Note 7 Fair Value Measurements**

We have categorized our assets and liabilities recorded at fair value based upon the fair value hierarchy. The levels of fair value hierarchy are as follows:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access.
- Level 2 inputs utilize other-than-quoted prices that are observable, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs are unobservable and are typically based on our own assumptions, including situations where there is little, if any, market activity.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, we categorize such assets or liabilities based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset.

Both observable and unobservable inputs may be used to determine the fair value of positions that are classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category presented below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in historical company data) inputs.

The major categories of assets and liabilities measured on a recurring basis, at fair value, as of March 31, 2012 and December 31, 2011, are as follows (*in millions*):

	March 31, 2012			
	Level 1	Level 2	Level 3	Total
Treasury bills	\$ 86.6	\$ 51.0	\$	\$ 137.6
FDIC insured corporate bonds	106.4			106.4
Government Agency Securities	54.8	68.0		122.8
Derivative instrument		0.1		0.1
Total	\$ 247.8	\$ 119.1	\$	\$ 366.9

	December 31, 2011			Total
	Level 1	Level 2	Level 3	

Edgar Filing: VEECO INSTRUMENTS INC - Form 10-Q

Treasury bills	\$	70.2	\$	20.0	\$	\$	90.2
FDIC insured corporate bonds		114.8					114.8
Government Agency Securities		88.6		81.2			169.8
Money market instruments				0.2			0.2
Total	\$	273.6	\$	101.4	\$	\$	375.0

Government agency securities and treasury bills that are classified as cash equivalents are carried at cost, which approximates market value. Accordingly, no gains or losses (realized/unrealized) have been incurred for cash equivalents. All investments classified as available-for-sale contain quoted prices in active markets.

Derivative instruments include foreign currency forward contracts to hedge certain foreign currency transactions. Derivative instruments are valued using standard calculations/models that are primarily based on observable inputs, including foreign currency exchange rates, volatilities and interest rates.

The major categories of assets and liabilities measured on a nonrecurring basis, at fair value, as of March 31, 2012 and December 31, 2011, are as follows (*in millions*):

	March 31, 2012				
	Level 1	Level 2	Level 3		Total
Property, plant and equipment, net	\$	\$	\$	92.0	\$ 92.0
Goodwill				55.8	55.8
Intangible assets, net				24.7	24.7
Total	\$	\$	\$	172.5	\$ 172.5

	December 31, 2011				
	Level 1	Level 2	Level 3		Total
Property, plant and equipment, net	\$	\$	\$	86.1	\$ 86.1
Goodwill				55.8	55.8
Intangible assets, net				25.9	25.9
Total	\$	\$	\$	167.8	\$ 167.8

Table of Contents

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

Executive Summary

Veeco Instruments Inc. (together with its consolidated subsidiaries, Veeco, the Company or we) creates Process Equipment solutions that enable technologies for a cleaner and more productive world. We design, manufacture and market equipment primarily sold to make light emitting diodes (LEDs) and hard-disk drives, as well as for emerging applications such as concentrator photovoltaics, power semiconductors, wireless components, microelectromechanical systems (MEMS), and other next-generation devices.

Veeco focuses on developing highly differentiated, best-in-class Process Equipment products for critical performance steps. Our products feature leading technology, low cost-of-ownership and high throughput, offering a time-to-market advantage for our customers around the globe. Core competencies in advanced thin film technologies, over 200 patents and decades of specialized process know-how helps us to stay at the forefront of these demanding industries.

Veeco's LED & Solar segment designs and manufactures metal organic chemical vapor deposition (MOCVD) and molecular beam epitaxy (MBE) systems and components sold to manufacturers of LEDs, wireless devices, power semiconductors, and concentrator photovoltaics, as well as for R&D applications. In 2011, we discontinued the sale of our products related to Copper, Indium, Gallium, Selenide (CIGS) solar systems technology.

Veeco's Data Storage segment designs and manufactures the critical technologies used to create thin film magnetic heads (TFMHs) that read and write data on hard disk drives. These technologies include ion beam etch (IBE), ion beam deposition (IBD), diamond-like carbon (DLC), physical vapor deposition (PVD), chemical vapor deposition (CVD), and slicing, dicing and lapping systems. These technologies are sold to customers in hard drive, MEMS, optical coatings and other markets.

Veeco's approximately 900 employees support our customers through product and process development, training, manufacturing, and sales and service sites in the U.S., Korea, Taiwan, China, Singapore, Japan, Europe and other locations.

Highlights of the First Quarter of 2012

- Revenue was \$139.9 million, a 45% decrease from the first quarter of 2011.
- Orders were \$113.4 million, a 51% decrease from the first quarter of 2011.

Edgar Filing: VEECO INSTRUMENTS INC - Form 10-Q

- Net income from continuing operations was \$16.5 million, or \$0.42 per share, compared to \$58.0 million, or \$1.36 per share, in the first quarter of 2011.

- Gross margins were 46.7%, compared to 51.4% in the first quarter of 2011.

Second Quarter and Full Year 2012 Outlook

Veeco's second quarter 2012 revenue is currently forecasted to be between \$120 million and \$145 million. Earnings per share are currently forecasted to be between \$0.20 to \$0.40 on a GAAP basis.

We are experiencing growth in our Data Storage and MBE businesses, as well as in Services across all of our technologies. Veeco is focused on keeping our infrastructure lean and discretionary costs low, while at the same time developing next-generation technology solutions to drive future growth. We believe we are on track to achieve projected 2012 revenue of \$500-600 million.

While first quarter 2012 MOCVD bookings grew modestly on a sequential basis, we have not yet seen a clear inflection in customer buying patterns. LED customers remain cautious about capacity investment plans and it remains unclear when the MOCVD market will recover. Some positive signs are emerging, including increasing tool utilization rates in Korea, Taiwan and China, and continuing customer quoting activity.

Overall, we are seeing positive trends in LED lighting – lower prices, more LED lamp products, and heightened consumer awareness. LED manufacturers are focused on how to position their businesses for growth as LEDs become the dominant lighting technology.

Table of Contents

Our outlook discussion above 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. Our expectations regarding future results are subject to risks and uncertainties. Our actual results may differ materially from those anticipated. Risks associated with our ability to achieve these results are set forth in Items 1, 1A, 3, 7 and 7A in our annual report on Form 10-K for the year ended December 31, 2011, as well as any modifications or revisions to risk factors contained in our subsequent filings with the SEC.

You should not place undue reliance on any forward-looking statements, which speak only as of the dates they are made.

Table of Contents**Results of Operations:****Three Months Ended March 31, 2012 and 2011**

Consistent with prior years, we report interim quarters, other than fourth quarters which always end on December 31, on a 13-week basis ending on the last Sunday within such period. The interim quarter ends are determined at the beginning of each year based on the 13-week quarters. The 2012 interim quarter ends are April 1, July 1 and September 30. The 2011 interim quarter ends were April 3, July 3 and October 2. For ease of reference, we report these interim quarter ends as March 31, June 30 and September 30 in our interim condensed consolidated financial statements.

The following table shows our Condensed Consolidated Statements of Income, percentages of sales, and comparisons between the three months ended March 31, 2012 and 2011 (*dollars in thousands*):

Net sales	\$	139,909	100.0%	\$	254,676	100.0%	\$	(114,767)	(45.1)%
Cost of sales		74,641	53.3		123,713	48.6		(49,072)	(39.7)
Gross profit		65,268	46.7		130,963	51.4		(65,695)	(50.2)
Operating expenses (income):									
Selling, general and administrative		19,773	14.1		22,936	9.0		(3,163)	(13.8)
Research and development		23,306	16.7		19,871	7.8		3,435	17.3
Amortization		1,215	0.9		908	0.4		307	33.8
Restructuring		63	0.0					63	*
Other, net		(35)	(0.0)		40	0.0		(75)	*
Total operating expenses		44,322	31.7		43,755	17.2		567	1.3
Operating income		20,946	15.0		87,208	34.2		(66,262)	(76.0)
Interest (income) expense, net		(203)	(0.1)		1,299	0.5		(1,502)	*
Loss on extinguishment of debt					304	0.1		(304)	(100.0)
Income from continuing operations before income taxes		21,149	15.1		85,605	33.6		(64,456)	(75.3)
Income tax provision		4,687	3.4		27,626	10.8		(22,939)	(83.0)
Income from continuing operations		16,462	11.8		57,979	22.8		(41,517)	(71.6)
Discontinued operations:									
Loss from discontinued operations before income taxes		(81)	(0.1)		(8,037)	(3.2)		7,956	(99.0)
Income tax benefit		(31)	(0.0)		(2,700)	(1.1)		2,669	(98.9)
		(50)	(0.0)		(5,337)	(2.1)		5,287	(99.1)

Loss from discontinued operations

Net income	\$	16,412	11.7%	\$	52,642	20.7%	\$	(36,230)	(68.8)%
------------	----	--------	-------	----	--------	-------	----	----------	---------

* Not Meaningful

Net Sales and Orders

Net sales of \$139.9 million for the three months ended March 31, 2012 were down 45.1% compared to the prior year period. The following is an analysis of net sales by segment and by region (*dollars in thousands*):

	Sales		Dollar and Percentage Change Period to Period	
	Three months ended March 31, 2012	2011		
Segment Analysis				
LED & Solar	\$ 95,574	\$ 214,698	\$ (119,124)	(55.5)%
Data Storage	44,335	39,978	4,357	10.9
Total	\$ 139,909	\$ 254,676	\$ (114,767)	(45.1)%
Regional Analysis				
Americas	\$ 20,216	\$ 29,254	\$ (9,038)	(30.9)%
Europe, Middle East and Africa (EMEA)	5,231	15,449	(10,218)	(66.1)
Asia Pacific (APAC)	114,462	209,973	(95,511)	(45.5)
Total	\$ 139,909	\$ 254,676	\$ (114,767)	(45.1)%

By segment, LED & Solar sales decreased 55.5% in 2012 primarily due to an overall decrease in reactor shipments as compared the prior year period (65.1% decrease in MOCVD reactor shipments from the prior year period) as a result of industry overcapacity in MOCVD following over two years of strong customer investments. Data Storage sales increased 10.9%, primarily as a result of an increase in shipments to data storage customers to

Table of Contents

replace equipment destroyed by flooding in customer facilities in Thailand. LED & Solar sales represented 68.3% of total sales for the three months ended March 31, 2012, down from 84.3% in the prior year. Data Storage sales accounted for 31.7% of net sales, up from 15.7% in the prior year period. By region, net sales decreased by 45.5% in Asia Pacific, primarily due to the decrease in MOCVD sales in China. Net sales in the Americas and EMEA also decreased 30.9% and 66.1%, respectively. We believe that there will continue to be period-to-period variations in the geographic distribution of sales.

Orders decreased 50.9% compared to the prior year period, primarily attributable to a 57.3% decrease in LED & Solar orders that was principally driven by a decline in MOCVD orders from the prior year period due to industry overcapacity. This created an oversupply in the industry that slowed orders dramatically in the second half of 2011 which continued into the first quarter of 2012 after hitting a peak in second quarter of 2011. Data Storage orders decreased 11.8% as customer consolidation activity temporarily stalled capacity investments.

Our book-to-bill ratio for the three months ended March 31, 2012, which is calculated by dividing orders received in a given time period by revenue recognized in the same time period, was 0.81 to 1. Our backlog as of March 31, 2012 was \$305.3 million, compared to \$332.9 million as of December 31, 2011. During the three months ended March 31, 2012, we experienced backlog adjustments of approximately \$1.1 million, related to order adjustments. For certain sales arrangements we require a deposit for a portion of the sales price before shipment. As of March 31, 2012, we had customer deposits and advanced billings of \$57.7 million.

Gross Profit

Gross profit, as a percentage of net sales, for the three months ended March 31, 2012, was 46.7%, compared to 51.4% in the prior year period. LED & Solar gross margins decreased to 47.3% from 51.0% primarily resulting from decreased sales volume, partially offset by cost reductions. Data Storage gross margins decreased to 45.3% from 53.7%, driven primarily by unfavorable product mix.

Operating Expenses

Selling, general and administrative expenses decreased by \$3.2 million or 13.8%, from the prior year period primarily as a result of cost controls put in place in response to weakening market conditions. Selling, general and administrative expenses were 14.1% of net sales, compared with 9.0% of net sales in the prior year period.

Research and development expense increased \$3.4 million or 17.3% from the prior year period, primarily due to continued product development in areas of high-growth for end market opportunities in our LED & Solar segment. As a percentage of net sales, research and development expense increased to 16.7% from 7.8% in the prior year period.

Income Taxes

Edgar Filing: VEECO INSTRUMENTS INC - Form 10-Q

Our provision for income taxes consists of U.S. federal, state and local and foreign taxes in amounts necessary to align our quarter-to-date tax provision with the effective tax rate we expect to achieve for the full year.

For the three months ended March 31, 2012, the Company had an effective tax rate of 22.2% and recorded a provision for income taxes of \$4.7 million from continuing operations. The effective tax rate was lower than the statutory tax rate primarily due to tax rate differences in the foreign jurisdictions in which the Company operates and an income tax benefit related to the manufacturer's deduction under IRC Section 199. The reduction in the effective tax rate in 2012 compared to 2011 was due to a higher portion of earnings being generated in foreign jurisdictions.

For the three months ended March 31, 2011, the Company had an effective tax rate of 32.3% and recorded a provision for income taxes of \$27.6 million from continuing operations. The effective tax rate was lower than the statutory tax rate primarily due to tax rate differences in the foreign jurisdictions in which the Company operates, the generation of research and development tax credits and an income tax benefit related to the manufacturer's deduction under IRC Section 199.

Discontinued Operations

Discontinued operations represent the results of the operations of our disposed CIGS solar systems business which was discontinued on September 27, 2011 as well as our Metrology business, which was disposed of in 2010.

Table of Contents**Liquidity and Capital Resources**

Historically, our principal capital requirements have included the funding of acquisitions, capital expenditures and repayment of debt. We traditionally have generated cash from operations and stock issuances. Our ability to generate sufficient cash flows from operations is dependent on the continued demand for our products and services. A summary of the cash flow activity for the three months ended March 31, 2012 and 2011, respectively, is as follows (*in thousands*):

	Three months ended	
	March 31,	
	2012	2011
Net income	\$ 16,412	\$ 52,642
Net cash provided by operating activities	\$ 41,910	\$ 74,887
Net cash provided by (used in) investing activities	16,336	(41,592)
Net cash provided by (used in) financing activities	473	(2,382)
Effect of exchange rate changes on cash and cash equivalents	(1,309)	792
Net increase in cash and cash equivalents	57,410	31,705
Cash and cash equivalents at beginning of period	217,922	245,132
Cash and cash equivalents at end of period	\$ 275,332	\$ 276,837

Cash provided by operations for the three months ended March 31, 2012 was \$41.9 million compared to \$74.9 million during the three months ended March 31, 2011. The \$41.9 million cash provided by operations in the current quarter included \$7.4 million in adjustments to the \$16.4 million of net income for non-cash items. Net cash provided by operations was favorably impacted by a net \$18.1 million of changes in operating assets and liabilities, which included a \$10.6 million decrease in inventory, a \$5.1 million decrease in accounts receivable and a \$13.3 million decrease in other assets, partially offset by a \$7.1 million decrease in accrued expenses, a \$2.2 million decrease in accounts payable and a \$1.6 million decrease in income taxes payable. The \$74.9 million cash provided by operations in 2011 included \$13.4 million in adjustments to the \$52.6 million of net income for non-cash items. Net cash provided by operations was favorably impacted by a net \$8.9 million of changes in operating assets and liabilities.

Cash provided by investing activities of \$16.3 million during the three months ended March 31, 2012, consisted primarily of \$43.6 million in proceeds from the sale of short-term investments, partially offset by \$18.5 million of purchases of short-term investments, \$8.5 million of capital expenditures and \$0.3 million in transfers to restricted cash. Cash used in investing activities of \$41.6 million for the three months ended March 31, 2011, consisted primarily of \$154.3 million of purchases of short-term investments and \$9.4 million of capital expenditures, partially offset by proceeds of \$122.1 million from the sale of short-term investments.

Cash provided by financing activities of \$0.5 million during the three months ended March 31, 2012, consisted primarily of \$0.5 million of proceeds from stock option exercises and \$0.1 million excess tax benefits from stock option exercises, partially offset by \$0.1 million of restricted stock tax withholdings. Cash used in financing activities of \$2.4 million for the three months ended March 31, 2011, consisted of \$7.5 million of repayments of long-term debt, partially offset by \$2.9 million of cash proceeds from stock option exercises and \$2.2 million excess tax benefits from stock options exercises.

As of March 31, 2012, restricted cash consists of \$0.9 million which serves as collateral for bank guarantees that provide financial assurance that the Company will fulfill certain customer obligations. This cash is held in custody by the issuing bank, and is restricted as to withdrawal or use while the related bank guarantees are outstanding.

We believe that existing cash balances together with cash generated from operations will be sufficient to meet our projected working capital and other cash flow requirements for the next twelve months, as well as our contractual obligations.

Contractual Obligations

There have been no significant changes to our Contractual Obligations table, except for purchase commitments, in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2011 Annual Report on Form 10-K. The purchase commitments outstanding at March 31, 2012 were \$77.9 million.

Table of Contents

Application of Critical Accounting Policies

General: Our discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management continually monitors and evaluates its estimates and judgments, including those related to bad debts, inventories, intangible and other long-lived assets, income taxes, warranty obligations, restructuring costs, and contingent liabilities, including potential litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We consider certain accounting policies related to revenue recognition, short-term investments, the valuation of inventories, the impairment of goodwill and indefinite-lived intangible assets, the impairment of long-lived assets, fair value measurements, warranty costs, income taxes and equity-based compensation to be critical policies due to the estimation processes involved in each.

Revenue Recognition: We recognize revenue based on current accounting guidance provided by the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB). Our revenue transactions include sales of products under multiple-element arrangements. Revenue under these arrangements is allocated to each element based upon its estimated selling price.

We consider a broad array of facts and circumstances when evaluating each of our sales arrangements in determining when to recognize revenue, including specific terms of the purchase order, contractual obligations to the customer, the complexity of the customer's post-delivery acceptance provisions, customer creditworthiness and the installation process. Management also considers the party responsible for installation, whether there are process specification requirements which need to be demonstrated before final sign off and payment, whether Veeco can replicate the field testing conditions and procedures in our factory and our past experience with demonstrating and installing a particular system. Sales arrangements are reviewed on a case-by-case basis; however, the Company's revenue recognition protocol for established systems is as described below.

System revenue is generally recognized upon shipment or delivery provided title and risk of loss has passed to the customer, evidence of an arrangement exists, prices are contractually fixed or determinable, collectability is reasonably assured and there are no material uncertainties regarding customer acceptance. Revenue from installation services is recognized at the time acceptance is received from the customer. If the arrangement does not meet all the above criteria, the entire amount of the sales arrangement is deferred until the criteria have been met or all elements have been delivered to the customer or been completed.

For those transactions on which we recognize systems revenue, either at the time of shipment or delivery, our sales and contractual arrangements with customers do not contain provisions for right of return or forfeiture, refund or other purchase price concessions. In the rare instances where such provisions are included, the Company defers all revenue until customer acceptance is achieved. In cases where products are sold with a retention of 10% to 20%, which is typically payable by the customer when installation and field acceptance provisions are completed, the customer has the right to withhold this payment until such provisions have been achieved. We defer the greater of the retention amount or the estimated selling price of the installation on systems that we recognize revenue at the time of shipment or delivery.

For new products, new applications of existing products or for products with substantive customer acceptance provisions where performance cannot be fully assessed prior to meeting agreed upon specifications at the customer site, revenue is deferred as deferred profit in the accompanying Condensed Consolidated Balance Sheets and fully recognized upon completion of installation and receipt of final customer

acceptance.

Our systems are principally sold to manufacturers in the HB-LED, the data storage, solar and other industries. Sales arrangements for these systems generally include customer acceptance criteria based upon Veeco and/or customer specifications. Prior to shipment a customer source inspection of the system is performed in our facility or test data is sent to the customer documenting that the system is functioning within agreed upon specifications. Such source inspection or test data replicates the acceptance testing that will be performed at the customer's site prior to final acceptance of the system. Customer acceptance provisions include reassembly and installation of the system at the customer site, which includes performing functional or mechanical test procedures (i.e. hardware checks, leak testing, gas flow monitoring and quality control checks of the basic features of the

Table of Contents

product). Additionally, a material demonstration process may be performed to validate the functionality of the product. Upon meeting the agreed upon specifications the customer approves final acceptance of the product.

Veeco generally is required to install these products and demonstrate compliance with acceptance tests at the customer's facility. Such installations typically are not considered complex and the installation process is not deemed essential to the functionality of the equipment because it does not involve significant changes to the features or capabilities of the equipment or involve building complex interfaces or connections. We have a demonstrated history of completing such installations in a timely, consistent manner and can reliably estimate the costs of such. In such cases, the test environment at our facilities prior to shipment replicates the customer's environment. While there are others in the industry with sufficient knowledge about the installation process for our systems as a practical matter, most customers engage the Company to perform the installation services.

In Japan, where our contractual terms with customers generally specify risk of loss and title transfers upon customer acceptance, revenue is recognized and the customer is billed upon receipt of written customer acceptance.

Revenue related to maintenance and service contracts is recognized ratably over the applicable contract term. Component and spare part revenue is recognized at the time of shipment or delivery in accordance with the terms of the applicable sales arrangement.

Short-Term Investments: We determine the appropriate balance sheet classification of our investments at the time of purchase and evaluate the classification at each balance sheet date. As part of our cash management program, we maintain a portfolio of marketable securities which are classified as available-for-sale. These securities include FDIC insured corporate bonds, treasury bills and commercial paper with maturities of greater than three months when purchased in principal amounts that, when aggregated with interest to accrue over the term, will not exceed FDIC limits. Securities classified as available-for-sale are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income (loss) and reported in equity. Net realized gains and losses are included in net income (loss) attributable to Veeco.

Inventory Valuation: Inventories are stated at the lower of cost (principally first-in, first-out method) or market. Management evaluates the need to record adjustments for impairment of inventory on a quarterly basis. Our policy is to assess the valuation of all inventories, including raw materials, work-in-process, finished goods, and spare parts and other service inventory. Obsolete or slow-moving inventory, based upon historical usage, or inventory in excess of management's estimated usage for the next 12 months requirements is written-down to its estimated market value, if less than its cost. Inherent in the estimates of market value are management's estimates related to our future manufacturing schedules, customer demand, technological and/or market obsolescence, possible alternative uses, and ultimate realization of excess inventory.

Goodwill and Indefinite-Lived Intangible Asset Impairment: The Company does not amortize goodwill or intangible assets with indefinite useful lives, but instead tests the balances in these asset accounts for impairment at least annually at the reporting unit level. Our policy is to perform this annual impairment test in the fourth quarter, using a measurement date of October 1st, of each fiscal year or more frequently if impairment indicators arise. Impairment indicators include, among other conditions, cash flow deficits, a historical or anticipated decline in revenue or operating profit, adverse legal or regulatory developments, and a material decrease in the fair value of some or all of the assets.

Edgar Filing: VEECO INSTRUMENTS INC - Form 10-Q

Pursuant to relevant accounting pronouncements we are required to determine if it is appropriate to use the operating segment as defined under accounting guidance as the reporting unit or one level below the operating segment, depending on whether certain criteria are met. We have identified two reporting units that are required to be reviewed for impairment. The reporting units are LED & Solar and Data Storage. In identifying the reporting units management considered the economic characteristics of operating segments including the products and services provided, production processes, types or classes of customer and product distribution.

We perform this impairment test by first comparing the fair value of our reporting units to their respective carrying amount. When determining the estimated fair value of a reporting unit, we utilize a discounted future cash flow approach since reported quoted market prices are not available for our reporting units. Developing the estimate of the discounted future cash flow requires significant judgment and projections of future financial performance. The key assumptions used in developing the discounted future cash flows are the projection of future revenues and expenses, working capital requirements, residual growth rates and the weighted average cost of capital. In developing our financial projections, we consider historical data, current internal estimates and market growth trends. Changes to any of these assumptions could materially change the fair value of the reporting unit. We reconcile the aggregate fair

Table of Contents

value of our reporting units to the Company's adjusted market capitalization as a supporting calculation. The adjusted market capitalization is calculated by multiplying the average share price of our common stock for the last ten trading days prior to the measurement date by the number of outstanding common shares and adding a control premium.

If the carrying value of the reporting units exceed the fair value we would then compare the implied fair value of our goodwill to the carrying amount in order to determine the amount of the impairment, if any.

Definite-Lived Intangible and Long-Lived Assets: Intangible assets consist of purchased technology, customer-related intangible assets, patents, trademarks, covenants not-to-compete, software licenses and deferred financing costs. Purchased technology consists of the core proprietary manufacturing technologies associated with the products and offerings obtained through acquisition and are initially recorded at fair value. Customer-related intangible assets, patents, trademarks and covenants not-to-compete are initially recorded at fair value and software licenses and deferred financing costs are initially recorded at cost. Intangible assets with definite useful lives are amortized using the straight-line method over their estimated useful lives for periods ranging from 2 years to 17 years.

Property, plant and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Long-lived assets, such as property, plant, and equipment and intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment indicators include, among other conditions, cash flow deficits, a historical or anticipated decline in revenue or operating profit, adverse legal or regulatory developments and a material decrease in the fair value of some or all of the assets. Assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows generated by other asset groups. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flow expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Fair Value Measurements: Accounting guidance for our non-financial assets and non-financial liabilities requires that we disclose the type of inputs we use to value our assets and liabilities, based on three categories of inputs as defined in such. Level 1 inputs are quoted, unadjusted prices in active markets for identical assets or liabilities that the company has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. These requirements apply to our long-lived assets, goodwill and intangible assets. We use Level 3 inputs to value all of such assets. The Company primarily applies the market approach for recurring fair value measurements.

Warranty Costs: We estimate the costs that may be incurred under the warranty we provide and record a liability in the amount of such costs at the time the related revenue is recognized. Estimated warranty costs are determined by analyzing specific product and historical configuration statistics and regional warranty support costs. Our warranty obligation is 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. If actual warranty costs differ substantially from our estimates, revisions to the estimated warranty liability would be required.

Income Taxes: As part of the process of preparing our Condensed Consolidated Financial Statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax expense, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our Condensed Consolidated Balance Sheets. The carrying value of our deferred tax assets is adjusted by a partial valuation allowance to recognize the extent to which the future tax benefits will be recognized on a more likely than not basis. Our net deferred tax assets consist primarily of net operating loss and tax credit carry forwards, and timing differences between the book and tax treatment of inventory, acquired intangible assets and other asset valuations. Realization of these net deferred tax assets is dependent upon our ability to generate future taxable income.

Table of Contents

We record valuation allowances in order to reduce our deferred tax assets to the amount expected to be realized. In assessing the adequacy of recorded valuation allowances, we consider a variety of factors, including the scheduled reversal of deferred tax liabilities, future taxable income and prudent and feasible tax planning strategies. Under the relevant accounting guidance, factors such as current and previous operating losses are given significantly greater weight than the outlook for future profitability in determining the deferred tax asset carrying value.

Relevant accounting guidance addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under such guidance, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such uncertain tax positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

Equity-based Compensation: Equity-based compensation cost is measured at the grant date, based on the fair value of the award and is recognized as expense over the employee requisite service period. In order to determine the fair value of stock options on the date of grant, we apply the Black-Scholes option-pricing model. Inherent in the model are assumptions related to risk-free interest rate, dividend yield, expected stock-price volatility and option life.

The risk-free rate assumed in valuing the options is based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option. The dividend yield assumption is based on the Company's historical and future expectation of dividend payouts. While the risk-free interest rate and dividend yield are less subjective assumptions, typically based on factual data derived from public sources, the expected stock-price volatility and option life assumptions require a level of judgment which make them critical accounting estimates.

We use an expected stock-price volatility assumption that is a combination of both historical volatility, calculated based on the daily closing prices of our common stock over a period equal to the expected term of the option and implied volatility, utilizing market data of actively traded options on our common stock, which are obtained from public data sources. We believe that the historical volatility of the price of our common stock over the expected term of the option is a strong indicator of the expected future volatility and that implied volatility takes into consideration market expectations of how future volatility will differ from historical volatility. Accordingly, we believe a combination of both historical and implied volatility provides the best estimate of the future volatility of the market price of our common stock.

The expected term, representing the period of time that options granted are expected to be outstanding, is estimated using a lattice-based model incorporating historical post vest exercise and employee termination behavior.

We estimate forfeitures using our historical experience, which is adjusted over the requisite service period based on the extent to which actual forfeitures differ or are expected to differ, from such estimates. Because of the significant amount of judgment used in these calculations, it is reasonably likely that circumstances may cause the estimate to change.

With regard to the weighted-average option life assumption, we consider the exercise behavior of past grants and model the pattern of aggregate exercises.

Recent Accounting Pronouncements

Balance Sheet: In December 2011, the FASB issued amended guidance related to the Balance Sheet (Disclosures about Offsetting Assets and Liabilities). This amendment requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The amendment should be applied retrospectively. The Company does not believe that this guidance will have a material impact on its condensed consolidated financial statements.

Comprehensive Income: In December 2011, the FASB issued amended guidance related to Comprehensive Income. In order to defer only those changes in the June amendment (addressed below) that relate to the presentation of reclassification adjustments, the FASB issued this amendment to supersede certain pending paragraphs in the June amendment. The amendments are being made to allow the FASB time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. While the FASB is considering

Table of Contents

the operational concerns about the presentation requirements for reclassification adjustments and the needs of financial statement users for additional information about reclassification adjustments, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before the June amendment. All other requirements are not affected, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In June 2011, the FASB issued amended guidance related to Comprehensive Income. This amendment allows an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The amendment eliminates the option to present the components of other comprehensive income as part of the statement of equity. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendment should be applied retrospectively. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

Intangibles – Goodwill and Other: In September 2011, the FASB issued amended guidance related to Intangibles – Goodwill and Other: Testing Goodwill for Impairment. The amendment is intended to simplify how entities test goodwill for impairment. The amendment permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. This amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

Fair Value Measurements: In May 2011, the FASB issued amended guidance related to Fair Value Measurements. This amendment represents the converged guidance of the FASB and the International Accounting Standards Board (the Boards) on fair value measurement. The collective efforts of the Boards and their staffs, reflected in this amendment, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term fair value. The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. The amendments are to be applied prospectively. The amendments are effective during interim and annual periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our net sales to foreign customers represented approximately 85.6% and 88.5% of our total net sales for the three months ended March 31, 2012 and 2011, respectively. We expect that net sales to foreign customers will continue to represent a large percentage of our total net sales. Our net sales denominated in foreign currencies represented approximately 2.7% and 1.8% of our total net sales for the three months ended March 31, 2012 and 2011, respectively.

The aggregate foreign currency exchange loss included in the accompanying Condensed Consolidated Statements of Income was approximately \$0.1 million and \$0.3 million during the three months ended March 31, 2012 and 2011, respectively. Included in the aggregate foreign currency exchange loss were gains related to forward contracts of \$0.1 million and \$0.5 million during the three months ended March 31, 2012 and 2011, respectively. These amounts were recognized and are included in Other, net in the accompanying Condensed Consolidated Statements of Income.

We are exposed to financial market risks, including changes in foreign currency exchange rates. The change in currency exchange rates that have the largest impact on translating our international operating profit (loss) is the Japanese Yen. We use derivative financial instruments to mitigate these risks. We do not use derivative financial instruments for speculative or trading purposes. We generally enter into monthly forward contracts to reduce the effect of fluctuating foreign currencies on short-term foreign currency-denominated intercompany transactions and other known currency exposures. The weighted average notional amount of derivative contracts outstanding during the three months ended March 31, 2012 was approximately \$2.4 million.

As of March 31, 2012, approximately \$0.1 million of gains related to forward contracts were included in prepaid expenses and other current assets and were subsequently received in April 2012. As of December 31, 2011, there were no gains or losses related to forward contracts included in prepaid expenses and other current assets or accrued expenses and other current liabilities. Monthly forward contracts with a notional amount of \$3.3 million, entered into in March 2012 for April 2012, will be settled in April 2012. The fair value of the contracts at inception was zero, which did not significantly change at March 31, 2012.

We believe that based upon our hedging program, a 10% change in foreign exchange rates would have an immaterial impact on the condensed consolidated statements of income. We believe that this quantitative measure has inherent limitations because, as discussed in the first paragraph of this section, it does not take into account any governmental actions or changes in either customer purchasing patterns or our financing and operating strategies.

Assuming first quarter 2012 investment levels, the effect of a one-point change in interest rates would not have a material effect on net interest expense. We centrally manage our investment portfolios considering investment opportunities and risk, tax consequences and overall financing strategies. Our investment portfolio includes fixed-income securities with a fair value of approximately \$247.8 million at March 31, 2012. These securities are subject to interest rate risk and will decline in value if interest rates increase. Based on our investment portfolio at March 31, 2012, an immediate 100 basis point increase in interest rates may result in a decrease in the fair value of the portfolio of approximately \$1.4 million. While an increase in interest rates may reduce the fair value of the investment portfolio, we will not realize the losses in our condensed consolidated statement of income unless the individual fixed-income securities are sold prior to recovery or the loss is determined to be other-than-temporary.

Item 4. Controls and Procedures.

Our senior management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (the Exchange Act)) designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures under the supervision of and with the participation of management, including the chief executive officer and chief financial officer, as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures are effective to ensure

Table of Contents

that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There have been no significant changes in our internal controls or other factors during the fiscal quarter ended March 31, 2012 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Table of Contents

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal proceedings arising in the normal course of our business. We do not believe that the ultimate resolution of these matters will have a material adverse effect on our consolidated financial position, statements of income 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, in Part I Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes from the risk factors previously disclosed in our 2011 Annual Report.

Table of Contents**Item 6. Exhibits.**

Unless otherwise indicated, each of the following exhibits has been previously filed with the SEC by the Company under File No. 0-16244.

Number	Description	Incorporated by Reference to the Following Document:
10.1	Letter agreement effective as of January 4, 2010 between Veeco and Peter Collingwood.	*
10.2	Third Amendment effective April 27, 2012 to Employment Agreement between Veeco and John R. Peeler.	*
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

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 9, 2012

Veeco Instruments Inc.

By: /s/ JOHN R. PEELER
John R. Peeler
Chief Executive Officer

By: /s/ DAVID D. GLASS
David D. Glass
Executive Vice President and Chief Financial Officer

Table of Contents**INDEX TO EXHIBITS**

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

Number	Description	Incorporated by Reference to the Following Document:
10.1	Letter agreement effective as of January 4, 2010 between Veeco and Peter Collingwood.	*
10.2	Third Amendment effective April 27, 2012 to Employment Agreement between Veeco and John R. Peeler.	*
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