

ULTRATECH INC

FORM DEF 14A (Proxy Statement (definitive))

Filed 06/05/12 for the Period Ending 07/17/12

Address	3050 ZANKER RD SAN JOSE, CA 95134
Telephone	4083218835
CIK	0000909791
Symbol	UTEK
SIC Code	3559 - Special Industry Machinery, Not Elsewhere Classified
Industry	Semiconductors
Sector	Technology
Fiscal Year	12/31

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
|--|---|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission
Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> Soliciting Material Under §240.14a-12 | |

Ultratech, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
N/A
 - (2) Aggregate number of securities to which transaction applies:
N/A
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
N/A
 - (4) Proposed maximum aggregate value of transaction:
N/A
 - (5) Total fee paid:
N/A
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- (1) Amount Previously Paid: N/A
 - (2) Form, Schedule or Registration Statement No.: N/A
 - (3) Filing Party: N/A
 - (4) Date Filed: N/A



**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JULY 17, 2012**

TO THE STOCKHOLDERS OF ULTRATECH, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of Ultratech, Inc., a Delaware corporation (the "Company"), will be held on July 17, 2012, at 2:00 p.m. local time, at the Hyatt Regency Santa Clara, 5101 Great America Parkway, Santa Clara, California 95054, for the following purposes, as more fully described in the Proxy Statement accompanying this Notice:

1. To elect seven (7) directors to serve for the ensuing one year until the expiration of their terms in 2013, or until their successors are duly elected and qualified.
2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012.
3. To approve an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 40,000,000 to 80,000,000.
4. To approve an advisory resolution to approve executive compensation.
5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof, including the election of any director if any of the above nominees is unable to serve or for good cause will not serve.

Only stockholders of record at the close of business on May 21, 2012 are entitled to notice of and to vote at the Annual Meeting. The stock transfer books will not be closed between the record date and the date of the meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at the executive offices of the Company for a period of ten (10) days before the Annual Meeting.

All stockholders are cordially invited to attend the meeting in person. Whether or not you plan to attend, please submit your proxy over the Internet, by telephone or by mail as promptly as possible. For specific voting instructions, please refer to the instructions on the Notice of Internet Availability of Proxy Materials or on the proxy. Should you receive more than one Notice of Internet Availability of Proxy Materials because your shares are registered in different names and addresses, each proxy should be submitted over the Internet, by telephone or by mail to ensure that all your shares will be voted. You may revoke your proxy at any time prior to the Annual Meeting. If you attend the Annual Meeting and vote by ballot, your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur W. Zafiropoulos".

Arthur W. Zafiropoulos
Chairman of the Board and Chief Executive Officer

June 5, 2012

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY AND SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE BY FOLLOWING THE INSTRUCTIONS INCLUDED WITH THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS OR THE PROXY CARD THAT WAS MAILED TO YOU.

ULTRATECH, INC.
3050 Zanker Road
San Jose, California 95134

PROXY STATEMENT
FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JULY 17, 2012

General

The enclosed proxy ("Proxy") is solicited on behalf of the Board of Directors (the "Board") of Ultratech, Inc., a Delaware corporation (the "Company"), for use at the Annual Meeting of Stockholders to be held on July 17, 2012 (the "Annual Meeting"), or at any adjournment or postponement thereof. The Annual Meeting will be held at 2:00 p.m. at the Hyatt Regency Santa Clara, 5101 Great America Parkway, Santa Clara, California 95054. These proxy solicitation materials were made available on or about June 5, 2012 to all stockholders entitled to vote at the Annual Meeting.

Internet Availability of Proxy Materials

Pursuant to the rules of the Securities and Exchange Commission, the Company is allowed to furnish its Proxy Statement and the Company's Annual Report on Form 10-K (as amended by the Company's first amendment thereto on Form 10-K/A) (the "Proxy Materials") over the Internet. Accordingly, the Company is sending a Notice of Internet Availability of Proxy Materials (the "Availability Notice") to its stockholders of record and beneficial owners. All stockholders will have the ability to access the Proxy Materials on a website referred to in the Availability Notice or request to receive a printed set of the Proxy Materials at no charge. Instructions on how to access the Proxy Materials over the Internet or to request a printed copy may be found on the Availability Notice. In addition, stockholders may request to receive the Proxy Materials in printed form by mail or electronically by email on an ongoing basis.

The Availability Notice will provide stockholders with instructions regarding how to:

- View the Proxy Materials for the Annual Meeting over the Internet; and
- Instruct the Company to send its future Proxy Materials to stockholders electronically by email.

Choosing to receive the future Proxy Materials by email will save the Company the cost of printing and mailing documents to its stockholders and will reduce the impact of the Company's annual stockholders' meetings on the environment. If a stockholder chooses to receive future Proxy Materials by email, the stockholder will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Any stockholder's election to receive the Proxy Materials by email will remain in effect until such stockholder terminates the request.

Voting

The specific proposals to be considered and acted upon at the Annual Meeting are summarized in the accompanying Notice and are described in more detail in this Proxy Statement. On May 21, 2012, the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting, approximately 26,399,402 shares of the Company's common stock, \$.001 par value ("Common Stock"), were issued and outstanding, and there were approximately 233 holders of record of the Common Stock. No shares of the Company's preferred stock were outstanding. Each stockholder is entitled to one vote for each share of Common Stock held by such stockholder on May 21, 2012. Stockholders may not cumulate votes in the election of directors.

All votes will be tabulated by the inspector of elections appointed for the meeting who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Broker non-votes are shares which are

not voted by the broker who is the record holder of the shares because the broker does not receive voting instructions from the beneficial owners of those shares or does not vote the shares in other circumstances in which proxy authority is defective or has been withheld with respect to any matter. Directors are elected by a plurality vote. The affirmative vote of holders of a majority of the outstanding shares of Common Stock on May 21, 2012 is required to approve Proposal No. 3 regarding an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock. The affirmative vote of holders of a majority of the shares present or represented by proxy and entitled to vote at the Annual Meeting is required to approve all other proposals submitted for stockholder approval at this Annual Meeting. With regard to the election of directors, votes may be cast in favor of or withheld from each nominee; votes that are withheld will be excluded entirely from the vote and will have no effect. Abstentions and broker non-votes are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions with respect to any matter other than the election of directors will be treated as shares present or represented and entitled to vote on that matter and will thus have the same effect as negative votes. Broker non-votes are deemed not to be entitled to vote on the matter and accordingly are not counted for purposes of determining whether stockholder approval of that matter has been obtained, except with respect to Proposal No. 3, in which case broker non-votes have the same effect as negative votes because the required vote to approve Proposal No. 3 is a majority of all outstanding shares of Common Stock on May 21, 2012.

Revocability of Proxies

If the form of proxy is properly signed and returned or if you submit your proxy and voting instructions over the Internet or by telephone, the shares represented thereby will be voted at the Annual Meeting in accordance with the instructions specified thereon. Stockholders submitting proxies over the Internet or by telephone should not mail the proxy voting instruction form. If the proxy does not specify how the shares represented thereby are to be voted, the proxy will be voted FOR the election of each director proposed by the Board of Directors (the "Board") pursuant to Proposal No. 1 unless the authority to vote for the election of any such director is withheld and, if no contrary instructions are given, the proxy will be voted FOR Proposals Nos. 2, 3 and 4, and with respect to any other proposals properly brought before the Annual Meeting, as the Board recommends. If you vote your proxy by mail, you may revoke or change your proxy at any time before the Annual Meeting by filing with the Secretary of the Company at the Company's principal executive offices, a notice of revocation or another signed proxy with a later date. If you choose to vote your proxy over the Internet or by telephone, you can change your vote by voting again using the same method used for the original vote (i.e., over the Internet or by telephone) so long as you retain the voter control number from your Availability Notice or proxy card. You may also revoke your proxy by attending the Annual Meeting and voting in person.

Solicitation

The Company will bear the entire cost of solicitation, including the preparation, assembly, Internet hosting, printing and mailing of the Availability Notice, this Proxy Statement, the Proxy and any additional solicitation materials furnished to stockholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries, and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. In addition, the Company may reimburse such persons for their costs in forwarding the solicitation materials to such beneficial owners. The original solicitation of proxies by mail may be supplemented by a solicitation by telephone, telegram, or other means by directors, officers or employees. Such individuals, however, will not be compensated by the Company for those services. Except as described herein, the Company does not presently intend to solicit proxies other than by mail. The Company has engaged D.F. King & Co., Inc. to assist in the solicitation of proxies, and the Company currently expects to pay D.F. King & Co., Inc. approximately \$5,000 for its services, though D.F. King & Co.'s fees could be significantly more if the Company decides to use its services more extensively.

Deadline for Receipt of Stockholder Proposals

Proposals of stockholders of the Company that are intended to be presented by such stockholders at the Company's 2013 Annual Meeting and to be included in the Company's proxy statement and form of proxy relating to that meeting must be received no later than February 5, 2013. Any other proposals of stockholders that are intended to be presented by such stockholders at the Company's 2013 Annual Meeting must be received no later than 90 days prior to the first anniversary of the date of the preceding year's annual stockholders' meeting and no sooner than 120 days prior to the first anniversary of the date of the preceding year's annual stockholders' meeting. All proposals of stockholders intended to be presented by such stockholders at an Annual Stockholders Meeting, and all notices thereof, must meet the requirements of the Company's Bylaws and any other applicable legal requirements. In addition, the proxy solicited by the Board for the 2012 Annual Meeting will confer discretionary authority to vote on any stockholder proposal presented at that meeting, unless the Company receives notice of such proposal before April 21, 2013.

MATTERS TO BE CONSIDERED AT ANNUAL MEETING

PROPOSAL 1

ELECTION OF DIRECTORS

General

The Board currently consists of eight directors, with no vacancies, and the term of all of the directors expires at the Annual Meeting. The directors elected at the Annual Meeting will serve for a term of one year, expiring at the 2013 Annual Meeting of Stockholders, or until their successors have been duly elected and qualified. The names and ages of the persons who are nominees for director, the terms of their proposed directorship, and their positions and offices with the Company as of May 15, 2012 are set forth below. Mr. Ben Tsai, a member of the Board, is not standing for re-election to the Board at the Annual Meeting. As a result, the Board has approved a reduction in the size of the Board to seven directors effective as of the Annual Meeting such that following the Annual Meeting the Board will be comprised of seven directors with no vacancies.

Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any of the nominees will be unavailable to serve. In the event any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any substitute nominee who may be designated by the present Board to fill the vacancy. Unless otherwise instructed, the proxy holders will vote the proxies received by them FOR the nominees named below. The seven candidates receiving the highest number of affirmative votes of the shares represented and voting on this particular matter at the Annual Meeting will be elected directors of the Company, to serve for their one-year terms or until their successors have been elected and qualified. The proxies solicited by this Proxy Statement may not be voted for more than seven nominees.

Nominees for Term Ending Upon the 2013 Annual Meeting of Stockholders

Arthur W. Zafiropoulo, age 73, founded Ultratech in September 1992 to acquire certain assets and liabilities of the Ultratech Stepper Division (the "Predecessor") of General Signal Technology Corporation ("General Signal") and, since March 1993, has served as Chief Executive Officer and Chairman of the Board of Directors. Additionally, Mr. Zafiropoulo served as President of Ultratech from March 1993 to March 1996, from May 1997 until April 1999 and from April 2001 to January 2004. Since October 2006, he resumed the responsibilities of President and Chief Operating Officer. Between September 1990 and March 1993, he was President of the Predecessor. From February 1989 to September 1990, Mr. Zafiropoulo was President of General Signal's Semiconductor Equipment Group International, a semiconductor equipment company. From August 1980 to February 1989, Mr. Zafiropoulo was President and Chief Executive Officer of Drytek, Inc., a plasma dry-etch company that he founded in August 1980, and which was later sold to General Signal in 1986. From July 1987 to September 1989, Mr. Zafiropoulo was also President of Kayex, a semiconductor equipment manufacturer, which was a unit of General Signal. From July 2001 to July 2002, Mr. Zafiropoulo served as Vice Chairman of Semiconductor Equipment and Materials International ("SEMI"), an international trade association representing the semiconductor, flat panel display equipment and materials industry. From July 2002 to June 2003, Mr. Zafiropoulo served as Chairman of SEMI, and Mr. Zafiropoulo has been on the board of directors of SEMI since July 1995. In December 2007, Mr. Zafiropoulo was elected as Director Emeritus of SEMI. Among other qualifications, Mr. Zafiropoulo brings extensive knowledge of and experience in the semiconductor and semiconductor capital equipment industries and businesses and his deep personal knowledge and commitment to the Company as the Company's founder and Chief Executive Officer, as well as his personal leadership and management skills, to the Company's Board of Directors.

Michael Child, age 57, has been a director of the Company since April 2012. Mr. Child has been employed by TA Associates, Inc., a private equity firm, since 1982 where he currently serves as a Senior Advisor. Mr. Child served as a Managing Director of TA Associates from 1987 through 2010. Since September 2000, Mr. Child has served on the board of directors of IPG Photonics, which designs and manufactures high

performance fiber lasers and amplifiers, and he currently serves as a member of its audit committee and as chairman of its nominating and corporate governance committee. Since June 2010, Mr. Child has served on the board of directors of Finisar Corporation, a computer network equipment company, and he has served on the audit committee of Finisar's board of directors since August 2010 and the compensation committee since June 2010. He also served on the board of directors of Eagle Test Systems, a manufacturer of high performance automated test equipment for the semiconductor industry, from 2003 until November 2008 when it was acquired by Teradyne, Inc. Mr. Child holds a B.S. in Electrical Engineering from the University of California at Davis and an M.B.A. from the Stanford Graduate School of Business. Mr. Child has more than 25 years' experience investing in and acquiring technology and technology-related companies and has served on the boards of directors of numerous public and private companies, including companies in the semiconductor industries. This broad financial and industry experience enables Mr. Child to make a valuable contribution to the board. He also brings significant knowledge regarding the Company and its operations from his previous years of service on our board between 1993 and 1997.

Joel F. Gemunder, age 72, has been a director of the Company since October 1997. Mr. Gemunder was President and a member of the board of directors of Omnicare, Inc., a pharmacy services provider, between 1981 and July 2010, and was Chief Executive Officer of Omnicare between 2001 and July 2010. Mr. Gemunder has also served as a member of the board of directors of Chemed Corporation since 1997, a company operating in two segments: VITAS Group and the Roto-Rooter Group. VITAS offers hospice services for patients with severe and life-limiting illnesses. Roto-Rooter operates in the sewer, drain and pipe cleaning, HVAC services and plumbing repair business and the HVAC and appliance repair and maintenance business. Among other things, Mr. Gemunder brings extensive experience as a public company chief executive officer and board member, as well as a valuable and different perspective due to his experience outside high-technology industries, to the Company's Board of Directors.

Nicholas Konidaris, age 67, has served as a director of the Company since July 2000. Mr. Konidaris has served as President, Chief Executive Officer and as a director of Electro Scientific Industries, Inc., a global supplier of manufacturing equipment to increase productivity for customers in the semiconductor, passive components and electronic equipment markets, since January 2004. From July 1999 to January 2004, Mr. Konidaris served as President and Chief Executive Officer of Advantest America, Corp., a holding company of Advantest America, Inc., which is a manufacturer of testers and handlers. From July 1997 to January 2004, Mr. Konidaris also served as Chairman of the Board, President and Chief Executive Officer of Advantest America, Inc. Mr. Konidaris has served on the board of directors of Omniguide, Inc. since 2006, and serves as a member of its audit committee. Mr. Konidaris also served as a member of the board of directors of AISI, Inc. from 2008 to 2010. Among other things, Mr. Konidaris brings his extensive experience as a public company chief executive officer and board member in the semiconductor industry to the Company's Board of Directors.

Dennis R. Raney, age 69, has served as a director of the Company since April 2003. Mr. Raney has served as Managing Director of PrimeMark Advisors, a real estate consulting firm, since November 2008. Mr. Raney served as Principal of Liberty-Greenfield, LLP, a company that advised clients on real estate issues that have significant financial or operational consequences to their business, from May 2005 until the company was wound up in November 2008. Mr. Raney served as Chief Financial Officer of eONE Global, LP, a company that identifies, develops and operates emerging electronic payment systems and related technologies that address e-commerce challenges, from July 2001 to June 2003. From March 1998 to July 2001, Mr. Raney served as Chief Financial Officer and Executive Vice President of Novell, Inc., a producer of network software. From January 1997 to December 1997, Mr. Raney served as Chief Financial Officer and Executive Vice President of QAD, Inc., a provider of enterprise resource planning software. Mr. Raney served as the chief financial officer of Bristol Myers Squibb Pharmaceutical Group from October 1993 to January 1996. Mr. Raney also served as a director of EasyLink Services Corporation ("EasyLink"), a provider of information exchange services, from March 2003 until August 2007, and served as chair of the audit committee of EasyLink's board of directors from June 2004 until August 2007. In addition, between February 2004 and October 2008 when it was acquired by DG Fast Channel, Mr. Raney served as a director of Enliven Corporation (formerly ViewPoint Corporation), a

provider of visual application development, content assembly and delivery technology, and as chair of the audit committee of Enliven's board of directors. Mr. Raney served as a director, and as chair of the audit committee of the board of directors, of Infiniti Solutions, a provider of semiconductor testing, assembly and prototyping services, between July 2004 and September 2008. Mr. Raney served as a director of Equinix, a provider of data center and internet exchange services from April 2003 to June 2005, and served as chair of the audit committee of Equinix's board of directors during that time. From July 2002 to June 2003, Mr. Raney served as a director of ProBusiness Services, Inc., which was acquired by Automatic Data Processing, Inc. in June 2003. Mr. Raney also served as a director and audit committee member of Redleaf, Inc., a technology operating company that provides services and capital for pre-seed state technology companies, from April 1999 to June 2003. Mr. Raney previously served as a director and audit committee member of W.R. Hambrecht & Company, an investment banking firm, from March 1999 to July 2001 and served as a director and audit committee member of ADAC Laboratories, a company that designs, develops, manufactures, sells and services electronic medical imaging and information systems, from March 1999 to March 2001. Mr. Raney holds a B.S. degree in chemical engineering from the South Dakota School of Mines & Technology and an MBA from the University of Chicago. Among other things, Mr. Raney brings extensive finance experience in both high-technology and other industries as well as related international experience, including extensive board and audit committee service and service as a public company chief financial officer, to the Company's Board of Directors.

Henri Richard, age 54, has served as a director of the Company since April 2006. Since September 2007, Mr. Richard has served as Senior Vice President, Chief Sales and Marketing Officer at Freescale Semiconductor, Inc. ("Freescale"). Prior to joining Freescale in September 2007, Mr. Richard was Executive Vice President, Chief Sales and Marketing Officer at Advanced Micro Devices, Inc. ("AMD"), where his duties included oversight of the company's global field sales and support organization, corporate marketing, and go-to-market activities for all AMD customer segments, including commercial, consumer and innovative solutions groups, and the company's 50x15 digital inclusion initiative. Mr. Richard joined AMD in April 2002 as Group Vice President, Worldwide Sales. He was promoted to Senior Vice President in May 2003 and was appointed as Executive Vice President and Chief Sales and Marketing Officer in February 2004. Prior to joining AMD, Mr. Richard was Executive Vice President of Worldwide Field Operations at WebGain, Inc., a privately held provider of Java software for Fortune 500 companies. Before WebGain, he was vice president of Worldwide Sales and Support for IBM's Technology Group. Mr. Richard has also held senior executive positions with several notable companies in the United States and Europe, including tenures as President of the Computer Products Group at Bell Microproducts, Executive Vice President at Karma International, and Vice President at Seagate Technology/Conner Peripherals. Among other things, Mr. Richard brings extensive experience as an executive officer in the semiconductor industry, in particular in the areas of sales and marketing and market analysis, to the Company's Board of Directors.

Rick Timmins, age 60, has served as a director of the Company since August 2000. Since April 2009, Mr. Timmins has served as a Venture Partner and investor with G-51 Capital, a seed-stage venture capital firm that invests in the software, hardware, Internet, and clean technology sectors. From January 1996 until April 2008, Mr. Timmins served as Vice-President of Finance for Cisco Systems, Inc. Since January 2010, Mr. Timmins has served as a member of the board of directors of IRIS International, Inc., a company that designs, develops, manufactures and markets in-vitro diagnostic products, consumables and supplies for urinalysis and body fluids. Mr. Timmins serves as a member of the audit committee of IRIS International. Since April, 2010 Mr. Timmins has served as a member of the board of directors of privately held company Socialware, a company that provides a social middleware platform. In January, 2011 Mr. Timmins joined the board of directors of privately held company Nexersys, which provides personal fitness exercise equipment. Mr. Timmins served as a member of the board of directors of Transmeta Corporation, a developer of computing, microprocessing and semiconductor technologies, from May 2003 until January 2009, and was the chairman of the audit committee of Transmeta's board of directors between May 2003 and January 2009. He also served as a member of the board of directors of Treaty Oak Bancorp, Inc., a local community bank in Austin, Texas from December 2008 to February 2011. Mr. Timmins holds a B.S. degree in accounting and finance from the University of Arizona and an M.B.A. degree from St. Edward's University. Among other things, Mr. Timmins brings extensive finance experience as well as technology industry experience to the Company's Board of Directors.

Director Not Standing for Re-Election

Ben Tsai, age 53, has served as a director of the Company since October 2009 and also serves as a member of the Company's technical advisory board. Dr. Tsai has served as Executive Vice President, and Chief Technology Officer and corporate alliances for KLA-Tencor Corporation, the world's leading supplier of yield management and process control solutions for the semiconductor manufacturing and related industries, since October 2006. At KLA-Tencor, Dr. Tsai has previously served as group vice president and chief technology officer of systems of KLA, and general manager for the Wafer Inspection Division. Prior to the merger between KLA Instruments and Tencor Instruments in 1997, Dr. Tsai filled the post of chief technology officer at KLA Instruments as well as numerous executive positions in the company's Wafer Inspection Division. From 2005 to 2006, Dr. Tsai served as senior vice president and executive officer of technology at Tokyo Electron Limited, a leading supplier of semiconductor production equipment. Dr. Tsai served on the board of directors of Varian Semiconductor Equipment Associates, Inc, between May 2008 and November 2011 when Varian was acquired by Applied Materials, Dr. Tsai served on the compensation committee, audit committee, nominating and governance committee and technology and growth committee of Varian's board of directors. Dr. Tsai holds more than 30 patents in the areas of inspection and metrology. Dr. Tsai received his bachelor's degree in electrical engineering from the National Taiwan University and a master's degree and Ph.D. in electrical engineering from the University of Illinois at Urbana-Champaign. Among other things, Dr. Tsai brings extensive technological experience, knowledge and background in the semiconductor and related fields, as well as international business experience in particular in Asia, to the Company's Board of Directors.

Board Committees and Meetings

During the fiscal year ended December 31, 2011, the Board held seven (7) meetings and did not act by unanimous written consent. The Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Current copies of the charters of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee as well as the Corporate Governance Policies of the Board can be found on the Company's website at www.ultratech.com. During the respective term of his service on the Board and its committees during the past fiscal year, each of the directors attended or participated in 75% or more of the aggregate of (i) the total number of meetings of the Board and (ii) the total number of meetings held by all committees of the Board on which he served.

Executive Sessions

Executive sessions of independent directors are generally held four times a year, at the end of a regular meeting of the Board. The sessions are chaired by Mr. Rick Timmins, the Lead Outside Director.

Communications with the Board

Any stockholder may communicate with the Board by postal mail. Communications that are intended specifically for non-management directors should be sent to the attention of the Chair of the Nominating and Corporate Governance Committee. Communications that are intended for a specific director should be sent to the attention of that director. Communications should be sent to: Investor Relations, Attn: Board of Directors, c/o Ultratech, Inc., 3050 Zanker Road, San Jose, California 95134. The Company's Investor Relations department will screen all communications for offensive or otherwise inappropriate messages, including advertisements and other solicitations unrelated to the Company or the activities of the Board.

Policy Regarding Director Attendance at Annual Meetings of Stockholders

The Company strongly encourages attendance by each incumbent director and each nominee to the Board at its Annual Meetings of Stockholders. All seven (7) then serving members of the Board attended the Company's 2011 Annual Meeting of Stockholders.

Compensation Committee

The Compensation Committee currently consists of four (4) directors, Messrs. Gemunder, Richard, Timmins and Tsai. The Board has determined that each current member of the Compensation Committee is an “independent director” as that term is defined in Rule 5605 of The Nasdaq Stock Market’s Marketplace Rules. The Compensation Committee has a written charter, which was adopted by the Board in January 2003 and amended in February 2004. The Compensation Committee is primarily responsible for approving the Company’s general compensation policies and setting compensation levels for the Company’s executive officers. The Compensation Committee also administers the Company’s 1993 Stock Option/Stock Issuance Plan (the “1993 Plan”) and the Company’s 1998 Supplemental Stock Option/Stock Issuance Plan (which expired in October 2008). During the 2011 fiscal year, the Compensation Committee held four (4) meetings and did not act by unanimous written consent.

Audit Committee

The Audit Committee currently consists of three (3) directors, Messrs. Konidaris, Raney and Timmins. The Audit Committee is responsible for overseeing the integrity of the Company’s financial statements and the appointment, compensation, qualifications, independence and performance of the Company’s independent auditors, as well as compliance with related legal and regulatory requirements, overseeing the Company’s risk management programs and performance of the Company’s accounting practices and internal controls. During the 2011 fiscal year, the Audit Committee held five (5) meetings and did not act by unanimous written consent.

The Board adopted and approved a written charter for the Audit Committee on June 8, 2000. The Audit Committee’s charter was substantially revised on January 28, 2003 and was further amended on February 2, 2004 and on April 19, 2011. The Board has determined that each current member of the Audit Committee is “independent” as that term is defined in Rule 10A-3 under the Securities Exchange Act of 1934 and an “independent director” as that term is defined in Rule 5605 of The Nasdaq Stock Market’s Marketplace Rules. In addition, the Board has determined that each member of the Audit Committee, Messrs. Konidaris, Raney and Timmins, is an “Audit Committee Financial Expert” as that term is defined by Item 407 of Securities and Exchange Commission Regulation S-K.

Nominating and Corporate Governance Committee

The Nominating Committee, which was formed in April 2001, and which was changed to the Nominating and Corporate Governance Committee in January 2003, currently consists of three (3) directors, Messrs. Konidaris, Raney and Richard. The Board has determined that each current member of the Nominating and Corporate Governance Committee is an “independent director” as that term is defined in Rule 5605 of The Nasdaq Stock Market’s Marketplace Rules. During the 2011 fiscal year, the Nominating and Corporate Governance Committee held four (4) meetings and did not act by unanimous written consent. In January 2003, the Board substantially revised the written charter for the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee recommends to the Board the individuals to be nominated to stand for election to the Board by stockholders at each annual meeting and to fill vacancies on the Board, implements the Board’s criteria for selecting new directors, develops and recommends or assesses corporate governance policies of the Company and the Board, and oversees the Board’s and Board Committees’ annual Board, Committee and individual director evaluations.

Consideration of Director Nominees

Stockholder Candidate Recommendations

The Nominating and Corporate Governance Committee will consider candidates for election to the Board recommended by stockholders. In evaluating such candidates, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the

membership criteria set forth under “Director Qualifications.” The notice of recommendation delivered to the Company must be received within the time permitted for submission of a stockholder proposal for inclusion in the Company’s proxy statement for the relevant Annual Meeting of Stockholders and must set forth as to each proposed nominee who is not an incumbent director (i) all information relating to the individual recommended or nominated that is required to be disclosed pursuant to Regulation 14A under the Exchange Act (including such person’s written consent to be named in the proxy statement as a nominee and to serving as a director if elected), (ii) the name(s) and address(es) of the stockholder(s) making the recommendation and the amount of the Company’s securities which are owned beneficially and of record by such stockholder(s), (iii) appropriate biographical information (including a business address and a telephone number) and a statement as to the individual’s qualifications, with a focus on any criteria publicly stated to be considered by the Nominating and Corporate Governance Committee in evaluating prospective Board candidates, including those identified below, (iv) a representation that the stockholder is a holder of record of stock of the Company entitled to vote on the date of submission of such written materials, and (v) any material interest of the stockholder in the recommendation. Any stockholder recommendations proposed for consideration by the Nominating and Corporate Governance Committee should be addressed to: Chair of the Nominating and Corporate Governance Committee, Ultratech, Inc., 3050 Zanker Road, San Jose, California 95134.

Director Qualifications

The Board’s policy is to encourage the selection of directors who will contribute to the Company’s overall corporate goals of responsibility to its stockholders, industry leadership, customer success, positive working environment, and integrity in financial reporting and business conduct. The Board and the Nominating and Corporate Governance Committee review from time to time the experience and characteristics appropriate for Board members and Director candidates in light of the Board’s composition at the time and skills and expertise needed at the Board and committee levels. The Company does not have a formal policy with regard to the consideration of diversity in identifying Director candidates, but the Nominating and Corporate Governance Committee strives to nominate Directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills, and expertise to oversee the Company’s business. The Nominating and Corporate Governance Committee considers, among other things, whether a candidate:

- has a reputation for integrity, strong moral character and adherence to high ethical standards;
- holds or has held a generally recognized position of leadership in the community and/or chosen field of endeavor, and has demonstrated high levels of accomplishment;
- has demonstrated business acumen and experience, and the ability to exercise sound business judgment in matters that relate to the current and long-term objectives of the Company;
- has the ability to read and understand basic financial statements and other financial information pertaining to the Company;
- has a commitment to understand the Company and its business, industry and strategic objectives;
- has a commitment and the ability to regularly attend and participate in meetings of the Board, Board Committees and stockholders, including the number of other company Boards on which the candidate serves and the candidate’s ability to generally fulfill all responsibilities as a director of the Company;
- is willing to represent and act in the interests of all stockholders of the Company rather than the interests of a particular group;
- is in good health and has the ability to serve;
- for prospective non-employee directors, would be independent under applicable rules of the SEC and The Nasdaq Stock Market rules;
- has any conflict of interest (whether due to a business or personal relationship) or legal impediment to, or restriction on, serving as a director; and
- is willing to accept the nomination to serve as a director of the Company.

Identifying and Evaluating Nominees for Directors

The Nominating and Corporate Governance Committee nominates individuals for election as directors at each annual meeting of stockholders and for appointment to fill vacancies on the Board in consultation with the Company's Chief Executive Officer. The Committee identifies and evaluates candidates who, based on their biographical information and other information available to the Committee, appear to meet any minimum criteria adopted by the Committee and/or have the specific qualities, skills or experience being sought (based on input from the full Board and the Chief Executive Officer).

The Committee operates and chooses nominees or appointees in accordance with its charter.

- *Outside Advisors.* The Committee may engage a third-party search firm or other advisors to assist in identifying prospective nominees.
- *Stockholder Suggestions for Potential Nominees.* The Committee will consider suggestions of candidates from stockholders properly submitted in accordance with procedures adopted by the Committee, as summarized above.
- *Nomination of Incumbent Directors.* The re-nomination of existing directors should not be viewed as automatic, but should be based on continuing qualification under the criteria adopted by the Committee.
- *Interviews.* After reviewing appropriate biographical information and qualifications, first-time candidates will be interviewed by at least one member of the Committee and by the Chief Executive Officer.
- *Board Approval.* Upon completion of the above procedures, the Committee shall determine the list of potential candidates to be nominated or appointed to the Board, subject to the approval of the full Board, which shall include approval by a majority of the independent directors. The Board will select the slate of nominees only from candidates identified, screened and approved by the Committee.

Leadership Structure

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of the Company to make that determination from time to time based on the position and direction of the Company and the membership of the Board. The Board has determined that having the Company's Chief Executive Officer serve as Chairman is in the best interest of the Company's shareholders at this time. This structure makes the best use of the Chief Executive Officer's extensive knowledge of the Company and its industries, as well as fostering greater communication between the Company's management and the Board. The Board has appointed Mr. Timmins to act as the Lead Outside Director, and Mr. Timmins presides over and directs the Board's independent sessions.

Risk Oversight

The Company faces a variety of risks. The Board believes an effective risk management system will (1) timely identify the material risks that the Company faces, (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant Board Committee, (3) implement appropriate and responsive risk management strategies consistent with the Company's risk profile, and (4) integrate risk management into Company decision-making.

The Board has designated the Audit Committee to take the lead in overseeing risk management and the Audit Committee makes periodic reports to the Board regarding briefings provided by management and advisors as well as the Audit Committee's own analysis and conclusions regarding the adequacy of the Company's risk management processes. The Company has a risk management program implemented under the direction of the Company's Chief Financial Officer, who reports to the Company's Chief Executive Officer, Audit Committee and Board on such program.

In addition to the formal compliance program, the Board encourages management to promote a corporate culture that incorporates risk management into the Company's corporate strategy and day-to-day business operations. The Board also continually works, with the input of the Company's executive officers, to assess and analyze the most likely areas of future risk for the Company.

Director Compensation

The following table sets forth certain information regarding the compensation of each non-employee director for service on the Board of Directors during the 2011 fiscal year. Mr. Child did not serve on the Board during the fiscal 2011 fiscal year, and therefore received no compensation from the Company for Board service during such year and is not included in the below table.

Name (a)	Fees Earned or				Total (\$) (e)
	Paid in Cash (\$) (1) (b)	Option Awards (\$) (2) (c)	Stock Awards (\$) (3)(4) (d)	All other Compensation	
Joel F. Gemunder	48,000	—	206,550	—	254,550
Nicholas Konidaris	50,000	—	206,550	—	256,550
Rick Timmins	89,500	—	206,550	—	296,050
Dennis R Raney	66,750	—	206,550	—	273,300
Henri Richard	70,750	—	206,550	—	280,425
Ben Tsai	48,000	—	206,550	7,500(5)	262,050

- (1) Represents cash retainer fees for serving on the Board and Board committees and fees for attending meetings of the Board or Board committees. For further information concerning the cash retainer fees, see the section below entitled "Director Annual Meeting and Retainer Fees".
- (2) As of December 31, 2011, the following non-employee directors held options to purchase the following number of shares of the Company's common stock: Mr. Gemunder, 40,000 shares; Mr. Konidaris, 16,000 shares; Mr. Timmins, 40,000 shares; Mr. Raney, 24,000 shares; Mr. Richard, no shares, and Dr. Tsai, no shares.
- (3) Pursuant to the automatic grant program in effect under the Company's 1993 Stock Option/Stock Issuance Plan, Messrs. Gemunder, Konidaris, Timmins, Raney, and Richard, and Dr. Tsai each received an RSU award covering 7,500 shares of the Company's common stock at the 2011 Annual Meeting. Each such RSU award had a grant-date fair value of \$27.54 per unit. Such grant-date fair value was, in accordance with ASC Topic 718, based on the closing price per share of the Company's common stock on the grant date and was not adjusted for estimated forfeitures related to service-vesting conditions. For further information concerning the grant of RSUs to non-employee directors under the automatic grant program of the Company's 1993 Plan, see the section below entitled "1993 Stock Option/Stock Issuance Plan".
- (4) As of December 31, 2011, the following non-employee directors held RSU awards covering the following number of shares of the Company's common stock: Mr. Gemunder, 7,500 shares; Mr. Konidaris, 7,500 shares; Mr. Timmins, 7,500 shares; Mr. Raney, 7,500 shares; Mr. Richard, 7,500 shares, and Dr. Tsai, 10,000 shares.
- (5) Consists of \$7,500 received as a result of service on the Company's Technical Advisory Board.

At the time of his appointment to the Board on April 17, 2012, Mr. Child received his initial RSU award for 10,000 shares of the Company's common stock pursuant to the automatic grant program under the Company's 1993 Stock Option/Stock Issuance Plan (the "1993 Plan"). Further information concerning such automatic grant program is set forth in the section below entitled "1993 Stock Option/Stock Issuance Plan". Because Mr. Child's appointment to the Board has occurred within six months of the date of the Annual Meeting, he will not be eligible to receive an automatic RSU award at the Annual Meeting. However, Mr. Child, like all the other non-employee Board members, is eligible to receive a discretionary equity grant under the 1993 Plan at any time in connection with his Board service.

Director Annual Retainer and Meeting Fees . For the fiscal year ended December 31, 2011, the cash compensation paid to the non-employee Board members was as follows: (i) an annual cash retainer fee of \$30,000, (ii) an additional cash fee of \$20,000 to the Board member serving as “lead director”, (iii) an additional cash fee of \$20,000 to the Board member serving as Chair of the Audit Committee, (iv) an additional cash fee of \$17,500 to each Board member serving as the Chair of any standing Board committee other than the Audit Committee, (v) a cash fee of \$2,000 per Board meeting attended, (vi) a cash fee of \$2,000 per standing Board committee meeting attended (except that no fee is paid for any Board committee meeting held on the same day as a Board meeting), and (vii) a cash fee of \$1,000 per standing Board committee meeting held on the day before or after a Board meeting at the Company’s headquarters.

1993 Stock Option/Stock Issuance Plan . Pursuant to the amendment to the automatic grant program in effect under the 1993 Stock Option/Stock Issuance Plan that was approved by the stockholders at the 2011 annual stockholders meeting, each non-employee director will, upon his or her initial election or appointment to the Board of Directors, receive a one-time automatic RSU award covering 10,000 shares of the Company’s common stock, provided such individual has not previously been in the Company’s employ. On the date of each Annual Stockholders Meeting, beginning with the 2011 annual stockholders meeting, each non-employee Board member who is to continue to serve on the Board of Directors, whether or not he or she has been in the prior employ of the Company, will automatically receive an RSU award covering 7,500 shares of the Company’s common stock. There is no limit on the number of such annual RSU awards any one individual may receive over his or her period of continued Board service, but no individual will receive a 7,500-share RSU award for a particular year under the automatic grant program if he or she has received his or her initial RSU award under the automatic grant program within the immediately preceding six (6) months.

Each RSU award granted under the automatic grant program is subject to the following terms and conditions:

- The shares subject to the initial 10,000-share RSU award will vest as follows: (i) fifty percent (50%) of the shares will vest upon the director’s completion of one (1) year of Board service measured from the grant date, and the remaining shares will vest in three (3) successive equal annual installments upon such director’s completion of each of the next three (3) years of Board service thereafter. The shares subject to each annual 7,500-share RSU award will vest upon the earlier of (i) the director’s completion of one (1) year of Board service measured from the grant date or the (ii) the director’s continuation in Board service through the day immediately prior to the Annual Stockholders Meeting immediately following the Annual Stockholders Meeting at which the RSU award was made.
- Should the director die or become permanently disabled while serving as a Board member, then the shares at the time subject to each RSU award made to that individual under the automatic grant program will immediately vest.
- The shares at the time subject to each outstanding RSU award under the automatic grant program will immediately vest in the event of a change in control of the Company.
- The shares which vest under each RSU award will be issued at the time of vesting or as soon as administratively practicable thereafter, but in no event later than the later of the close of the calendar year in which the vesting date occurs or the fifteenth day of the third calendar month following such vesting date. However, one or more awards may be structured so that the issuance of the shares which vest under those awards will be deferred until the director ceases Board service or the occurrence of any earlier event such as a change in control or a designated date.
- Should any dividend or other distribution payable other than in shares of the Company’s common stock be declared and paid on our outstanding common stock while an initial or annual RSU award under the automatic grant program is outstanding, then a special book account will be established for the non-employee director holding the award and will be credited with a dividend equivalent to the actual dividend or distribution which would have been paid on the shares subject to the RSU award had they

been issued and outstanding and entitled to that dividend or distribution. The amount attributable to such dividend equivalents will be distributed to the non-employee director concurrently with the issuance of the vested shares to which those dividend equivalents relate.

Each of the following non-employee Board members received at the 2011 annual stockholders meeting an automatic RSU award covering 7,500 shares of the Company's common stock: Messrs. Raney, Richard, Gemunder, Konidaris and Timmins, and Dr. Tsai.

Dr. Tsai served as a member of the Company's Technical Advisory Board for the 2011 fiscal year. Members of the Technical Advisory Board, including Dr. Tsai receive a fee of \$2,500 per Technical Advisory Board meeting attended. During the 2011 fiscal year, Dr. Tsai attended three Technical Advisory Board meetings.

Non-Employee Director Stock Ownership Guidelines. The Board has adopted stock ownership guidelines for non-employee directors that provide that within three years of becoming a member of the Board of Directors, or three years after the date of approval of the guidelines, whichever is later, each director is expected to accumulate and thereafter continue to hold, a minimum number of shares of the Company's common stock equal to five times the base annual cash retainer payable to each non-employee director for service on the Board. Unvested stock and shares issuable upon distribution pursuant to unvested restricted stock units granted by the Company, in each case that vest as a result of the Director's continued service to the Company over time (subject to any applicable vesting acceleration provisions), can be applied toward this goal. However, unvested stock and shares issuable upon distribution pursuant to unvested restricted stock units in each case that vest in connection with the achievement of performance targets, as well as unexercised options (whether vested or unvested) shall not count toward such goal. The shares must be held by the director as an individual or as part of a family trust. It is intended that directors hold, through outright ownership and through the Company's equity award grants, a meaningful number of shares of the Company's common stock, but that the foregoing policy be flexible in order to avoid foreclosing the appointment of or continued service by viable candidates for the Board in appropriate circumstances.

Recommendation of the Board of Directors

The Board recommends that the stockholders vote FOR the election of each of the above nominees.

PROPOSAL 2

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has appointed the firm of Ernst & Young LLP, the Company's independent registered public accounting firm during the fiscal year ended December 31, 2011, to serve in the same capacity for the fiscal year ending December 31, 2012, and is asking the stockholders to ratify this appointment. The affirmative vote of a majority of the shares represented and entitled to vote at the Annual Meeting is required to ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm.

In the event the stockholders fail to ratify the appointment, the Audit Committee will reconsider its selection. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of the Company and its stockholders.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

Fees billed to the Company by Ernst & Young LLP for services rendered for fiscal year 2011 and fiscal year 2010

Audit Fees

Audit fees billed to the Company by Ernst & Young LLP for professional services rendered for the audit of the Company's 2011 annual financial statements, review of quarterly financial statements, audit services in connection with statutory filings, consents, review of documents filed with the SEC, Section 404 review of internal control over financial reporting, and accounting and financial reporting consultation totaled \$1,650,000. Audit fees billed to the Company by Ernst & Young LLP for professional services rendered for the audit of the Company's 2010 annual financial statements, review of quarterly financial statements, audit services in connection with statutory filings, consents, review of documents filed with the SEC, Section 404 review of internal control over financial reporting, and accounting and financial reporting consultation totaled \$1,493,850.

Audit-Related Fees

There were no audit-related fees billed to the Company by Ernst & Young LLP during the Company's 2011 and 2010 fiscal years.

Tax Fees

There were no tax fees billed to the Company by Ernst & Young LLP during the Company's 2011 and 2010 fiscal years.

All Other Fees

Other than as set forth above, there were no other fees billed to the Company by Ernst & Young LLP during the Company's 2011 and 2010 fiscal years.

All of the 2011 and 2010 audit fees, audit-related fees and tax fees, and all other fees, were pre-approved by the Audit Committee. The Audit Committee has delegated to Mr. Timmins the ability to approve, on behalf of the Audit Committee and in accordance with Section 10A under the Securities Exchange Act of 1934, services to be performed by the Company's independent auditors.

The Audit Committee considered whether the provision of audit-related services, tax services, financial information systems design and implementation services and other non-audit services is compatible with the principal accountants' independence.

Recommendation of the Board of Directors

The Board recommends that the stockholders vote FOR the ratification of the selection of Ernst & Young LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012 as described in this Proposal No. 2.

PROPOSAL 3

PROPOSED AMENDMENT TO CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED SHARES OF COMMON STOCK

The Company's Certificate of Incorporation currently authorizes the issuance of 40,000,000 shares of Common Stock. On May 17, 2012, the Board adopted a proposal to amend the Certificate of Incorporation to increase the number of shares of Common Stock that we are authorized to issue from 40,000,000 to 80,000,000 shares, subject to stockholder approval at the Annual Meeting.

The Board of Directors has determined that the proposed amendment is advisable and in the best interests of the Company and its stockholders and is accordingly submitting the proposed amendment to be voted on by the stockholders. On May 15, 2012, of the 40,000,000 currently authorized shares of Common Stock, approximately 33.2 million shares were either issued or reserved for issuance. Shares reserved for issuance included approximately 3.2 million shares reserved for issuance upon the exercise of outstanding stock options, 0.9 million shares reserved for issuance pursuant to outstanding restricted stock units and 2.6 million shares reserved for issuance pursuant to future grants under the 1993 Plan. Based upon these issued and reserved shares of Common Stock, we currently have approximately 6.8 million shares of Common Stock remaining available for issuance in the future for other corporate purposes.

Since the beginning of 2009, we have issued approximately 2.5 million shares of Common Stock, primarily upon the exercise of options or distribution pursuant to restricted stock units for equity compensation purposes.

The Certificate of Incorporation currently also authorizes the issuance of 2,000,000 shares of preferred stock, par value \$.001 per share, none of which are issued or outstanding. The proposed amendment to the Certificate of Incorporation would not change the authorized number of shares of preferred stock. There are currently no plans, arrangements, commitments or understandings with respect to the issuance of any shares of preferred stock.

Text of the Amendment

We propose to amend the first paragraph of Article IV of the Certificate of Incorporation so that it would read in its entirety as follows:

“This corporation is authorized to issue two classes of stock to be designated common stock (“Common Stock”) and preferred stock (“Preferred Stock”). The number of shares of Common Stock authorized to be issued is Eighty Million (80,000,000), par value \$.001 per share, and the number of shares of Preferred Stock authorized to be issued is Two Million (2,000,000), par value \$.001 per share.”

The only change that would be made to the first paragraph of Article IV, as currently in effect, would be to increase the total number of shares of Common Stock that we may issue from 40,000,000 shares to 80,000,000 shares.

Purpose of the Amendment

The Board of Directors is recommending this increase in the authorized shares of Common Stock primarily to give us the flexibility to issue shares of Common Stock for future corporate needs. As a general matter, the Board of Directors would be able to issue these additional shares of Common Stock in its discretion from time to time without further action or approval of the Company's stockholders, subject to and as limited by any rules or listing requirements of The NASDAQ Stock Market or of any other then applicable securities exchange or the requirements of applicable law.

The newly authorized shares of Common Stock would be issuable for any proper corporate purpose, including future acquisitions, capital-raising or financing transactions involving Common Stock, convertible securities or other equity securities, stock splits, stock dividends and current or future equity compensation plans. The Board believes that these additional shares will provide the Company with needed flexibility to issue shares in the future without the potential expense or delay incident to obtaining stockholder approval for any particular issuance. There are currently no commitments or understandings with respect to the issuance of any of the additional shares of Common Stock that would be authorized by the proposed amendment.

Rights of Additional Authorized Shares

Any authorized shares of Common Stock, if and when issued, would be part of the Company's existing class of Common Stock and would have the same rights and privileges as the shares of Common Stock currently outstanding. The Company's stockholders do not have preemptive rights with respect to the Common Stock, nor do they have cumulative voting rights. Accordingly, should the Company issue additional shares of Common Stock, existing stockholders would not have any preferential rights to purchase any of such shares, and their percentage ownership of the Company's then outstanding Common Stock could be reduced.

Potential Adverse Effects of Amendment

Future issuances of Common Stock or securities convertible into Common Stock could have a dilutive effect on the Company's earnings per share, book value per share and the voting power and interest of current stockholders. In addition, the availability of additional shares of Common Stock for issuance could, under certain circumstances, discourage or make more difficult any efforts to obtain control of the Company. The Board is not aware of any attempt, or contemplated attempt, to acquire control of the Company, nor is this proposal being presented with the intent that it be used to prevent or discourage any acquisition attempt. However, nothing would prevent the Board from taking any such actions that it deems to be consistent with its fiduciary duties.

Effectiveness of Amendment

If the proposed amendment is approved and adopted by the stockholders at the Annual Meeting, it will become effective upon the filing of a certificate of amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware.

Recommendation of the Board of Directors

The Board of Directors recommends that you vote FOR the approval and adoption of the proposed amendment to the Certificate of Incorporation.

PROPOSAL 4

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

The Company is providing its stockholders the opportunity to vote on an advisory resolution to approve the compensation of the Company's named executive officers as described below.

The Company's goal for its executive compensation program is to attract, motivate and retain qualified executives through competitive compensation packages. The Company believes that the compensation paid to its executive officers should be substantially dependent on the Company's financial performance and the value created for its stockholders, and so has designed its executive compensation program to support a strong pay-for-performance philosophy while maintaining an overall level of compensation that the Company believes is fair, reasonable and responsible. The Compensation Discussion and Analysis, beginning on page 22 of this Proxy Statement, describes the Company's executive compensation program and the decisions made by the Compensation Committee in 2011 in more detail. Highlights of the program and the principles guiding the Company's executive compensation decisions include the following:

- use of an independent compensation consultant engaged by the Compensation Committee of the Company's Board;
- structuring each executive's total direct compensation (base salary plus annual target bonus plus grant-date value of annual equity awards) so that a substantial portion is comprised of long-term equity incentive awards and variable, performance-based annual cash compensation to achieve an appropriate balance between the Company's long-term and short-term performance goals, with the objective of establishing a positive relationship between operational performance and stockholder return;
- providing an overall level of compensation that is externally competitive, internally equitable and performance-driven; and
- ensuring that total compensation levels are reflective of the Company's financial performance and provide the executive officer with the opportunity to earn above-market total compensation for exceptional business performance.

The Company's financial performance in terms of the operating income goal taken into account for purposes of the short-term cash incentive component of the 2011 Management Incentive Plan surpassed the targeted level. For the 2011 fiscal year, the operating income of the Company and its consolidated subsidiaries was approximately \$44,020,000 which was approximately \$2,260,000 in excess of the maximum level established for that metric and was approximately \$26,751,000 greater than the Company's consolidated operating income for the 2010 fiscal year. Revenue for the 2011 fiscal year on a consolidated basis was approximately \$212,333,000 which exceeded the Tier II revenue level established by the Compensation Committee by approximately \$3,333,000 and was approximately \$71,730,000 greater than the Company's consolidated revenue for the prior fiscal year. Based on these financial results for the 2011 fiscal year and in line with the Company's pay-for-performance policy, each of the Company's executive officers earned a cash bonus for that year equal to approximately 95% of his target bonus amount.

However, the advisory vote on executive officer compensation is not intended to address any specific item of compensation, but rather the overall compensation provided to the Company's named executive officers and the executive compensation policies, practices and programs described in this Proxy Statement.

Accordingly, the Company requests the stockholders to approve by advisory vote the following resolution relating to the compensation of the Company's named executive officers:

"Resolved that the Company's stockholders hereby approve the compensation paid to the Company's executive officers named in the Summary Compensation Table of this Proxy Statement, as that compensation is

disclosed pursuant to the SEC's compensation disclosure rules, including the Compensation Discussion and Analysis, the compensation tables and the narrative disclosures that accompany the compensation tables contained in this Proxy Statement)."

As an advisory vote, this proposal is not binding upon the Company. However, the Compensation Committee, which is responsible for designing and administering the Company's executive compensation program, values the opinions express by stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers.

Recommendation of the Board of Directors

The Board recommends that the stockholders vote FOR the resolution to approve the compensation of the Company's named executive officers as described above in this Proposal No. 4.

OTHER MATTERS

The Company knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed form of Proxy to vote the shares they represent as the Board recommends. Discretionary authority with respect to such other matters is granted by the execution of the enclosed Proxy.

OWNERSHIP OF SECURITIES

The following table sets forth certain information known to the Company with respect to the beneficial ownership of the Company's common stock as of March 31, 2012 (unless otherwise stated in the footnotes) by (i) all persons known to the Company who are or who may be deemed beneficial owners of five percent (5%) or more of the Company's common stock based solely on a review of Form 4, Schedule 13G and Schedule 13D filings with the Securities and Exchange Commission since January 1, 2011, (ii) each director of the Company, (iii) the named executive officers and (iv) all current directors and executive officers as a group. Unless otherwise indicated, the principal address of each of the stockholders below is c/o Ultratech, Inc., 3050 Zanker Road, San Jose, CA, 95134. Unless otherwise indicated, each of the security holders has sole voting and investment power with respect to the shares beneficially owned, subject to community property laws, where applicable. Except as otherwise indicated in the footnotes to the table or for shares of common stock held in brokerage accounts, which may from time to time, together with other securities held in those accounts, serve as collateral for margin loans made from such accounts, none of the shares reported as beneficially owned are currently pledged as securities for any outstanding loan or indebtedness.

<u>Name and Address of Beneficial Owner (1)</u>	<u>Shares of Common Stock Beneficially Owned</u>	<u>Percentage of Shares Beneficially Owned (1)</u>
Artisan Partners Limited Partnership (2) Artisan Partners Holdings LP Artisan Investment Corporation Artisan Investments GP LLC ZFIC, Inc. Andrew A. Ziegler Carlene M. Ziegler Artisan Partners Funds, Inc. 875 East Wisconsin Avenue, Suite 800 Milwaukee, WI 53202	2,847,737	10.9%
BlackRock, Inc. (3) 40 East 52nd Street New York, NY 10022	1,909,291	7.3%
The Vanguard Group, Inc. (4) 100 Vanguard Blvd. Malvern, PA 19355	1,499,260	5.7%
Arthur W. Zafiropoulo (5)	1,689,475	6.3%
Bruce R. Wright (6)	470,532	1.8%
Michael Child (7)	1,180	*
Joel Gemunder (8)	61,000	*
Nicholas Konidaris (9)	36,000	*
Dennis Raney (10)	46,000	*
Henri Richard	10,000	*
Rick Timmins (11)	64,500	*
Ben Tsai	10,000	*
All current directors and executive officers as a group (9 persons) (12)	2,388,687	9.0%

* Less than one percent (1%) of the outstanding common stock.

- (1) Percentage of ownership is based on 26,208,656 shares of common stock issued and outstanding on March 31, 2011. This percentage also takes into account the common stock to which such individual or entity has the right to acquire beneficial ownership within sixty (60) days after March 31, 2011, including, but not limited to, through the exercise of options or pursuant to outstanding RSUs; however, such common stock will not be deemed outstanding for the purpose of computing the percentage owned by any other individual or entity. Such calculation is required by Rule 13d-3(d)(1)(i) under the Securities Exchange Act of 1934, as amended.
- (2) Information regarding Artisan Partners Limited Partnership, Artisan Investment Corporation, ZFIC, Inc., Andrew A. Ziegler, Carlene M. Ziegler and Artisan Partners Funds, Inc. is based on their Schedule 13G/A filed with the Securities and Exchange Commission on February 6, 2012. According to the Schedule 13G/A, Artisan Partners Funds, Inc. has beneficial ownership over 1,884,437 shares, and the remaining investors have beneficial ownership over 2,847,737 shares, including the shares held by Artisan Partners Funds, Inc.
- (3) Information regarding BlackRock, Inc., is based on its Schedule 13G/A filed with the Securities and Exchange Commission on February 10, 2012.
- (4) Information regarding the Vanguard group is based on its Schedule 13G/A filed with the Securities and Exchange Commission on February 9, 2012.
- (5) Consists of 652,003 shares held in the name of Arthur W. Zafiropoulo, trustee of the Separate Property Trust, dated July 20, 1998, for the benefit of Arthur W. Zafiropoulo, 745,000 shares of the Company's common stock subject to options which are currently exercisable or which will become exercisable within 60 days after March 31, 2012. Also includes 98,000 shares held in the name of the Zafiropoulo Family Foundation and 194,472 shares held in the name of Arthur W. Zafiropoulo for the benefit of Arthur W. Zafiropoulo and Lisa Zafiropoulo Joint Account.
- (6) Includes 356,246 shares of the Company's common stock subject to options which are currently exercisable or which will become exercisable within 60 days after March 31, 2012.
- (7) Mr. Child joined the Board of Directors on April 17, 2012. Includes 590 shares held in a retirement plan trust.
- (8) Includes 40,000 shares of the Company's common stock subject to options which are currently exercisable or which will become exercisable within 60 days after March 31, 2012.
- (9) Includes 16,000 shares of the Company's common stock subject to options which are currently exercisable or which will become exercisable within 60 days after March 31, 2012.
- (10) Includes 24,000 shares of the Company's common stock subject to options which are currently exercisable or which will become exercisable within 60 days after March 31, 2012.
- (11) Includes 32,000 shares of the Company's common stock subject to options which are currently exercisable or which will become exercisable within 60 days after March 31, 2012.
- (12) Includes 1,213,246 shares of the Company's common stock subject to options which are currently exercisable or which will become exercisable within 60 days after March 31, 2012.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation Discussion and Analysis

Introduction. This Compensation Discussion and Analysis addresses the policies and objectives underlying the compensation programs in effect for the Company's executive officers. The discussion begins with an executive summary of the principal elements of the Company's executive compensation programs. Those programs reflect the fact that the Company is engaged in a very competitive industry, and its success depends upon its ability to attract and retain qualified executives through competitive compensation packages.

The Compensation Committee of the Company's Board of Directors (the "Compensation Committee") administers the compensation programs for the Company's executive officers with this competitive environment in mind. However, the Company believes that the compensation paid to its executive officers should also be substantially dependent on the Company's financial performance and the value created for its stockholders. For this reason, the Compensation Committee also utilizes the Company's compensation programs to provide meaningful incentives for the attainment of the Company's short-term and long-term strategic objectives and thereby reward those executive officers who make a substantial contribution to the attainment of those objectives.

Executive Summary

The Company's overarching compensation goal is to reward executive officers in a manner that supports a strong pay-for-performance philosophy while maintaining an overall level of compensation that the Company believes is fair, reasonable and responsible. The Company believes this objective is accomplished through the following principles and processes that underlie the executive compensation programs:

1. The Compensation Committee works with its own independent consultants to obtain the advice and market data input needed to structure compensation programs for the executive officers that are competitive and designed to accomplish the Company's pay-for-performance objectives. With the assistance of such consultants, the Compensation Committee benchmarks executive officer compensation periodically against a set peer group of companies selected on the basis of relevant industry, size and complexity.
2. In setting the total direct compensation (defined as base salary plus annual target bonus plus the grant-date value of the long-term equity incentive awards) of the Company's executive officers, the Compensation Committee takes into account the Company's financial performance and the duties and responsibilities of each executive officer. For one or more years the Compensation Committee may also benchmark that compensation against comparable positions at a specific peer group of companies. The Compensation Committee typically does not perform such a peer group benchmarking process for a particular year when it concludes that there have not been any significant changes in the market data for the prior year or years. However, for the 2011 fiscal year, the Compensation Committee did engage in a benchmarking process and, in connection therewith, the Compensation Committee took into account the fact that Messrs. Zafiropoulo and Wright continued to have duties and responsibilities that extended beyond those of their counterparts at the peer group. Such extended duties and responsibilities were due to the fact that the Company has had only two named executive officers for the last few years, whereas the number of named executive officers at each peer group company has been typically higher. For the 2011 fiscal year, the total direct compensation for Messrs. Zafiropoulo and Wright was approximately at the market 70th percentile and market 90th percentile, respectively, of the total direct compensation paid to their counterparts at the peer group companies.
3. Through the annual Management Incentive Plan, the Compensation Committee structures a substantial portion of each executive officer's total direct compensation in the form of long-term equity incentive awards and variable, performance-based annual cash compensation. This structure is designed to achieve an appropriate balance between the Company's long-term and short-term performance goals, with the objective of establishing a positive relationship between the Company's operational performance and stockholder return.

4. The Company's financial performance in terms of the operating income goal taken into account for purposes of the short-term cash incentive component of the 2011 Management Incentive Plan surpassed the targeted level. For the 2011 fiscal year, the operating income of the Company and its consolidated subsidiaries was approximately \$44,020,000 which was approximately \$2,260,000 in excess of the maximum Tier III level established for that metric and was approximately \$26,751,000 greater than the Company's consolidated operating income for the 2010 fiscal year. Revenue for the 2011 fiscal year on a consolidated basis was approximately \$212,333,000 which exceeded the Tier II revenue level established by the Compensation Committee by approximately \$3,333,000 and was approximately \$71,730,000 greater than the Company's consolidated revenue for the prior fiscal year. Based on these financial results for the 2011 fiscal year, each of the Company's executive officers earned a cash bonus for that year equal to approximately 95% of his target bonus amount. The various tier levels of performance goal attainment that the Compensation Committee established for the 2011 fiscal year are described in more detail below under the heading "Annual Incentive Compensation."
5. For the five fiscal-year period ending with the 2011 fiscal year, the Company's financial performance in terms of consolidated revenue, consolidated operating income and other key financial metrics may be summarized as follows:

FISCAL YEARS

*Dollar Amounts
(in thousands)*

	2011	2010	2009	2008	2007
Revenue	212,333	140,603	95,813	131,747	112,310
Gross Profit	110,325	71,641	44,990	64,374	48,859
Operating Income (loss)	44,020	17,541	(1,102)	9,135	(5,767)
Net Income (loss)	39,230	16,781	2,129	11,777	(1,044)
Cash Flow from Operations	37,391	22,879	3,226	23,211	5,997

6. The average closing price per share of the Company's common stock for the first fifteen trading days of the 2011 fiscal year was \$20.43, and the average closing price for the last fifteen trading days of that fiscal year was \$23.83. Accordingly, the total shareholder return for that one-year period based on such calculation was approximately 17%. The average closing price per share of the Company's common stock for the first fifteen days of the 2007 fiscal year was \$12.37, and the average closing price per share for the last fifteen days of the five fiscal-year period ending with the close of the 2011 fiscal year was, as indicated, \$23.83, resulting in an annual shareholder return for that period based on such calculation of approximately 14% on a compounded annual basis.
7. The Company does not believe that the performance-based nature of the executive compensation program encourages excessive risk-taking by its executive officers that would threaten the economic viability of the Company. First, the predominant component of each executive officer's total direct compensation is in the form of long-term equity awards tied to the value of the Company's common stock, and those awards accordingly promote a commonality of interest between the executive officers and the Company's stockholders in sustaining and increasing stockholder value. Because the equity awards are typically made on an annual basis to the executive officers, those officers always have unvested awards outstanding that could decrease significantly in value if the Company's business is not managed to achieve its long term goals. Secondly, under the annual cash incentive bonus programs, an individual target bonus amount is established for each executive officer, and the performance measures upon which the actual bonus amounts are determined are tied to the attainment of objectives intended to sustain stockholder value, such as revenue growth and targeted levels of operating income. However, at all levels of performance goal attainment, there are limits in place that tie the potential bonus amount to either a fraction or multiple of the target bonus amount. In addition, the overall compensation structure is not overly-weighted toward short-term incentives, and the Company has taken what it believes are reasonable steps to protect against the potential of disproportionately large short-term incentives that might encourage excessive risk taking.

8. The Company does not offer guaranteed retirement or pension benefits. Instead, the Company provides its executive officers with the opportunity to accumulate retirement income primarily through their long-term equity awards that increase in value as stockholder value is created and sustained.
9. Messrs. Zafiropoulo and Wright each have employment agreements that provide severance benefits in the event their employment is terminated under certain circumstances, including an involuntary termination of employment without cause or a resignation for good reason. The level of severance benefits is enhanced if the termination event occurs in connection with a change-in-control. The Company believes that the severance benefits provided under those employment agreements are consistent with both peer company and broader market practices and are fair and reasonable in light of the many years of service Messrs. Zafiropoulo and Wright have rendered the Company and the level of dedication and commitment they have shown over those years.

Compensation Policy for Executive Officers . The Compensation Committee has designed the various elements comprising the compensation packages of the Company's executive officers to achieve the following objectives:

- attract, retain, motivate and engage executives with superior leadership and management capabilities,
- provide an overall level of compensation to each executive officer which is externally competitive, internally equitable and performance-driven, and
- ensure that total compensation levels are reflective of the Company's financial performance and provide the executive officer with the opportunity to earn above-market total compensation for exceptional business performance.

Each executive officer's compensation package typically consists of three elements: (i) a base salary, (ii) an annual cash bonus opportunity tied solely to the Company's attainment of pre-established financial objectives, and (iii) long-term, stock-based incentive awards, typically in the form of stock option grants and restricted stock unit awards, designed to align and strengthen the mutuality of interests between the Company's executive officers and its stockholders. In determining the appropriate level for each element of such compensation, the Compensation Committee takes into account the Company's financial performance and operating results and the executive officer's duties and responsibilities, and for one or more years the Compensation Committee may benchmark that compensation against comparable positions at a specific peer group. The Compensation Committee typically does not perform such a peer group benchmarking process for a particular year when it concludes that there have not been any significant changes in the market data for the prior year or years. However, for the 2011 fiscal year, the Compensation Committee did engage in a benchmarking process and, in connection therewith, the Compensation Committee took into account the fact that Messrs. Zafiropoulo and Wright continued to have duties and responsibilities that extended beyond those of their counterparts at the peer group. Such extended duties and responsibilities were due to the fact that Company has had only two named executive officers for the last few years, whereas the number of named executive officers at each peer group company has been typically higher. While the Compensation Committee did not target the 2011 total direct compensation of Messrs. Zafiropoulo and Wright to any specific percentile of the total direct compensation of their counterparts at the peer group companies, the actual 2011 fiscal year percentile levels for Messrs. Zafiropoulo and Wright, when benchmarked against the October 2010 revised peer group noted below, were approximately at the market 70th percentile and market 90th percentile, respectively, of the total direct compensation paid to their counterparts at the peer group companies. Their actual percentile levels for the 2011 fiscal year are set forth later in this summary.

Impact of 2011 Say-on-Pay Vote. The most recent stockholder advisory vote on executive officer compensation required under the federal securities laws was held on July 19, 2011, after the Compensation Committee had approved the 2011 compensation of the named executive officers. Approximately 90 percent of the total votes cast on such proposal (including abstentions) were in favor of the compensation of the named executive officers, as that compensation was disclosed in the Compensation Discussion and Analysis and the

various compensation tables and narrative that appeared in the Company's proxy statement dated June 6, 2011. Based on that level of stockholder approval, the Compensation Committee decided not to make any material changes to the Company's compensation philosophies, policies and practices for the remainder of the 2011 fiscal year or for compensation decisions made in January 2012 with respect to the 2012 fiscal year compensation of the named executive officers. Based on the voting preference of the Company's stockholders, advisory votes on executive officer compensation will be conducted every year, and the Compensation Committee will continue to take into account each such annual advisory vote in order to determine whether any subsequent changes to the Company's executive compensation programs and policies would be warranted to reflect any stockholder concerns reflected in those advisory votes.

Comparative Framework. For purposes of determining whether the various elements of the Company's executive officer compensation package remain competitive at their targeted levels, the Compensation Committee historically has engaged an independent compensation consulting firm to provide competitive market data and advice from time to time on the Company's executive compensation programs and policies. The Compensation Committee uses such data to conduct periodic reviews of the compensation levels in effect for executive officer positions at a peer group of comparable companies that the Compensation Committee identified, with the assistance of its compensation consultant, in the high-tech and precision manufacturing industries. However, such comparative compensation reviews do not occur on a regularly-scheduled basis, but only at such times as the Compensation Committee believes that economic circumstances warrant the process. The companies which have historically comprised the comparative peer group are as follows:

Advanced Energy Industries, Inc.	KLA-Tencor Corporation (1)
Applied Materials, Inc. (1)	Kulicke & Soffa Industries, Inc.
ATMI, Inc.	Lam Research Corp. (1)
Axcelis Technologies, Inc.	Mattson Technology, Inc.
Brooks Automation, Inc.	MKS Instruments, Inc.
Coherent, Inc.	Novellus Systems, Inc.
Cymer, Inc.	Roper Industries, Inc. (1)
Gerber Scientific, Inc. (2)	Varian Semiconductor Equipment Associates, Inc. (2)
GSI Group Inc.	Veeco Instruments Inc.

(1) Removed in October 2010

(2) Removed in December 2011

With the assistance of its independent compensation consultant, the Compensation Committee reviewed the peer group in October 2010 and decided to remove the following four companies because their market capitalization was significantly higher than that of the Company: Applied Materials, Inc., KLA-Tencor Corporation, Lam Research Corp. and Roper Industries, Inc. The revised peer group was utilized to benchmark the Company's executive officer compensation for the 2011 fiscal year.

In December 2011, the Compensation Committee did another review of the peer group (as revised in October 2010) for purposes of benchmarking the 2012 fiscal year total direct compensation of the executive officers, and as a result of that review, two other companies were removed as a result of acquisitions: Gerber Scientific, Inc. and Varian Semiconductor Equipment Associates, Inc.

Compensation Consultants. In setting executive officer compensation for the 2011 fiscal year, the Compensation Committee retained the services of Compensation Strategies as one of its independent consultants and also engaged a second independent consultant, Compensia, to prepare a benchmarking analysis of executive officer total direct compensation for that fiscal year. For compensation decisions made in 2011 with respect to the compensation of the Company's non-employee Board members and in setting executive officer compensation for the 2012 fiscal year, the Compensation Committee continued to utilize Compensia as its independent consulting firm.

Elements of Compensation . Each of the three major elements comprising the compensation package for executive officers (salary, target annual bonus and long-term equity awards) for the 2011 fiscal year was designed to achieve one or more of the Company's overall objectives of setting a competitive level of compensation, tying compensation to the attainment of one or more of the Company's strategic business objectives and subjecting a substantial portion of the executive officer's compensation to the Company's financial success as measured in terms of the Company's stock price performance. The manner in which the Compensation Committee structured each element of compensation may be explained as follows.

Salary. The Compensation Committee reviews the base salary level of each executive officer in January each year, with any salary adjustments for the year to be effective as of January 1 of that year. The base salary for each executive officer named in the Summary Compensation Table is determined on the basis of his level of responsibility and experience. The Compensation Committee believes that this component of compensation should provide a level of economic security and stability from year to year and not be dependent to any material extent on the Company's financial performance. In addition, Messrs. Zafiropoulo and Wright have existing employment agreements with the Company which set a minimum level of annual base salary, subject to periodic upward adjustment at the discretion of the Compensation Committee.

The Compensation Committee increased Mr. Zafiropoulo's base salary from \$550,000 to \$575,000 and Mr. Wright's base salary from \$325,000 to \$350,000, effective as of January 1, 2011. The increases were effected in recognition of the valuable contributions Messrs. Zafiropoulo and Wright have made to the Company and were designed to maintain their base salary at competitive levels based on current market data for their positions in the industry. No further adjustments were made to their base salary levels for the remainder of the 2011 fiscal year or for the 2012 fiscal year.

Annual Cash Bonus. On January 24, 2011, the Compensation Committee established the Management Incentive Program (the "MIP") for the 2011 fiscal year for the executive officers. As was the case for the 2010 MIP, the cash bonus opportunity under the 2011 MIP was tied solely to the Company's operating income and revenue levels for the 2011 fiscal year. The target bonuses set under the 2011 MIP for the Company's executive officers were as follows: \$862,500 for Mr. Zafiropoulo (150% of 2011 fiscal year base salary) and \$350,000 for Mr. Wright (100% of 2011 fiscal year base salary).

Half of the potential bonus opportunity for each executive officer was tied to an operating income target, and the other half tied to a revenue target. Four performance levels were established for each goal, and the actual level at which each goal was attained determined the bonus amount payable to the executive officer with respect to that goal. No qualitative performance factors, whether in the terms of company or individual performance, were established as a condition to the bonus potential set for each executive officer. The potential bonus with respect to each goal, as a multiple or fraction of the fifty percent (50%) component of the target bonus allocated to that goal is set forth below for each specified level of goal attainment. Goal attainment is measured on a consolidated basis with the Company's consolidated subsidiaries for financial reporting purposes.

		MULTIPLE/FRACTION OF
<u>LEVEL OF ATTAINMENT FOR REVENUE GOAL</u>		<u>TARGET BONUS AMOUNT</u>
MINIMUM:	\$128,000,000	.25x
TIER I:	\$183,000,000	.50x
TIER II:	\$209,000,000	.75x
TIER III:	\$238,000,000	1.0x
		MULTIPLE/FRACTION OF
<u>LEVEL OF ATTAINMENT FOR OPERATING INCOME GOAL</u>		<u>TARGET BONUS AMOUNT</u>
MINIMUM:	\$ 22,400,000	.25x
TIER I:	\$ 31,990,000	.50x
TIER II:	\$ 36,630,000	.75x
TIER III:	\$ 41,760,000	1.0x

If both performance goals were attained at the Tier III target level, then each executive officer would have been awarded his target bonus under the MIP. If the actual level of attainment for either goal had been between any two designated levels up to that target Tier III level, then the bonus potential for that goal would be in a dollar amount interpolated on a straight line basis between those two levels. If the Company's operating income or revenue goal for the 2011 fiscal year exceeded the target Tier III level, then the bonus potential for that goal would have increased on an extrapolated basis in accordance with the same slope that applies to the interpolation between Tier II and Tier III level performance.

For example, the differential between the Tier II and Tier III revenue levels for 2011 is \$29 million (\$238 million – \$209 million), and there are 25 basis points of target bonus assigned to that differential (1.0 – .75). If actual revenue for the 2011 fiscal year had been at the \$223.5 million mid-point level (\$209 million plus an additional \$14.5 million), then the bonus factor for that component would have been .875x – the midpoint between the two tiers, and that factor would have accordingly been applied to the portion of the target bonus tied to the revenue metric. The same process would have been applied for revenue in excess of the \$238 million Tier III level. For the next \$29 million of revenue in excess of the \$238 million Tier III level, an additional 25 basis point of target bonus could have been earned on an extrapolated basis between \$238 million and \$267 million. Accordingly, if actual revenue for 2011 fiscal year had been at the \$252.5 million mid-point level (\$238 million plus an additional \$14.5 million of revenue), the bonus multiple assigned to that excess would have been 1.125x—the midpoint between 1x and 1.25x, and that factor would have been applied to the portion of the target bonus tied to 2011 fiscal year revenue. The same process would have been repeated for each additional \$29 million of revenue in excess of the Tier III level.

In determining the levels at which the net operating income and revenue objectives were met for the 2011 fiscal year, the Compensation Committee relied on the reported financial results in the Company's audited consolidated financial statements for the 2011 fiscal year, prepared in accordance with U.S. generally accepted accounting principles. Based on those reported financial results, the Compensation Committee determined in January 2012 that the Company's operating income for the 2011 fiscal year on a consolidated basis with its subsidiaries exceeded the Tier III level established for that performance metric by approximately \$2,260,000 and that the Company's revenue for such fiscal year on a consolidated basis was approximately \$212,333,000, thereby falling between the Tier II and Tier III levels established for that particular goal.

As a result, Messrs. Zafiropoulo and Wright each earned a bonus amount for the 2011 fiscal year equal to approximately 111% of the portion of their target bonus allocated to the operating income objective, and they also earned a bonus for such fiscal year equal to approximately 78% of portion of their target bonus allocated to the revenue objective. Their actual bonus amounts were as follows and represented for each of them an aggregate bonus amount equal to approximately 95% of their target bonus amount for the year:

<u>Name</u>	<u>Bonus Tied to Operating Income Goal</u>	<u>Bonus Tied to Revenue Goal</u>	<u>Total Bonus Amount</u>
A. Zafiropoulo	\$ 479,000	\$ 336,000	\$ 815,000
B. Wright	\$ 195,000	\$ 136,000	\$ 331,000

One third of the bonus amount was paid following the close of the 2011 fiscal year, and the remainder has been deferred and is subject to an annual installment vesting schedule tied to the executive officer's continued service with the Company over an additional two-year period. The deferred portion will be paid as it vests and will earn interest at a designated rate until paid. The deferred portions will immediately vest and become payable in the event the executive officer's employment terminates under certain defined circumstances during the deferral period. Accelerated payouts will also occur in the event of certain changes in control or ownership of the Company. The 2011 MIP also provided for pro-ration of the non-deferred portion of the bonus in the event the executive officer terminated employment under certain defined circumstances during the 2011 fiscal year performance period.

Long-Term Equity Incentives. The Company has structured its long-term incentive program for executive officers in the form of equity awards under its 1993 Stock Option/Stock Issuance Plan (the "1993 Plan"). For

many years stock option grants were the Company's sole form of equity award. However, in January 2006, the Compensation Committee began to award restricted stock units ("RSUs") as part of the Company's long-term incentive program. The Company believes that RSUs are a valuable addition to its long-term incentive program for several reasons, including ongoing concerns over the dilutive effect of option grants on the Company's outstanding shares (RSU awards cover a smaller number of shares than an option grant with the same grant-date value), the Company's desire to have a more direct correlation between the compensation expense it must record for financial accounting purposes and the actual value delivered to executive officers and other employees, and the fact that the incentive and retention value of an RSU award is less affected by market volatility than stock options. As a result, the Company has typically used a combination of stock option grants and RSUs under the 1993 Plan to provide long-term incentives to its executive officers and other key personnel.

Each equity award is designed to align the interests of the executive officer with those of the stockholders and to provide each individual with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business. In determining the size of the individual equity awards made to each executive officer, the Compensation Committee does not take into account the attainment of any specific Company performance goals or the achievement of any individual goals. Accordingly, no performance metrics or individual goals are established by the Compensation Committee to serve as the measure for sizing the individual equity awards made to the executive officers. Instead, the Compensation Committee works with its independent consultant each year in compiling relevant market data to determine the appropriate sizing of the awards. The Compensation Committee retains complete discretion to size each individual equity award as it thinks appropriate and may depart from the market data percentiles as individual circumstances warrant.

As part of the 2011 MIP, the Compensation Committee authorized an RSU award for Mr. Zafiropoulo and a combined stock option grant and RSU award for Mr. Wright. The number of shares of the Company's common stock covered by such awards is indicated below. Each award was made in a series of four successive equal quarterly grants over the course of the 2011 fiscal year. Accordingly, awards with respect to one-fourth of the total number of shares of the Company's common stock indicated in the table below for each executive officer were made on January 31, 2011, April 26, 2011, July 25, 2011 and October 24, 2011.

<u>Name</u>	<u>Total Number of Option</u>	<u>Total Number of Shares Subject</u>
	<u>Shares (#)</u>	<u>to Restricted Stock Units (#)</u>
A. Zafiropoulo	—	150,000
B. Wright	100,000	50,000

Each restricted stock unit granted under the 2011 MIP represents the right to receive one share of the Company's common stock on the designated issuance date following the vesting of that unit. Each quarterly award will vest incrementally over a fifty (50)-month period of service with the Company measured from January 1, 2011, and the shares of the Company's common stock underlying the units that so vest will be issued on a periodic basis over the vesting schedule. Accelerated vesting of all the units will occur upon a change in control of the Company, and full or partial accelerated vesting may also occur upon the individual's cessation of employment under certain defined circumstances in the absence of a change in control. The shares underlying any units that vest on such an accelerated basis will, in general, be issued concurrently with the vesting acceleration event, subject to any holdback requirements under applicable tax laws.

Each of the quarterly option grants made to Mr. Wright pursuant to the 2011 MIP has an exercise price equal to the closing price per share of the Company's common stock on the applicable grant date and a maximum term of ten years measured from that grant date, subject to earlier termination following Mr. Wright's cessation of employment with the Company. Each such option will vest and become exercisable for the option shares incrementally over a fifty (50)-month period of service with the Company measured from January 1, 2011. However, each option will vest in full and become exercisable for all the option shares, on an accelerated basis, upon a change in control of the Company or Mr. Wright's cessation of employment under certain defined circumstances in the absence of a change in control.

The Compensation Committee believes that the equity awards made in the 2011 fiscal year and in prior years under its long-term incentive program provide the Company's executive officers with a competitive equity compensation package based on market data compiled by its independent consultant and are also in line with the Compensation Committee's pay-for-performance objectives.

2011 TOTAL DIRECT COMPENSATION IN RELATION TO PEER GROUP

The chart below sets forth the total direct compensation of each of the two named executive officers for the 2011 fiscal year and indicates the percentile level at which their total direct compensation falls in relation to their comparable positions at the identified peer group companies (as revised in accordance with the October 2010 peer group review).

	Annual Base Salary	Target Bonus	Grant-Date Value of Equity Award	Total Direct Compensation	Peer Group Percentile Level
Mr. Zafiropoulo	\$575,000	\$862,500	\$3,869,600	\$ 5,307,100	70th
Mr. Wright	\$350,000	\$350,000	\$2,754,800	\$ 3,454,800	90th

Risk Assessment of Executive Officer Compensation

The Company believes the various components of the total compensation package of the executive officers, as discussed above, are appropriately balanced so as to avoid any excessive risk taking by such individuals. First, the long-term equity awards tied to the market price of the Company's common stock represent the predominant component of executive officer compensation and promote a commonality of interest between the executive officers and the Company's stockholders in sustaining and increasing stockholder value. In addition, a substantial portion of the equity component is in the form of restricted stock units. The use of such restricted stock units mitigates the potential risk that stock options pose in encouraging risk taking in the short term. Restricted stock units provide varying levels of compensation as the market price of the Company's common stock fluctuates over time and are less likely to contribute to excessive risk taking. The restricted stock unit awards will also vest over a period of years, and that vesting element encourages the award recipients to focus on sustaining the Company's long-term performance. Because equity awards, whether in the form of stock options or restricted stock units, are typically made on an annual basis, the executive officers always have unvested awards outstanding that could decrease significantly in value if the Company's business is not managed to achieve its long term goals.

Secondly, under the Company's annual cash incentive bonus program, an individual target bonus amount is established for each executive officer, and the performance measures upon which the actual bonus amounts are determined are tied to strategic objectives intended to sustain stockholder value. At all levels of performance goal attainment, there are limits in place that tie the potential bonus amount to either a fraction or multiple of the target bonus. If both goals are attained at the Tier I level, the bonus payable to an executive officer will equal half of his target bonus for the year, and for attainment of both goals at the Tier III level, the bonus will be limited to one times his target bonus. For goal attainment above the Tier III level, the actual bonus will continue to be tied to the target bonus amount but will be increased to reflect the higher level of attainment on the same straight-line interpolated basis that applies to the span between Tier II and Tier III levels. For the last three fiscal years, the bonuses earned by Messrs. Zafiropoulo and Wright as a percentage of their target bonus have been as follows: for the 2009 fiscal year, the actual bonus for each of them was approximately 18% of target bonus; for the 2010 fiscal year, the actual bonus level of each of them was at approximately 235% of target; and for the 2011 fiscal year, the actual bonus level of each of them was at approximately 95% of target.

The overall compensation structure is not overly-weighted toward short-term incentives, and the Compensation Committee has taken what it believes are reasonable steps to protect against the potential of disproportionately large short-term incentives that might encourage excessive risk taking.

Market Timing of Equity Awards. The Compensation Committee does not engage in any market timing of the equity awards made to the executive officers or other award recipients. The awards for existing executive officers and employees are typically authorized in connection with the annual performance review process, which generally occurs in the first quarter of the succeeding fiscal year. The authorized RSU and stock option awards are then made in three or four equal installments on designated dates during the year in accordance with the established policy of tying the award dates to the second full trading date following the earnings release for the prior quarter.

Officer Employment Agreements. The Company has entered into employment agreements with Messrs. Zafiropoulo and Wright. A summary of the material terms of those employment agreements, together with a quantification of the severance benefits payable under those agreements under various defined circumstances, may be found below in the section of this Proxy Statement entitled “Employment Contracts, Termination of Employment and Change in Control Arrangements.”

The severance benefits payable under each employment agreement are primarily in the form of (i) salary continuation payments, (ii) accelerated vesting and payout of the deferred portion of any outstanding cash bonus awards under the Management Incentive Plan for one or more prior fiscal years, (iii) any pro-rata bonus to which such individual may become entitled under the Management Incentive Plan in effect for the year of termination based on actual performance goal attainment for that year, (iv) accelerated vesting of certain outstanding equity awards, (v) reimbursement of the costs such individual incurs to obtain lifetime retiree health care coverage for himself and his spouse and, (vi) for Mr. Zafiropoulo, the continued use of a Company-provided automobile.

The severance benefits will be provided under two basic scenarios: (i) an involuntary termination or resignation for good reason in the absence of a change in control and (ii) a termination for any reason following a change in control of the Company. In the change in control scenario, the level of severance benefits is higher in that:

- (a) All outstanding equity awards made to Messrs. Zafiropoulo and Wright will immediately vest upon a change in control (whether or not their employment terminates), whereas in a non-change-in-control situation, vesting acceleration will occur only upon an actual termination of employment, and for Mr. Wright there would only be partial acceleration.
- (b) The salary continuation period would be twice as long in a change in control termination.
- (c) Mr. Zafiropoulo will be entitled to a full tax gross-up with respect to any excise tax he may incur under Section 4999 of the Internal Revenue Code should any of the severance benefits he receives in a change in control situation be deemed to be a parachute payment under Section 280G of the Internal Revenue Code.

Messrs. Zafiropoulo and Wright are entitled to reimbursement of the costs they incur to obtain lifetime retiree health care coverage for themselves and their spouses, whether or not such involuntary termination or resignation for good reason occurs in connection with a change-in-control event. Mr. Zafiropoulo will also be entitled to reimbursement of such lifetime retiree health coverage upon the termination of his employment with the Company for any reason.

The Company believes the severance benefits payable under the employment agreement are fair and reasonable in light of the many years of service Messrs. Zafiropoulo and Wright have rendered the Company and the level of dedication and commitment they have shown over those years. The Company also believes that the higher level of severance benefits payable in connection with a change in control termination event is warranted. The severance benefits payable in that instance offer financial protection against any potential loss of employment that might otherwise occur as a result of an acquisition of the Company and will allow Messrs. Zafiropoulo and Wright to focus their attention on acquisition proposals that are in the best interests of the stockholders, without undue concern as to their own financial situation. The Company also believes the single trigger vesting acceleration of their equity awards upon a change in control is justified because those awards are designed to serve as the primary vehicle for wealth creation and the accumulation of financial resources for their retirement years, and a change in control event is an appropriate liquidation point for awards intended for such purpose. The Company does not provide the executive

officers with any defined benefit pension plan or supplemental executive retirement plan, and the only other opportunities for wealth accumulation and retirement funds is through the limited deferral opportunities provided under the Company's 401(k) savings plan and the non-qualified deferred compensation plan. Mr. Zafiropoulo has not to date participated in the non-qualified deferred compensation plan, and Mr. Wright has participated only to a modest extent.

Executive Officer Perquisites . It is not the Company's practice to provide its executive officers with any significant perquisites. The Company does, however, provide Mr. Zafiropoulo with a company automobile for which the Company pays all expenses (including, without limitation, all lease payments or the full purchase price of the vehicle) and which he uses from time to time for personal matters. The dollar value of the perquisite attributable to such personal use for the 2011 fiscal year was determined by a straight pro-ration of total Company costs between business miles and personal miles. The Company believes that the provision of a company automobile is a common perquisite for executive officers at Mr. Zafiropoulo's level and is appropriate in light of his long years of tenure with the Company.

Other Programs . The Company's executive officers are eligible to participate in the Company's 401(k) plan on the same basis as all other regular U.S. employees.

Deferred Compensation Programs. In addition to the bonus component subject to mandatory deferral under the Company's annual Management Incentive Plan described above under the heading "Annual Cash Bonus," the Company maintains a non-qualified deferred compensation program for its executive officers and other key executives. Under that program, participants may elect to defer all or a portion of their salary or bonus each year, and the deferred sums will be credited with notional earnings (or losses) based on their investment elections. Such deferred compensation (as adjusted for such notional earnings or losses) will become payable following the participant's termination of employment and may be paid in a lump sum or in installments based on the circumstances under which the termination event occurs and the prior distribution election made by the participant. The program is described in more detail below in the section of this Proxy Statement entitled "Nonqualified Deferred Compensation." However, as indicated above, the Company believes that the equity award component of each executive officer's total direct compensation package should serve as his or her major source of wealth creation, including the accumulation of substantial resources to fund the executive officer's retirement years.

Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Internal Revenue Code disallows a tax deduction to publicly held companies for compensation paid to certain of their executive officers to the extent such compensation exceeds \$1.0 million per covered officer in any year. The limitation applies only to compensation that is not considered to be performance-based under the terms of Section 162(m). The stock options granted to the Company's executives have been structured with the objective of qualifying those awards as performance-based compensation. Compensation recognized as a result of bonus payments under the annual management incentive plans for the fiscal years completed to date and the issuance of vested shares of the Company's common stock under service-vesting RSU awards will not qualify as such performance-based compensation.

The non-performance-based compensation paid to Mr. Zafiropoulo for the 2011 fiscal year exceeded the \$1.0 million limit for the 2011 fiscal year by approximately \$2.1 million. Mr. Wright in his capacity as the Company's Chief Financial Officer was not a covered individual subject to the Section 162(m) limitation.

The Company believes that in establishing the cash and equity incentive compensation programs for its executive officers, the potential deductibility of the compensation payable under those programs should be only one of a number of relevant factors taken into consideration, and not the sole governing factor. For that reason, the Company may deem it appropriate to provide one or more executive officers with the opportunity to earn incentive compensation, whether through cash bonus programs tied to its financial performance or through RSUs tied to the executive officer's continued service, which may, together with other non-performance based compensation paid to those individuals, exceed in the aggregate the amount deductible by reason of Section 162(m) or other provisions of the Internal Revenue Code. The Company believes it is important to maintain cash and equity incentive compensation at the levels needed to attract and retain the executive officers essential to its success, even if all or part of that compensation may not be deductible by reason of the Section 162(m) limitation.

Summary Compensation Information

The following table provides certain summary information concerning the compensation earned for services rendered in all capacities to the Company and its subsidiaries for the years ended December 31, 2011, 2010 and 2009, respectively, by the Company's Chief Executive Officer and Chief Financial Officer. Each of the listed individuals shall be hereinafter referred to as a "named executive officer." There were no other executive officers of the Company during the 2011 fiscal year.

Name and Principal Position (a)	Year (b)	Salary (\$ (1) (c))	Bonus (\$ (d))	Stock Awards (\$ (3) (e))	Option Awards (\$ (4) (f))	Non-Equity Incentive Plan Compensation (\$ (5) (g))	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (h)	All Other Compensation (\$ (i))	Total (\$) (j)
Arthur W. Zafiropoulo, Chairman of the Board, Chief Executive Officer and President	2011	574,231	—	3,869,625	—	815,000	—	81,386(6)	5,340,242
	2010	522,981	—	1,636,750	—	1,298,000	—	161,479(7)	3,619,210
	2009	444,000	1,173(2)	1,296,500	—	88,708	—	69,006(8)	1,899,387
Bruce R. Wright, Senior Vice President, Finance, Chief Financial Officer and Secretary	2011	349,039	—	1,289,875	1,122,961	331,000	119(9)	26,269(10)	3,119,263
	2010	310,938	—	818,375	675,557	643,000	1,975(11)	148,049(12)	2,597,894
	2009	276,250	—	518,600	—	49,039	1,902(13)	94,772(14)	940,563

- (1) Includes amounts deferred under the Company's 401(k) Plan, a qualified deferred compensation plan under section 401(k) of the Internal Revenue Code, and the Company's Executive Deferred Compensation Plan, a non-qualified deferred compensation program.
- (2) Represents a discretionary cash bonus awarded to the named executive officer.
- (3) The amount indicated in column (e) for each fiscal year represents the aggregate grant-date fair value of the restricted stock unit awards made in that year. The grant-date fair value is in each instance calculated in accordance with Accounting Standards Codification ("ASC") Topic 718, Compensation-Stock Compensation ("ASC Topic 718"), on the basis of the closing price of the Company's common stock on the award date and does not take into account any estimated forfeitures related to service-vesting or performance-vesting conditions. For further information concerning such grant-date fair value, please see footnote 5 to the Company's audited financial statements for the fiscal year ended December 31, 2011 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012.
- (4) The amount indicated in column (f) for each fiscal year represents the aggregate grant-date fair value of the stock option grants made in that year, as calculated in accordance with ASC Topic 718, and does not take into account any estimated forfeitures related to service-vesting or performance-vesting conditions. The assumptions used in the calculation of such grant-date fair value are set forth in footnote 5 to the Company's audited financial statements for the year ended December 31, 2011 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012.
- (5) The amount shown for each fiscal year reflects the actual bonuses earned under the Management Incentive Plan (the "MIP") in effect for that fiscal year. One-third of the reported bonus amount for the 2011 MIP was paid to the named executive officer following the close of the 2011 fiscal year. The remaining portion has been deferred and is subject to an annual installment vesting schedule tied to the named executive officer's continued service with the Company over an additional two-year period that will end on December 31, 2013. One-third of the reported bonus amount for the 2010 MIP was paid to the named executive officer following the close of the 2010 fiscal year. The remaining portion has been deferred and is subject to an annual installment vesting schedule tied to the named executive officer's continued service with the Company over an additional two-year period that will end on December 31, 2012. The deferred portion of each of the 2011 and 2010 fiscal year bonus awards will immediately vest and become payable in the event the named executive officer's employment terminates under certain defined circumstances during the deferral period. Accelerated payouts will also occur in the event of certain changes in control or ownership of the Company. One-third of the reported bonus amount for the 2009 MIP was paid to the named executive officer following the close of the 2009 fiscal year. The remaining portion was deferred and subject to an annual installment vesting schedule tied to the named executive officer's continued service with the Company over an additional two-year period that ended on December 31, 2011.
- (6) Represents (i) \$42,191 attributable to the non-business use of a Company car provided to Mr. Zafiropoulo and (ii) \$39,195 attributable to the amount accrued by the Company for the 2011 fiscal year with respect to the lifetime retiree health care coverage to which Mr. Zafiropoulo is entitled following his termination of employment. For further information regarding such benefit, please see the section entitled "Employment Contracts, Termination of Employment Agreements and Change in Control" below.
- (7) Represents (i) \$35,486 attributable to the non-business use of a Company car provided to Mr. Zafiropoulo and (ii) \$125,993 attributable to the amount accrued by the Company for the 2010 fiscal year with respect to the lifetime retiree health care coverage to which Mr. Zafiropoulo is entitled following his termination of employment.
- (8) Represents (i) \$46,824 attributable to the non-business use of a Company car provided to Mr. Zafiropoulo and (ii) \$22,182 attributable to the amount accrued by the Company for the 2009 fiscal year with respect to the lifetime retiree health care coverage to which Mr. Zafiropoulo is entitled following his termination of employment.
- (9) Represents the notional gain for the 2011 fiscal year with respect to the compensation deferred by the named executive officer under the Executive Deferred Compensation Plan. For further information regarding the Executive Deferred Compensation Plan and Mr. Wright's contributions, please see the section entitled "Nonqualified Deferred Compensation" below.

- (10) Represents the amount accrued by the Company for the 2011 fiscal year with respect to the lifetime retiree health care coverage to which Mr. Wright may become entitled following his termination of employment under certain defined circumstances. For further information regarding such health care coverage, please see the section entitled "Employment Contracts, Termination of Employment Agreements and Change in Control" below.
- (11) Represents the notional gain for the 2010 fiscal year with respect to the compensation deferred by the named executive officer under the Executive Deferred Compensation Plan.
- (12) Represents the amount accrued by the Company for the 2009 fiscal year with respect to the lifetime retiree health care coverage to which Mr. Wright may become entitled following his termination of employment under certain defined circumstances.
- (13) Represents the notional gain for the 2009 fiscal year with respect to the compensation deferred by the named executive officer under the Executive Deferred Compensation Plan.
- (14) Represents the amount accrued by the Company for the 2009 fiscal year with respect to the lifetime retiree health care coverage to which Mr. Wright may become entitled following his termination of employment under certain defined circumstances.

Grants of Plan-Based Awards

The following table provides certain summary information concerning each grant of an award made to a named executive officer in the 2011 fiscal year under a compensation plan.

Name (a)	Grant Date (b)	Potential Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#) (2) (f)	All Other Option Awards: Number of Securities Underlying Options (#) (3) (g)	Exercise or Base Price of Option Awards (\$/Share) (h)	Grant Date Fair Value of Equity Awards (4) (\$) (i)
		Threshold (\$)(c)	Target (\$)(d)	Maximum (\$)(e)				
Arthur W. Zafiropoulo	1/24/11	215,625	862,500	(1)				
	1/31/11				37,500		844,875	
	4/26/11				37,500		1,159,125	
	7/25/11				37,500		1,040,625	
	10/24/11				37,500		825,000	
Bruce R. Wright	1/24/11	87,500	350,000	(1)				
	1/31/11				12,500		281,625	
	1/31/11					25,000	22.53	226,811
	4/26/11				12,500		386,375	
	4/26/11					25,000	30.91	341,693
	7/25/11				12,500		346,875	
	7/25/11					25,000	27.75	304,615
	10/24/11				12,500		275,000	
	10/24/11					25,000	22.00	249,842

- (1) Reflects the potential amounts payable under the Company's 2011 Management Incentive Plan based on the Company's attainment of revenue and operating income goals set at various levels for that year, namely, Minimum (threshold), Tier I, Tier II and Tier III (target) levels. Fifty percent (50%) of the target bonus amount for each named executive officer was allocated to each of the two applicable performance goals, and the actual bonus payable with respect to each goal was accordingly tied to the level at which that goal was attained. If the Company's operating income or revenue goal for the 2011 fiscal year exceeds the Tier III (target) level, then the bonus potential for that goal would be increased on an extrapolated basis in accordance with the same slope that applies to the interpolation between Tier II and Tier III level performance. For purposes of the table, the potential bonus indicated for each level assumes that both performance goals were attained at the same level. For further information concerning such potential bonus amounts, please see the description of the 2011 Management Incentive Plan that follows.
- (2) Reflects RSU awards made at quarterly intervals during the 2011 fiscal year. The quarterly award dates were as follows: January 31, 2011, April 26, 2011, July 25, 2011 and October 24, 2011. Each award will vest in a series of fifty successive equal monthly installments upon the named executive officer's

completion of each month of continued employment over the 50-month period measured from January 1, 2011, subject to full or partial vesting acceleration in the event his employment terminates under certain circumstances or upon certain changes in control or ownership of the Company. The shares underlying the vested units will be issued at designated intervals over the 50-month vesting period or (if earlier) upon the occurrence of any of the vesting acceleration events.

- (3) Reflects stock option grants made at quarterly intervals during the 2011 fiscal year. The quarterly award dates were as follows: January 31, 2011, April 26, 2011, July 25, 2011 and October 24, 2011. Each quarterly option grant will vest and become exercisable for twenty-four percent (24%) of the covered shares of the Company's common stock upon the named executive officer's continuation in service through December 31, 2011 and will vest and become exercisable for the balance of the shares in a series of thirty-eight (38) successive equal monthly installments upon the named executive officer's completion of each month of continued employment over the thirty eight (38)-month period measured from January 1, 2012. However, each such option will vest in full and become exercisable for all the shares of the Company's common stock subject to that option in the event the named executive officer's employment terminates under certain circumstances or upon certain changes in control or ownership of the Company.
- (4) The dollar value reported with respect to the stock options reflects the grant-date fair value of each quarterly option grant determined in accordance with the provisions of ASC Topic 718 and does not take into account any estimated forfeitures related to service-vesting or performance-vesting conditions. For further information concerning such grant-date fair value, please see footnote 5 to the Company's audited financial statements for the fiscal year ended December 31, 2011 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012. The dollar value reported with respect to the restricted stock unit awards reflects the grant-date fair value of each quarterly restricted stock unit award, calculated in accordance with ASC Topic 718. Such grant date fair value is accordingly based on the closing price of the Company's common stock on the applicable award date and does not take into account any estimated forfeitures related to service-vesting or performance-vesting conditions.

2011 Management Incentive Plan. The performance objectives established under the 2011 Management Incentive Plan for the 2011 fiscal year were tied to separate revenue and operating income goals set at four specified levels. Fifty percent (50%) of the target bonus for each named executive officer was allocated to the revenue performance goal, and the remaining fifty percent (50%) was allocated to the operating income performance goal. For each specified level of performance goal attainment, a designated dollar amount was established as the potential bonus payable with respect to that goal. If the actual level of attainment for a particular performance goal were below the threshold level, then no bonus amount would have been payable with respect to that goal. If the actual level of goal attainment were between any two designated levels up to the Tier III target level, the potential bonus with respect to that goal would be interpolated on a straight line basis between those two levels. If the actual level of goal attainment were above the Tier III target level, then the bonus potential with respect to that goal would increase based on the same slope that existed between that Tier III target level and the immediately preceding level. Following the close of the 2011 fiscal year, the Compensation Committee reviewed the Company's financial results for such year and determined that the Company's adjusted operating income for the 2011 fiscal year exceeded the Tier III target level established for that performance metric by approximately \$2,262,000 and that the Company's revenue for such fiscal year was approximately \$212,333,000, thereby falling between the Tier II and Tier III levels established for that particular goal. As a result, Messrs. Zafiropoulo and Wright each earned a bonus amount for the 2011 fiscal year equal to approximately 111% of the portion of their target bonus allocated to the operating income objective, and a bonus equal to approximately 78% of their target bonus allocated to the revenue objective. One-third of the bonus amount was paid following the close of the 2011 fiscal year. The remaining portion has been deferred and is subject to an annual installment vesting schedule tied to the named executive officer's continued service with the Company over an additional two-year period ending December 31, 2013. The deferred portion will be paid as it vests and will earn interest at a designated rate until paid. The deferred portions will immediately vest and become payable in the event the named executive officer's employment terminates under certain defined circumstances during the deferral period. Accelerated payouts will also occur in the event of certain changes in control or ownership of the Company. For more information regarding the 2011 Management Incentive Plan, please see the section entitled "Incentive Compensation" in the Company's Compensation Discussion and Analysis.

Outstanding Equity Awards at Fiscal Year-End

The following table provides certain summary information concerning outstanding equity awards held by the named executive officers as of December 31, 2011.

Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price(\$) (d)	Option Expiration Date (e)	Number of Shares or Units of Stock That Have Not Vested (#) (f)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (1) (g)
Arthur W. Zafiropoulo					114,000(2)	2,800,980
	69,000		9.66	2/03/2018	52,000(3)	1,277,640
		6,000(4)	9.66	2/03/2018		
	65,000		16.16	12/15/2015		
	80,000		14.12	1/21/2015		
	80,000		16.01	10/18/2014		
	200,000		21.83	7/20/2014		
	125,000		11.36	1/27/2013		
	100,000		13.67	7/15/2012		
Bruce R. Wright					38,000(2)	933,660
					26,000(3)	638,820
	6,000		22.00	10/23/2021		
		19,000(5)	22.00	10/23/2021		
	6,000		27.75	7/24/2021		
		19,000(5)	27.75	7/24/2021		
	6,000		30.91	4/25/2021		
		19,000(5)	30.91	4/25/2021		
	6,000		22.53	1/30/2021		
		19,000(5)	22.53	1/30/2021		
	12,000		18.65	10/25/2020		
		13,000(6)	18.65	10/25/2020		
	12,000		18.92	7/25/2020		
		13,000(6)	18.92	7/25/2020		
	12,000		15.65	4/25/2020		
		13,000(6)	15.65	4/25/2020		
12,000		12.25	2/7/2020			
	13,000(6)	12.25	2/7/2020			
3,200		9.66	2/03/2018			
	1,600(4)	9.66	2/03/2018			
30,000		16.16	12/15/2015			
32,918		14.12	1/21/2015			
40,000		16.01	10/18/2014			
160,000		21.83	7/20/2013			

(1) Based on the \$24.57 closing price per share of the Company's common stock on December 31, 2011.

(2) Reflects the unvested portion of RSU awards covering an aggregate of 150,000 shares of the Company's common stock that were made to Mr. Zafiropoulo in four equal quarterly installments during the 2011 fiscal year and the unvested portion of RSU awards covering an aggregate of 50,000 shares of the Company's common stock that were made to Mr. Wright on a similar quarterly basis during the 2011 fiscal year. Each quarterly RSU award will vest in a series of 50 successive equal monthly installments upon the named executive officer's completion of each month of continued employment over the 50-month period measured

- from January 1, 2011, subject to full or partial vesting acceleration in the event his employment terminates under certain circumstances or upon certain changes in control or ownership of the Company. The shares underlying the vested units will be issued at designated intervals over the 50-month vesting period or (if earlier) upon the occurrence of any of the vesting acceleration events.
- (3) Reflects the unvested portion of RSU awards covering an aggregate of 100,000 shares of the Company's common stock that were made to Mr. Zafiropoulo in four equal quarterly installments during the 2010 fiscal year and the unvested portion of RSU awards covering an aggregate of 50,000 shares of the Company's common stock that were made to Mr. Wright on a similar quarterly basis during the 2010 fiscal year. Each quarterly RSU award will vest in a series of 50 successive equal monthly installments upon the named executive officer's completion of each month of continued employment over the 50-month period measured from January 1, 2010, subject to full or partial vesting acceleration in the event his employment terminates under certain circumstances or upon certain changes in control or ownership of the Company. The shares underlying the vested units will be issued at designated intervals over the 50-month vesting period or (if earlier) upon the occurrence of any of the vesting acceleration events.
 - (4) Reflects the unvested portion of a stock option grant for 75,000 shares of the Company's common stock made to Mr. Zafiropoulo on February 4, 2008 and the unvested portion of a stock option grant for 20,000 shares of the Company's common stock made to Mr. Wright on the same date. Each option will vest and become exercisable for (i) twenty-four percent (24%) of the total number of option shares upon the named executive officer's completion of one (1) year of service measured from the February 4, 2008 grant date and (ii) the balance of the option shares in successive equal monthly installments upon his completion of each of the next thirty-eight (38) months of service thereafter. However, each option will vest in full and become exercisable for all the option shares on an accelerated basis upon certain changes in control of the Company.
 - (5) Reflects the unvested portion of the stock option grants covering an aggregate of 100,000 shares of the Company's common stock made to Mr. Wright in four equal quarterly installments during the 2011 fiscal year. Each quarterly option grant will vest and become exercisable for twenty-four percent (24%) of the covered shares of the Company's common stock upon Mr. Wright's continuation in the Company's employ through December 31, 2011 and will vest and become exercisable for the balance of the shares in a series of thirty-eight (38) successive equal monthly installments upon Mr. Wright's completion of each of the next thirty-eight (38) months of continued employment thereafter. However, each such option will vest in full and become exercisable for all the shares of the Company's common stock subject to that option on an accelerated basis in the event the named executive officer's employment terminates under certain circumstances or upon certain changes in control or ownership of the Company.
 - (6) Reflects the unvested portion of the stock option grants covering an aggregate of 100,000 shares of the Company's common stock made to Mr. Wright in four equal quarterly installments during the 2010 fiscal year. Each quarterly option grant will vest and become exercisable for twenty-four percent (24%) of the covered shares of the Company's common stock upon Mr. Wright's continuation in the Company's employ through December 31, 2010 and will vest and become exercisable for the balance of the shares in a series of thirty-eight (38) successive equal monthly installments upon Mr. Wright's completion of each of the next thirty-eight (38) months of continued employment thereafter. However, each such option will vest in full and become exercisable for all the shares of the Company's common stock subject to that option on an accelerated basis in the event the named executive officer's employment terminates under certain circumstances or upon certain changes in control or ownership of the Company.

Option Exercises and Stock Vested

The following table sets forth for each of the named executive officers, the number of shares of the Company's common stock acquired and the value realized on each exercise of stock options during the year ended December 31, 2011, and the number and value of shares of the Company's common stock subject to each restricted stock unit award that vested during the year ended December 31, 2011. No stock appreciation rights were exercised by the named executive officers during the 2011 fiscal year, and none of those officers held any stock appreciation rights as of December 31, 2011.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise (\$) (1) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting (\$) (2) (e)
Arthur W. Zafiropoulo	180,000	1,265,800	93,334	2,333,866
Bruce R. Wright	212,754	2,932,294	37,334	933,556

- (1) Value realized is determined by multiplying (i) the amount by which the market price of the common stock on the date of exercise exceeded the exercise price by (ii) the number of shares for which the options were exercised.
- (2) Value realized is determined by multiplying (i) the market price of the common stock on the applicable vesting date by (ii) the number of shares as to which each award vested on such date.

Nonqualified Deferred Compensation

Deferred Cash Compensation

The following table shows the deferred compensation activity for each named executive officer during the 2011 fiscal year. The column labeled "Executive Contributions in Last FY" indicates the amount of compensation voluntarily deferred by the named executive officer under the Company's Executive Deferred Compensation Plan. The column entitled "Registrant Contributions in Last FY" reflects the portion of the bonus earned by each named executive officer under the 2011 MIP that was deferred pursuant to the terms of that plan.

Name (a)	Executive Contributions in Last FY (\$) (b)	Registrant Contributions in Last FY (\$) (c) (2)	Aggregate Earnings in Last FY (\$) (d)	Aggregate Withdrawals/ Distributions (\$) (6) (e)	Aggregate Balance at Last FYE (\$) (7) (f)
Arthur W. Zafiropoulo	—	543,333	15,732(3)	432,538	1,115,403
Bruce R. Wright	3,790(1)	220,667	8,281(3)(4)(5)	214,320	526,627

- (1) Represents the compensation deferred by Mr. Wright under the Executive Deferred Compensation Plan.
- (2) Represents the deferred portion of the named executive officer's bonus award under the 2011 Management Incentive Plan.
- (3) Represents the interest accrued for the 2011 fiscal year on the deferred portion of the named executive officer's bonus awards under the 2008, 2009 and 2010 Management Incentive Plans. For Mr. Wright, such accrued interest was in the amount of \$8,162.
- (4) Includes a notional gain in the amount of \$119 for the 2011 fiscal year with respect to the compensation deferred by the named executive officer under the Executive Deferred Compensation Plan. The amount represents the net notional rate of return for the 2011 fiscal year based on the actual market earnings realized by the single investment fund selected by the named executive officer from the group of investment funds available to track notional investment returns on the account balances maintained under the Executive Deferred Compensation Plan. The investment fund so selected by the named executive officer for the 2011 fiscal year and the rate of return for such fund for such year was as follows: Vanguard Var Ins Fund Total Stock Market with a rate of return of 1.09%.

- (5) \$119 of the amount reported in column (d) of this table for Mr. Wright is also included in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table and is also included in column (f) of this table.
- (6) Represents the vested amounts paid to Messrs. Zafiropoulo and Wright during the 2011 fiscal year pursuant to the deferred portion of the bonuses awarded them under the Management Incentive Plan for the 2010 fiscal year.
- (7) Includes the following amounts reported for the named executive officer in the Summary Compensation Tables for the 2011 fiscal year and prior fiscal years: for Mr. Zafiropoulo (i) \$543,333 of the \$815,000 Non-Equity Incentive Plan bonus amount reported for the 2011 fiscal year, (ii) \$432,667 of the \$1,298,000 Non-Equity Incentive Plan bonus amount reported for the 2010 fiscal year); and for Mr. Wright (i) the \$3,790 of salary deferred for the 2011 fiscal year under the Executive Deferred Compensation Plan, (ii) \$220,667 of the \$331,000 Non-Equity Incentive Plan bonus amount reported for the 2011 fiscal year, (iii) \$214,333 of the \$643,000 Non-Equity Incentive Plan bonus amount reported for the 2010 fiscal year, (iv) \$3,500 of deferred salary for the 2009 fiscal year, (v) \$119 of notional earnings reported for the 2011 fiscal year with respect to deferred compensation under the Executive Deferred Compensation Plan, (vi) \$1,975 of notional earnings reported for the 2010 fiscal year with respect to deferred compensation under the Executive Deferred Compensation Plan, (vii) \$1,902 of notional earnings reported for the 2009 fiscal year with respect to deferred compensation under the Executive Deferred Compensation Plan, (viii) \$3,181 of deferred salary for the 2008 fiscal year, (ix) \$2,492 of deferred salary for the 2007 fiscal year, and (x) \$8 of notional earnings reported for the 2007 fiscal year under the Executive Deferred Compensation Plan. For the 2008 fiscal year, there was a notional loss of \$1,763 with respect to Mr. Wright's deferred compensation under the Executive Deferred Compensation Plan.

Executive Deferred Compensation Plan . The Company has established the Executive Deferred Compensation Plan in order to provide its executive officers and other key employees with the opportunity to defer all or a portion of their cash compensation each year. Pursuant to the plan, each participant can elect to defer between one percent (1%) and one hundred percent (100%) of his or her salary, commissions, bonuses and other awards. Each participant's contributions to the plan are credited to an account maintained in his or her name on the Company's books in which the participant is fully vested at all times. The account is credited with notional earnings (or losses) based on the participant's investment elections among a select group of investment funds utilized to track the notional investment return on the account balance. A total of 28 investment funds are available for election, and the participant may change his or her investment choices daily. Upon the participant's termination of employment for reasons other than retirement or disability, he or she will receive a lump sum distribution of his or her account balance within 60 days following the termination date, subject to any further delay required under applicable tax laws. Upon the participant's disability or retirement, his or her account balance will be distributed in a lump sum, or in 12 or more monthly installments (but not more than 180), pursuant to the participant's prior election. In the event a participant dies prior to receiving his or her entire account balance under the plan, his or her beneficiary will receive a lump-sum distribution of the remaining balance.

Deferred Portion of the 2008, 2009, 2010 and 2011 MIP Bonus. One-half of the bonus amount earned under the 2008 MIP was paid to the named executive officer following the close of the 2008 fiscal year. The other half was deferred and subject to an annual installment vesting schedule tied to the named executive officer's continued service with the Company over an additional three-year period that ended on December 31, 2011. One-third of the bonus amount earned under the 2009 MIP was paid to the named executive officer following the close of the 2009 fiscal year. The other two-thirds was deferred and is subject to an annual installment vesting schedule tied to the named executive officer's continued service with the Company over an additional two-year period that ended on December 31, 2011. One-third of the bonus amount earned under the 2010 MIP was paid to the named executive officer following the close of the 2010 fiscal year. The remaining portion has been deferred and is subject to an annual installment vesting schedule tied to the named executive officer's continued service with the Company over an additional two-year period ending December 31, 2012. One-third of the bonus amount earned under the 2011 MIP was paid to the named executive officer following the close of the 2011 fiscal year.

The remaining portion has been deferred and is subject to an annual installment vesting schedule tied to the named executive officer's continued service with the Company over an additional two-year period ending December 31, 2013. The deferred portions are paid as they vest and will earn interest at a designated rate until paid. The deferred portions will immediately vest and become payable in the event the named executive officer's employment terminates under certain defined circumstances during the deferral period. Accelerated payouts will also occur in the event of certain changes in control or ownership of the Company.

Deferred Equity Compensation

The following table shows the deferred compensation activity for each named executive officer for the 2011 fiscal year attributable to the shares of the Company's common stock that were vested as of December 31, 2011 under his outstanding RSU awards but that are subject to a deferred issuance date:

Name (a)	Executive Contributions in Last FY (\$) (b)	Registrant Contributions in Last FY (\$) (c)	Aggregate Earnings in Last FY (\$) (1) (d)	Aggregate Withdrawals/ Distributions (\$) (e) (2)	Aggregate Balance at Last FYE (\$) (f)
Arthur W. Zafiropoulo	—	—	437,746	1,117,320	3,931,200(3)
Bruce R. Wright	—	—	175,106	244,710	1,572,480(4)

- (1) Represents, with respect to the shares of the Company's common stock in which Mr. Zafiropoulo (93,336 shares) and Mr. Wright (37,336 shares) were vested on January 1, 2011 under their outstanding RSU awards with deferred issuance dates, the amount (if any) by which the fair market value of those shares on December 31, 2011 (or, if earlier, the date of their actual issuance in the 2011 fiscal year) exceeded their fair market value as of January 1, 2011. Since no dividends were paid on the Company's outstanding common stock during the 2011 fiscal year, no amounts were credited to the named executive officer's deferred share account pursuant to the dividend equivalent rights provided under his outstanding RSUs.
- (2) Represents, with respect to the previously-deferred shares of the Company's common stock that were issued to the named executive officer during the 2011 fiscal year, the dollar amount determined by multiplying the number of shares so issued by the closing price per share on the issuance date.
- (3) Represents the fair market value on December 31, 2011 of the shares of the Company's common stock in which Mr. Zafiropoulo was vested on that date under his outstanding RSU awards with deferred issuance dates beyond December 31, 2011. The amount reported was calculated by multiplying those vested deferred shares by the \$24.57 per share closing price of the common stock on December 31, 2011. Mr. Zafiropoulo was credited with 160,000 vested deferred shares as of December 31, 2011.
- (4) Represents the fair market value on December 31, 2011 of the shares of the Company's common stock in which Mr. Wright was vested on that date under his outstanding RSU awards but which are subject to deferred issuance dates beyond December 31, 2011. The amount reported was calculated by multiplying those vested deferred shares by the \$24.57 per share closing price of the common stock on December 31, 2011. Mr. Wright was credited with 64,000 vested deferred shares as of December 31, 2011.

Risk Assessment of Compensation Policies and Practices

The Company's compensation programs throughout the organization are designed to maintain an appropriate balance between long-term and short-term incentives by utilizing a combination of compensation components, including base salary, annual cash incentive awards, and long-term equity incentives. Although not all employees in the organization have compensation comprised of all three of those components, the compensation programs are generally structured so that any short-term cash incentives are not likely to constitute the predominant element of an employee's total compensation package and the other components will serve to balance the package. For a discussion of the primary components of the compensation packages for the Company's executive officers, please see the section above entitled "Executive Compensation—Compensation Discussion and Analysis."

While a number of employees do participate in performance-based cash incentive plans, the Company believes that those plans are structured in a manner that encourages the participating employees to remain focused on both the short- and long-term operational and financial goals of the Company. For example, payments under the Management Incentive Plan in which the Company's executive officers and other members of the management team participate (as discussed earlier in this section on Executive Compensation) are tied to both revenue and operating income metrics that are strategic to the Company's long-term objectives of sustained revenue generation and continued expense management. Although the Management Incentive Plan does not place an absolute cap on the amount payable per participant, the actual bonus amount is in all instances tied to a fraction or a multiple of the target bonus set for each participant. Additionally, payments based on performance goal attainment under the Management Incentive Plan are subject to an additional service vesting schedule so that a participant must remain with the Company for at least three years from the start of the one-year performance measurement period in order to earn his or her full payment for that performance period, thereby further encouraging long-term focus.

A significant portion of the compensation provided to executive officers and other senior employees of the Company is in the form of long-term equity awards that are important to help further align the interests of the recipient with those of the Company's stockholders. The Company believes that these awards do not encourage unnecessary or excessive risk taking because the ultimate value of the awards is tied to the Company's stock price. The Company's equity awards, whether in the form of stock options or restricted stock units, vest over a period of years, and that vesting element encourages award recipients to focus on sustaining the Company's long-term performance. In addition, because equity awards are typically made on an annual basis, the executive officers and other senior employees of the Company always have unvested awards outstanding that could decrease significantly in value if the Company's business is not managed to achieve its long term goals.

The Company's sales employees participate in short-term sales commission incentive plans that are subject to multiple levels of review during both the design stage and the incentive calculation and payment process. Payments are made at quarterly intervals over the year and are based upon the achievement of current quarter qualified bookings and revenue numbers against established targets. In order to insure that payments are made only on qualified transactions, the quarterly payment amount is net of any customer returns of previously booked orders.

Based on these considerations, the Company has concluded that it is not reasonably likely that its compensation programs would have a material adverse effect on the Company.

Employment Contracts, Termination of Employment Agreements and Change of Control

1993 Stock Option/Stock Issuance Plan

All outstanding options and RSUs under the Company's 1993 Stock Option/Stock Issuance Plan (the "1993 Plan") will immediately vest upon a change in control, to the extent not assumed or continued in effect by the successor entity or replaced with an incentive compensation program which preserves the intrinsic value of the award at that time and provides for the subsequent vesting and concurrent payout of that value in accordance with the pre-existing vesting schedules for those awards. The Compensation Committee also has the authority as the administrator of the 1993 Plan to provide for the accelerated vesting of any shares of the Company's common stock subject to outstanding equity awards held by one or more participants whether or not those awards are assumed or continued in effect by the successor entity in the event of (i) an acquisition of the Company by merger or asset sale, (ii) a change in control of the Company effected through the acquisition of more than fifty percent (50%) of the Company's outstanding common stock or through a change in the majority of the Board of Directors as a result of one or more contested elections for Board membership or (iii) a termination of employment (whether involuntarily or through a resignation for good reason) following such acquisition or change in control. The Compensation Committee has structured the stock options granted to Messrs. Zafiropoulo

and Wright and the RSU awards made to them so that those equity awards will vest in full on an accelerated basis upon such an acquisition or change in control of the Company. In addition, as explained below, the Company's existing employment agreements with Messrs. Zafiropoulo and Wright provide for full or partial accelerated vesting should their employment terminate under certain circumstances in the absence of a change in control.

Employment, Termination of Employment and Change in Control Agreements

The Company has existing employment agreements with Messrs. Zafiropoulo and Wright that provide for accelerated vesting and severance benefits under certain circumstances. Those agreements may be summarized as follows:

Mr. Zafiropoulo

The employment agreement with Mr. Zafiropoulo provides that he will serve as the Chief Executive Officer of the Company and that the Company will use its reasonable best efforts to have him elected as a member of the Board of Directors and as Chairman of the Board of Directors for so long as he remains so employed by the Company. Pursuant to the employment agreement, Mr. Zafiropoulo was paid an annual base salary of \$575,000 for the 2011 fiscal year and is entitled to a target bonus of up to sixty percent (60%) of base salary (which can be periodically increased by the Compensation Committee and which was set at one hundred fifty percent (150%) for the 2011 fiscal year). He may also receive stock options or restricted stock unit awards from time to time at the discretion of the Compensation Committee. Mr. Zafiropoulo is also entitled to reimbursement from the Company for the costs incurred to obtain lifetime retiree health care coverage (medical and dental) for himself and his spouse. To the extent such reimbursements become taxable to Mr. Zafiropoulo or his spouse, he or she will be entitled to a full tax gross-up from the Company to cover the taxes attributable to such reimbursements and any taxes that apply to the gross-up payment.

Mr. Zafiropoulo's employment may be terminated by him or by the Company at any time, with or without cause. If the Company terminates his employment other than for cause, or in the event of his death, disability or resignation for good reason, Mr. Zafiropoulo (or his beneficiary) will be entitled to receive (i) the outstanding deferred balance of the bonuses earned for prior years, (ii) 12 months of continued base salary at the rate then in effect for him, (iii) accelerated vesting of twenty-five percent (25%) (or such greater percentage as set forth in the applicable award agreement) of his outstanding stock options and restricted stock unit awards, (iv) an extension of the time to exercise his outstanding vested stock options for a period of up to one year and 90 days measured from the termination date of his employment and (v) continued use of a Company car for 12 months with reimbursement from the Company of all related expenses.

If, however, Mr. Zafiropoulo's employment terminates for any reason in connection with a change of control of the Company, then he will, instead, receive (i) the outstanding deferred balance of the bonuses earned for prior years, (ii) 24 months of continued base salary at the rate then in effect for him (or, if greater, in effect immediately prior to the change of control) and (iii) continued use of a Company car for 24 months with reimbursement from the Company of all related expenses. In addition, regardless of whether Mr. Zafiropoulo's employment is terminated in connection with a change of control of the Company, all of his outstanding stock options and restricted stock unit awards will automatically vest in full upon a change of control, and the time for exercising his outstanding options will be extended for a period of up to one year and 90 days measured from the termination date of his employment following the change in control.

Should Mr. Zafiropoulo incur an excise tax under Section 4999 of the Internal Revenue Code with respect to any payments he receives from the Company that constitute a parachute payment under the federal tax laws, then the Company will make a full tax gross-up payment to him to cover such excise tax and any income and employment taxes that apply to the gross-up payment.

For purposes of the employment agreement, a change of control generally includes:

- Acquisition of more than fifty percent (50%) of the Company's voting stock by any person or group of related persons;
- Change in the composition of the Board of Directors such that a majority of the directors who are currently on the Board, together with those subsequently nominated by such directors, no longer constitute a majority of the Board;
- Consummation of a merger or consolidation in which the Company is not the surviving entity;
- Sale, transfer or other disposition of all or substantially all of the Company's assets; or
- A reverse merger in which the Company is the surviving entity but in which the Company's stockholders before the merger do not own at least fifty percent (50%) of the voting stock after the merger.

Mr. Wright

The employment agreement with Mr. Wright provides that he will serve as the Senior Vice President, Finance, Chief Financial Officer, and Secretary of the Company. Pursuant to the employment agreement, Mr. Wright was paid a base salary, of \$350,000 for the 2011 fiscal year and is entitled to a target bonus of up to forty percent (40%) of base salary (which can be increased periodically by the Compensation Committee and which was set at one hundred percent (100%) for the 2011 fiscal year). In addition, he may also receive stock options or restricted stock unit awards from time to time at the discretion of the Compensation Committee.

Mr. Wright's employment may be terminated by him or by the Company at any time, with or without cause. If the Company terminates his employment other than for cause, or in the event of his death, disability or resignation for good reason, Mr. Wright (or his beneficiary) will be entitled to receive (i) the outstanding deferred balance of the bonuses earned for prior years, (ii) 12 months of continued base salary at the rate then in effect for him, (iii) accelerated vesting of twenty-five percent (25%) (or such greater percentage as set forth in the applicable award agreement) of his outstanding stock options and restricted stock unit awards, (iv) an extension of the time to exercise his outstanding vested stock options for a period of up to one year and 90 days measured from the termination date of his employment, and (v) reimbursement from the Company for the costs incurred to obtain lifetime retiree health care coverage (medical and dental) for himself and his spouse, to the extent those costs exceed the amount charged an active employee of the Company for comparable health care coverage.

If, however, Mr. Wright's employment terminates for any reason in connection with a change of control of the Company, then he will, instead, receive (i) the outstanding deferred balance of the bonuses earned for prior years, (ii) 24 months of continued base salary at the rate then in effect (or, if greater, in effect immediately prior to the change of control) and (iii) reimbursement of the costs incurred by him to obtain lifetime retiree health care coverage for himself and his spouse to the extent those costs exceed the amount charged an active employee of the Company for comparable health care coverage. In addition, regardless of whether Mr. Wright's employment is terminated in connection with a change of control of the Company, all of his outstanding stock options and restricted stock unit awards will automatically vest in full upon a change of control, and the time for exercising his outstanding vested options will be extended for a period of up to one year and 90 days measured from the termination date of his employment following the change in control. A change of control for purposes of Mr. Wright's employment agreement has the same meaning as in Mr. Zafiropoulo's employment agreement described above.

Quantification of Benefits

The charts below quantify the potential payments Messrs. Zafiropoulo and Wright would receive based upon the following assumptions:

(i) the executive's employment terminated on December 31, 2011 under circumstances entitling him to severance benefits under his employment agreement or equity award agreements,

(ii) as to any benefits tied to the executive's rate of base salary, the rate of base salary is assumed to be the executive's rate of base salary that was in effect for Messrs. Zafiropoulo and Wright on December 31, 2011 which is \$575,000 and \$350,000, respectively, and

(iii) with respect to benefits tied to a change in control, the change in control is assumed to have occurred on December 31, 2011 and the change in control consideration paid per share of the Company's outstanding common stock is assumed to be equal to the closing selling price of such common stock on December 31, 2011, which was \$24.57 per share.

Benefits Received Upon a Change in Control (No Termination of Employment)

The outstanding equity awards held by Messrs. Zafiropoulo and Wright will vest in full upon a change in control transaction, whether or not these awards are assumed or otherwise continued in effect.

<u>Name</u>	<u>Accelerated Vesting of Equity Awards (\$)(1)</u>	<u>Excise Tax Gross Up</u>
Mr. Zafiropoulo	4,168,080	—
Mr. Wright	2,110,456	—

- (1) Represents the intrinsic value of the accelerated vesting of all of the named executive officer's stock options and unvested RSU awards, based on the \$24.57 closing price per share of the Company's common stock on December 31, 2011.

Benefits Received Upon Qualifying Termination in Connection with a Change in Control

<u>Executive</u>	<u>Salary Continuation (\$)</u>	<u>Accelerated Vesting of Deferred Compensation (\$)</u>	<u>Lifetime Retiree Medical Coverage Reimbursement (including Gross-up for Mr. Zafiropoulo) (\$)</u>	<u>Accelerated Vesting Equity Awards / Extension of Stock Option Term</u>	<u>Continued Use of Corporate Automobile (\$)</u>	<u>Excise Tax Gross-Up (\$)</u>
Mr. Zafiropoulo	1,150,000	976,000(1)	492,298(2)	4,529,861(3)	93,600	—
Mr. Wright	700,000	435,000(1)	416,365	2,198,970(3)	—	—

- (1) Represents the payment of the deferred and unvested portion of the bonus awards made under the 2010 and 2011 Management Incentive Plans.
- (2) Includes a gross-up payment to Mr. Zafiropoulo to cover the taxes attributable to such coverage and any taxes that apply to such gross-up payment.
- (3) Represents (i) the intrinsic value of the accelerated vesting of all of the named executive officer's unvested stock options and RSUs, based on the \$24.57 closing price per share of the Company's common stock on December 31, 2011 plus (ii) the value of the extension of the post-employment exercise period for all outstanding options held by the named executive officer on December 31, 2011 from 90 days to 455 days, estimated by using the Black-Scholes option pricing model, in accordance with the provisions of ASC Topic 718.

Benefits Received Upon Qualifying Termination Not in Connection with a Change in Control

<u>Executive</u>	<u>Salary Continuation (\$)</u>	<u>Accelerated Vesting of Deferred Compensation</u>	<u>Lifetime Retiree Medical Coverage Reimbursement (including tax gross-up) (\$)</u>	<u>Accelerated Vesting of Stock Options and Other Equity Awards (\$)</u>	<u>Continued Use of Corporate Automobile (\$)</u>
Mr. Zafiropoulo	575,000	976,000(1)	492,298(2)	4,529,861(3)	93,600
Mr. Wright	350,000	435,000(1)	416,365	1,339,610(3)	—

-
- (1) Represents the payment of the deferred and unvested portions of the bonus awards under the 2009 and 2010 Management Incentive Plans.
 - (2) Includes a gross-up payment to Mr. Zafiropoulo to cover the taxes attributable to such coverage and any taxes that apply to such gross-up payment.
 - (3) Represents (i) the intrinsic value of the accelerated vesting of 100% of Messrs. Zafiropoulo's and Wright unvested stock options and 100% of the value of Mr. Zafiropoulo's and 25% of the value of Mr. Wright's unvested RSUs, based on the \$24.57 closing price per share of the underlying common stock on December 31, 2011 plus (ii) the value of the extension of the post-employment exercise period for all outstanding options held by the named executive officer on December 31, 2011 from 90 days to 455 days, estimated by using the Black-Scholes option pricing model, in accordance with the provisions of ASC Topic 718.

Mr. Zafiropoulo will also be entitled to the Company reimbursement of the cost incurred to obtain lifetime retiree health care coverage for himself and his spouse upon the termination of his employment for any other reason. In addition, Messrs. Zafiropoulo and Wright will each be entitled, upon their termination of employment for any reason, to exercise their outstanding vested stock options and to receive any deferred shares of the Company's common stock subject to their vested RSU awards.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Gemunder, Richard, Timmins and Tsai served as members of the Compensation Committee during the fiscal year completed December 31, 2010. No member of the Compensation Committee is a former or current officer or employee of the Company or any of its subsidiaries. No executive officer of the Company serves as a member of the board of directors or compensation committee of any entity which has one or more of its executive officers serving as a member of the Board of Directors or Compensation Committee.

ANNUAL REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this annual report with management, and based on such review and such discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis, as contained herein, be included in this annual report.

Compensation Committee
Joel F. Gemunder
Henri Richard
Rick Timmins
Ben Tsai

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's Amended and Restated Certificate of Incorporation and Bylaws provide for indemnification of all directors and officers. In addition, each director and executive officer of the Company has entered into a separate indemnification agreement with the Company.

Scott Zafiropoulo, the son of Arthur Zafiropoulo, the Company's Chairman of the Board of Directors and Chief Executive Officer, is an employee of the Company. In fiscal year 2011, Mr. S. Zafiropoulo earned approximately \$205,961 in salary. Mr. S. Zafiropoulo also received a cash bonus in the amount of approximately \$139,000 under the 2011 MIP, one-third of which was paid on February 2, 2012 and the remaining two-thirds of which will be paid over the next two years pursuant to the terms of the 2011 MIP. In addition, as part of the 2011 MIP, Mr. S. Zafiropoulo received restricted stock units covering 15,000 shares of the Company's common stock with an aggregate grant-date fair value of \$386,964 and stock options to purchase an additional 60,000 shares of the Company's common stock that had an aggregate grant-date fair value (calculated in accordance with ASC 718) of \$810,080. The restricted stock units will vest, and the underlying shares of common stock will be issued in a series of 100 successive equal monthly installments upon his completion of each month of service over the 100-month period measured from January 1, 2011. The stock options will vest in a series of installments over Mr. S. Zafiropoulo's employment with us as follows: 12% of the shares under each option will vest upon his completion of one year of employment with us measured from January 1, 2011, and the balance of each option will vest in a series of 88 successive equal monthly installments upon his completion of each additional month of employment with us over the 88-month period measured from January 1, 2012.

In fiscal year 2011, the Company made services payments to KLA-Tencor Corporation in an aggregate amount of \$224,871, and continues to do business with KLA-Tencor. Dr. Tsai, a member of the Company's Board of Directors is an executive officer of KLA-Tencor. The Company's Board of Directors has determined that the business relationship between the Company and KLA-Tencor does not compromise Dr. Tsai's independence. The Audit Committee and the Board has each authorized the Company's ongoing ordinary course business relationship with KLA-Tencor.

The Board of Directors has adopted a written policy that all material transactions with affiliates will be on terms no more or less favorable to the Company than those available from unaffiliated third parties and will be approved by the Audit Committee and the Board of Directors.

DIRECTOR INDEPENDENCE

The Board has determined that each of Messrs. Child, Gemunder, Konidaris, Raney, Richard and Timmins and Dr. Tsai is an "independent director" as that term is defined in Rule 5605 of The Nasdaq Stock Market's Marketplace Rules.

AUDIT COMMITTEE REPORT

The information contained in this report shall not be deemed to be “soliciting material” or to be “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or Securities Exchange Act of 1934, as amended.

The following is the report of the Audit Committee with respect to the Company’s audited financial statements for the fiscal year ended December 31, 2011, included in the Company’s Annual Report on Form 10-K for that year.

The Audit Committee has reviewed and discussed these audited financial statements with management of the Company.

The Audit Committee has discussed with the Company’s independent registered public accounting firm, Ernst & Young LLP, the matters required to be discussed by SAS 90 (Communication With Audit Committee).

The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the audit committee concerning independence, and has discussed with Ernst & Young LLP the independence of Ernst & Young LLP from the Company.

Based on the review and discussions referred to above in this report, the Audit Committee recommended to the Company’s Board that the audited financial statements be included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee
of the Board of Directors

Nicholas Konidaris
Dennis Raney
Rick Timmins, Chairman

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and any persons who are the beneficial owners of more than ten percent (10%) of the Company's Common Stock to file reports of ownership and changes in ownership with the SEC. Such directors, officers and greater than ten percent (10%) beneficial stockholders are required by Securities and Exchange Commission regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it and written representations from reporting persons for the 2011 fiscal year, the Company believes that all of the Company's executive officers, directors and greater than ten percent (10%) beneficial stockholders complied with all applicable Section 16(a) filing requirements for the 2011 fiscal year.

ANNUAL REPORT

A copy of the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2011 was filed with the SEC on February 29, 2012, and a copy of the Company's first amendment thereto on Form 10-K/A was filed with the SEC on April 27, 2012. Except for "Executive Officers of the Registrant" from Part I of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, the Annual Report, as amended, is not incorporated into this Proxy Statement and is not considered proxy solicitation material. Stockholders may obtain a copy of the Annual Report on Form 10-K and the amendment thereto on Form 10-K/A, without charge, by writing to Investor Relations, Ultratech, Inc., 3050 Zanker Road, San Jose, California 95134, telephone: 1-408-321-8835. The Annual Report on Form 10-K and the amendment thereto on Form 10-K/A are also available at www.ultratech.com under Investors/SEC Filings and at the website referred to in the Notice of Internet Availability of Proxy Materials.

The Board of Directors of
Ultratech, Inc.

Dated: June 5, 2012

APPENDIX A
Form of Proxy

ULTRATECH, INC.
PROXY
ANNUAL MEETING OF STOCKHOLDERS
JULY 17, 2012

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Arthur W. Zafiropoulo and Bruce R. Wright and each of them as Proxies of the undersigned with full power of substitution, and hereby authorizes each of them to represent and to vote, as designated below, all of the shares of Common Stock of Ultratech, Inc., a Delaware corporation (the "Company"), held of record by the undersigned on May 21, 2012 at the Annual Meeting of Stockholders of Ultratech, Inc. to be held on July 17, 2012 at 2:00 p.m., local time, at the Hyatt Regency Santa Clara, 5101 Great America Parkway, Santa Clara, California 95054, or at any adjournment or postponement thereof, with the same force and effect as the undersigned might or could do if personally present thereat. The shares represented by this Proxy shall be voted in the manner set forth on the reverse side.

This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder(s). If no direction is made, this proxy will be voted FOR Proposals 1, 2, 3 and 4.

1. To elect seven (7) directors to serve for the ensuing one year until the expiration of their terms in 2013, or until their successors are duly elected and qualified.

NOMINEES	(01) <u>ARTHUR W. ZAFIROPOULO</u>	(02) <u>MICHAEL CHILD</u>
	(03) <u>JOEL F. GEMUNDER</u>	(04) <u>NICHOLAS KONIDARIS</u>
	(05) <u>DENNIS RANEY</u>	(06) <u>HENRI RICHARD</u>
	(07) <u>RICK TIMMINS</u>	

For ALL Nominees <input type="checkbox"/>	Withheld from ALL Nominees <input type="checkbox"/>
--	---

For all nominees except as noted above

2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012.

FOR <input type="checkbox"/>	AGAINST <input type="checkbox"/>	ABSTAIN <input type="checkbox"/>
--	--	--

(continued, and to be signed, on the other side)

3. To approve and adopt an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock from 40,000,000 to 80,000,000 shares.

FOR

AGAINST

ABSTAIN

4. To approve the advisory resolution to approve the compensation of the Company's named executive officers.

FOR

AGAINST

ABSTAIN

5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof, including the election of any director if any of the above nominees named herein is unable to serve or for good cause will not serve.

MARK HERE IF YOU PLAN TO ATTEND THE MEETING

PLEASE SIGN, DATE AND RETURN THIS PROXY PROMPTLY USING THE ENCLOSED ENVELOPE.

Please sign exactly as your name(s) is (are) shown on the share certificate to which the Proxy applies. When shares are held by joint tenants, both should sign. When signing as an attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

DATED: _____

Signature

(Additional signature if held jointly)