

AMTECH SYSTEMS INC  
Form DEF 14A  
June 15, 2005

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

**AMTECH SYSTEMS, INC.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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x 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:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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AMTECH SYSTEMS, INC.

131 SOUTH CLARK DRIVE

TEMPE, ARIZONA 85281

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON JULY 8, 2005**

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To Our Shareholders:

The 2005 Annual Meeting of Shareholders of AMTECH SYSTEMS, INC., an Arizona corporation (the Company), will be held at the Hilton Phoenix Airport Hotel, 2435 South 47<sup>th</sup> Street, Phoenix, Arizona, on Friday, July 8, 2005, at 10:00 a.m., Arizona time, for the following purposes:

1. To elect four (4) directors to serve for one-year terms or until their successors are elected and qualified;
2. To approve an amendment to the Company's Non-Employee Directors Stock Option Plan; and
3. To transact such other business as may properly come before the meeting or its adjournment.

The foregoing items of business are more fully described in the Proxy Statement accompanying this notice. The Company is presently aware of no other business to come before the Annual Meeting.

The Board of Directors has fixed the close of business on June 10, 2005, as the record date (the Record Date) for the determination of shareholders who hold the Company's common stock or preferred stock who are entitled to notice of, and to vote at, the annual meeting or any postponement or adjournment thereof. Shareholders are reminded that their shares of the Company's common stock or preferred stock can be voted at the annual meeting only if they are present at the Annual Meeting in person or by valid proxy. A copy of the Company's 2004 Annual Report, which includes our audited financial statements, was mailed with this Notice and Proxy Statement to all shareholders of record on the Record Date.

Management of the Company cordially invites you to attend the Annual Meeting. Your attention is directed to the attached Proxy Statement for a discussion of the foregoing proposals and the reasons why the Board of Directors encourages you to vote **FOR** approval of such proposals.

By Order of the Board of Directors:

Robert T. Hass, Secretary

Tempe, Arizona

June 15, 2005

**IMPORTANT: IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THIS MEETING. PLEASE COMPLETE, DATE, SIGN AND PROMPTLY MAIL THE ENCLOSED PROXY CARD IN THE ACCOMPANYING ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.**

**AMTECH SYSTEMS, INC.**

**131 SOUTH CLARK DRIVE**

**TEMPE, ARIZONA 85281**

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**PROXY STATEMENT**

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The Board of Directors of Amtech Systems, Inc., an Arizona corporation (the Company), is soliciting proxies to be used at the 2005 Annual Meeting of Shareholders of the Company to be held on Friday, July 8, 2005, at 10:00 a.m., Arizona time, and any adjournment or postponement thereof (the Annual Meeting). A copy of the Notice of the Meeting accompanies this Proxy Statement. This Proxy Statement and the accompanying form of proxy will be mailed to all shareholders entitled to vote at the Annual Meeting beginning June 15, 2005.

**Who Can Vote**

Shareholders of record as of the close of business on June 10, 2005 (the Record Date), may vote at the Annual Meeting and at any and all adjournments or postponements of the meeting. On the Record Date, 2,705,121 shares of the Company's common stock, \$.01 par value (Common Stock), and 540,000 shares of the Company's Series A Convertible Preferred Stock, \$.01 par value (Preferred Stock), were issued and outstanding.

**What Constitutes a Quorum**

Except with respect to the election of directors, the presence, in person or by proxy, of the holders of a majority of the voting power of the outstanding shares of Common Stock and Preferred Stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. With respect to the election of the three directors who are to be elected by the holders of Common Stock (the Common Stock Director), the presence in person or by proxy of the holders of a majority of the voting power of the outstanding shares of Common Stock entitled to vote is necessary to constitute a quorum. With respect to the election of the single director who is to be elected by the holders of Preferred Stock (the Preferred Stock Director), the presence in person or by proxy of the holders of a majority of the voting power of the outstanding shares of Preferred Stock entitled to vote is necessary to constitute a quorum.

Abstentions and broker non-votes are included in the number of shares present at the meeting for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

**How to Attend the Meeting**

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If you are a shareholder of record, which means you hold your shares in your name, you may attend the meeting. If you own shares in the name of a bank, broker or other holder of record (street name), you will need to ask your broker or bank for a copy of the proxy they received from us. You will need to bring the proxy with you to the Annual Meeting.

### **How to Vote**

If you are a shareholder of record, you may vote by mail or in person. To vote by mail, sign, date and return your proxy card in the enclosed postage-paid envelope. All valid proxies received before the Annual Meeting, and not properly revoked, will be exercised. If you sign and return your proxy card, but do not give voting instructions and authority to vote is not specifically withheld, the shares represented by that proxy will be voted as recommended by our Board of Directors. If you have specified a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the specifications so made.

All shareholders may vote in person at the Annual Meeting (unless they are street name holders without a legal proxy). If your shares are held in street name, you will receive instructions from the holder of record that you must follow in order for your shares to be validly voted.

We are not aware of any other matters to be presented at the Annual Meeting, except those described in this Proxy Statement. However, if any other matters not described in this Proxy Statement are properly presented at the Annual Meeting, the proxies will use their own judgment to determine how to vote your shares. If the Annual Meeting is adjourned, your Common Stock and Preferred Stock may be voted by the proxies on the new meeting date as well, unless you have revoked your proxy prior to that time.

### **What are the Voting Rights of Holders of Common Stock and Preferred Stock**

The holders of Common Stock will be entitled to one vote per share of Common Stock. The holders of Preferred Stock will be entitled to one vote per share of Preferred Stock. The holders of Common Stock and Preferred Stock vote together as a single class on all matters, except: (i) with respect to the election of directors; (ii) as required by the Certificate of Designations, Preferences and Privileges of the Series A Convertible Preferred Stock of Amtech Systems, Inc. (the Certificate of Designations); and (iii) as required by law.

### **What Vote is Required to Approve Each Item**

With respect to the election of directors, only holders of the Common Stock will be entitled to vote on the nominees for Common Stock Director, and only holders of Preferred Stock will be entitled to vote on the nominees for Preferred Stock Director. The affirmative vote of a plurality of votes cast by holders of Common Stock represented and entitled to vote at the Annual Meeting is required for the election of the Common Stock Directors. The affirmative vote of a plurality of votes cast by holders of Preferred Stock represented and entitled to vote at the Annual Meeting is required for the election of the Preferred Stock Director. Amtech Investments, LLC ( Amtech Investments ), which held 312,500 shares of the Preferred Stock (representing approximately 58% of the outstanding voting power of the Preferred Stock) as of the Record Date, has notified the Company that it intends to vote in favor of the Board of Directors' nominee for Preferred Stock Director. Amtech Investments has sufficient voting power to elect the Board's nominee for Preferred Stock Director, and if Amtech Investments votes in favor of such nominee as it has indicated, the nominee will be elected.

With respect to the approval of the amendment to the Company's Non-Employee Directors Stock Option Plan (the Amended Plan), the affirmative vote of a majority of votes cast by holders of Common Stock and Preferred Stock represented and entitled to vote at the Annual Meeting is required for approval.

### **Voting Choices**

For each proposal presented for which you are entitled to vote, you may vote one of the following ways:

1. For the proposal
2. Against the proposal
3. Abstain from voting

Proxies signed and returned without instructions will be voted **FOR** each proposal presented.

### **Changing Your Vote**

You may revoke your proxy at any time before it is exercised in one of three ways:

By delivering to our offices, to the attention of our Corporate Secretary prior to the vote at the Annual Meeting, a written instrument of revocation bearing a date later than that of the proxy.

By duly executing and delivering to our offices, to the attention of our Corporate Secretary prior to the vote at the Annual Meeting, a proxy for the same shares bearing a later date.

By voting by ballot at the Annual Meeting, provided that the shareholder notifies our Corporate Secretary at the Annual Meeting of his or her intention to vote in person at any time prior to the voting of the proxy.

### **How Votes are Counted**

Inspectors of election will be appointed for the Annual Meeting. The inspectors of election will determine whether or not a quorum is present and will tabulate votes cast by proxy or in person at the Annual Meeting. If you have returned valid proxy instructions or attend the Annual Meeting in person, your Common Stock will be counted for the purpose of determining whether there is a quorum. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter. Abstentions and broker non-votes will be included in the determination of the number of shares represented for a quorum.

### **Costs of this Proxy Solicitation**



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We will pay the costs of preparing and mailing the Notice and Proxy Statement, including the charges and expenses of brokerage firms, banks and others who forward solicitation material to beneficial owners of the Common Stock and Preferred Stock. We will solicit proxies by mail. Officers and directors of the Company may also solicit proxies personally, or by telephone or facsimile, without additional compensation. Computershare will serve as our proxy solicitation agent. In such capacity, Computershare will coordinate the distribution of proxy materials to beneficial owners of Common Stock and oversee the return of proxy cards. The fee for all of these services is estimated to be \$15,000.

### **Annual Report**

The Company's Annual Report to Shareholders for the fiscal year ended September 30, 2004 (the "Annual Report") has been mailed concurrently with the mailing of the Notice of Annual Meeting and Proxy Statement to all shareholders entitled to notice of, and to vote at, the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement, and is not considered proxy-soliciting material.

The information contained in the Report of Compensation and Option Committee, Audit Committee Report and Comparison of Stock Performance shall not be deemed filed with the Securities and Exchange Commission or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

**Number of Directors to be Elected**

Our Board of Directors currently consists of five members. Each director elected will hold office for one year or until his successor is elected and qualified. If any director resigns, or otherwise is unable to complete his term in office, our Board may elect another director for the remainder of the resigning director's term. The holders of Common Stock are entitled to elect four Common Stock Directors out of the five directors on the Board. Pursuant to the Certificate of Designations, the holders of Preferred Stock are entitled to elect one Preferred Stock Director out of the five directors on the Board. Immediately following the 2005 Annual Meeting, there will be one vacancy on the Board of Directors, which will be one of the Common Stock Directors. The Board of Directors is currently in the process of searching and recruiting qualified candidates to fill this vacancy.

**Vote Required**

The affirmative vote of a plurality of votes cast by holders of Common Stock represented and entitled to vote at the Annual Meeting is required for the election of the Common Stock Directors. The affirmative vote of a plurality of votes cast by holders of Preferred Stock represented and entitled to vote at the Annual Meeting is required for the election of the Preferred Stock Directors. There is cumulative voting in the election of directors. This means that each holder of Common Stock present at the Annual Meeting, either in person or by proxy, will have an aggregate number of votes in the election of directors equal to three (the number of persons nominated for election as Common Stock Directors) multiplied by the number of shares of Common Stock held by such shareholder on the Record Date. The resulting aggregate number of votes may be cast by the holder of Common Stock for the election of any single nominee for Common Stock Director, or the shareholder may distribute such votes among any number or all of the nominees for Common Stock Director. The three nominees for Common Stock Director receiving the highest number of votes will be elected to our Board of Directors. Each holder of Preferred Stock present at the Annual Meeting, either in person or by proxy, will have one vote per share of Preferred Stock held by such shareholder on the Record Date. The holders of Preferred Stock may cast votes for the election of the Preferred Stock Director, but not for any of the nominees for Common Stock Director.

Amtech Investments, which held 312,500 shares of the Preferred Stock (representing approximately 58% of the outstanding voting power of the Preferred Stock) as of the Record Date, has notified the Company that it intends to vote in favor of the Board of Directors' nominee for Preferred Stock Director. Amtech Investments has sufficient voting power to elect the Board's nominee for Preferred Stock Director, and if Amtech Investments votes in favor of such nominee as it has indicated, the nominee will be elected.

**Nominees of the Board**

Our Board of Directors is responsible for supervision of the overall affairs of the Company. Our Board has nominated the following individuals to serve on our Board of Directors for the following year:

Jong S. Whang (Common Stock Director)

Robert T. Hass (Common Stock Director)

Robert F. King (Common Stock Director)

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Robert M. Averick (Preferred Stock Director)

Each of these nominees, except Mr. Averick, the sole nominee for Preferred Stock Director, currently serves on our Board of Directors, and has agreed to be named in this Proxy Statement and to serve if elected. Mr. Averick, who was recommended for nomination by Amtech Investments, the holder of a majority of the Preferred Stock, is currently portfolio manager for Richard L. Scott Investments, LLC which is the controlling member of Amtech Investments.. See below for information regarding each of the nominees.

Our Board of Directors recommends a vote **FOR** the election of the three nominees for Common Stock Director and the nominee for Preferred Stock Director under Proposal No. 1. Our Board of Directors intends to vote its proxies for the election of the nominees, for a term to expire at the next Annual Meeting. In that regard, our Board of Directors solicits authority to cumulate such votes.

If any nominee should become unavailable for any reason, which our Board of Directors does not anticipate, the proxy will be voted for any substitute nominee, or nominees, who may be selected by our Board of Directors prior to, or at, the Annual Meeting, or, if no substitute is selected by the Board prior to or at the Annual Meeting, for a motion to reduce the present membership of the Board to the number of nominees available. The information concerning the nominees and their share holdings in the Company has been furnished by them to the Company.

### Information Concerning Directors and Officers

The following table sets forth information regarding the officers and directors of the Company. The subsequent paragraphs contain biographical data for each director.

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>
Jong S. Whang	59	President, Chief Executive Officer and Director
Robert T. Hass	55	Vice President Finance, Chief Financial Officer, Treasurer, Secretary and Director
Robert Averick	39	Director
Robert F. King	71	Director

**Jong S. Whang** has been President, Chief Executive Officer and a Director of the Company since its inception, and was one of its founders. Mr. Whang's responsibilities as President include the sales effort for the Company's semiconductor equipment business and the development of new products and business opportunities in that industry. He has 30 years of experience in the semiconductor industry, including time spent in both processing and manufacturing of equipment components and systems. From 1973 until 1979, he was employed by Siltronic, Inc., initially as a technician working with chemical vapor deposition, and later as manager of the quartz fabrication plant with responsibility of providing technical marketing support. From 1979 until 1981, he was employed by U.S. Quartz, Inc. as manufacturing manager. In 1981, he left U.S. Quartz to form the Company.

**Robert T. Hass** has been Vice President Finance, Chief Financial Officer, Treasurer and Secretary of the Company since June, 1992, and a Director of the Company since February, 1996. From 1991 until May, 1992, he operated a financial consulting practice. From 1985 to 1991, Mr. Hass was Director of Accounting Services and then Controller for Lifeshares Group, Inc., and from 1988 to 1991 was Controller and Chief Accounting Officer of some of Lifeshares' subsidiaries. From 1984 to 1985, he was Vice President Finance and Treasurer of The Victorio Company. From 1977 to 1984, he served in various capacities including Vice President, Chief Financial Officer and Treasurer of Altamil Corporation, then a public diversified manufacturing company. From 1972 to 1977, he was an auditor with Ernst & Ernst, now known as Ernst & Young. He is a Certified Public Accountant.

**Robert M. Averick** is currently a Vice President, Portfolio Manager at Richard L. Scott Investments, LLC (RLSI), a family investment office located in Stamford, Connecticut. Mr. Averick co-manages a public equity portfolio on behalf of RLSI where he is responsible for all aspects of the investment decision-making process. Prior to joining RLSI in 2000, Mr. Averick was a Senior Associate with Prudential Investments Structured Finance Group where he focused on highly structured, private and 144A asset-backed transactions. Mr. Averick has additional work experience in Strategic Planning and Consulting. Mr. Averick received an undergraduate degree in Economics from The University of Virginia and a Masters in Business Administration in Finance and Entrepreneurial Management from The University of Pennsylvania, The Wharton

School of Business.

**Robert F. King** has been a Director of the Company since May, 2003. Since 1989, Mr. King has been President of King Associates, which provides consulting services to equipment companies serving the semiconductor and flat panel display industries. He currently serves on the advisory board of a privately-held

company, which provides equipment to the flat panel display industry. From 1968 to 1988, Mr. King was employed at Varian Associates, where he served in various marketing positions, including Vice President of Marketing for the Semiconductor Equipment Division. Mr. King also served on the Board of Directors of Varian's joint venture semiconductor equipment companies located in Korea and Japan.

### **Information About Board and Committee Meetings and Director Compensation**

Information concerning our Board of Directors and the three committees maintained by our Board is set forth below. A majority of the Board of Directors, as well as the Company's Board Committees, consist of Directors who are not employees of the Company and who are independent within the meaning of the listing standards of the Nasdaq Stock Market. Currently, the Company's independent directors include Bruce R. Thaw, Alvin L. Katz and Robert F. King.

Our Board of Directors held four (4) meetings during the 2004 fiscal year. No director attended less than 75% of all Board meetings while he served as such director, or less than 75% of all committee meetings on which he served as a committee member. Our Board has the authority under the Company's Bylaws to increase or decrease the size of our Board and fill vacancies, and the directors chosen to fill such vacancies will hold office until the Company's next annual meeting, or until their successors are elected and qualified.

The Audit Committee, the Compensation and Option Committee and the Nominating Committee are the standing committees of our Board of Directors. These committees are comprised as follows:

**Audit** Bruce R. Thaw, Alvin L. Katz and Robert F. King

**Compensation and Option** Alvin L. Katz and Bruce R. Thaw

**Nominating** Alvin L. Katz and Bruce R. Thaw

The Audit Committee held five (4) meetings during the 2004 fiscal year. The Audit Committee is responsible for maintaining communication between the Board of Directors, the independent auditors and members of financial management with respect to the Company's financial affairs in general, including financial statements and audits, the adequacy and effectiveness of the internal accounting controls and systems and the retention and termination of the independent auditors. The Audit Committee also develops and recommends corporate governance guidelines to the Board and provides oversight with respect to corporate governance and ethical conduct. A copy of the charter of the Audit Committee is attached as Exhibit A to this Proxy Statement.

The Audit Committee is composed of outside directors who are not officers or employees of the Company or its subsidiaries. In the opinion of our Board, and as independent is defined under the listing rules of the Nasdaq Stock Market, these directors are independent of management and free of any relationship that would interfere with their exercise of independent judgment as members of this committee.

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The Compensation and Option Committee held one (1) meeting during the 2004 fiscal year. The Compensation and Option Committee makes recommendations concerning officer compensation, employee benefit programs and retirement plans.

The Nominating Committee held one (1) meeting during the 2004 fiscal year. The Nominating Committee identifies and approves individuals qualified to serve as members of our Board and also evaluates the Board's performance. A copy of the charter of the Nominating Committee is attached as Exhibit B to this Proxy Statement. The Nominating Committee approved the nomination of the candidates reflected in Proposal 1. The Nominating Committee will consider, but is not required to approve, director nominations made by shareholders for any annual meeting of the Company, provided, with respect to nominees for Common Stock Director, a written recommendation is received by the Company from a holder of Common Stock no later than the date shareholder proposals must be submitted for consideration prior to such annual meeting, and with respect to nominees for Preferred Stock Director, a recommendation is received by the Company within a reasonable amount of time before the Company begins to print and mail its proxy materials. Robert Averick, the sole nominee for Preferred Stock Director, was recommended for nomination by a holder of Preferred Stock.

Messrs. Thaw and Katz have declined to stand for reelection to the Board and, therefore, will not be serving on the Board or the Board Committees after the date of the Annual Meeting. Until such time that the Board of Directors appoints an additional director to fill the vacancy on the Board that will exist immediately after the Annual Meeting, the Company will not be in compliance with the Nasdaq Stock Market Rules as they relate to the independence of the members of the Board and Board Committees. The Board expects to appoint a new independent director to fill such vacancy on the Board, and to serve on each of the Board Committees, as soon as practicable after the Annual Meeting.

### Directors Compensation

Directors who are full-time employees of the Company receive no additional compensation for serving as directors. Non-Employee Directors receive an annual retainer of \$6,000 and fees of \$700 per Board meeting attended and \$250 per committee meeting attended. In addition, under the Company's Non-Employee Directors Stock Option Plan, each outside director receives an annual grant of options to purchase 5,000 shares of Common Stock. The exercise price of the options is set at the fair market value of Common Stock on the date of grant. Each option has a term of ten years and is exercisable in three equal installments commencing on the first anniversary of the date of grant and continuing for the two successive anniversaries thereafter. In the event of disability (as defined in the plan) or death of an outside director, all options remain exercisable for a period of twelve months following the date such person ceased to be a director, but only to the extent such options were exercisable on the date the director ceased to be a director. The Plan, if approved by the shareholders of the Company, would replace the current Non-Employee Directors Stock Option Plan, and give the Board of Directors more discretion with respect to options issued to non-employee directors. See Proposal No. 2 Adoption of Amended and Restated Non-Employee Directors Stock Option Plan.

### Compensation Committee Interlocks and Insider Participation

The Compensation and Option Committee is presently comprised of Mr. Katz and Mr. Thaw, who are not officers or employees of the Company.

## EXECUTIVE COMPENSATION

The following table sets forth information regarding annual and long-term compensation for services rendered to the Company during the fiscal years ended September 30, 2004, 2003 and 2002 by the Company's Chief Executive Officer and the other most highly compensated executive officer of the Company who received annual compensation exceeding \$100,000 during such periods (collectively, the Named Executive Officers).

### SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation (1)			Long-Term Compensation	
		Salary (2)	Bonus (3)(4)	Other Annual Compensation	Restricted Stock Awards	All Other Compensation



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Jong S. Whang

President and Chief	2004	\$ 150,722	\$
	2003	150,722	
Executive Officer	2002	150,722	3,585

Robert T. Hass

Vice President	2004	\$ 102,000	\$ 57,461
	2003	102,000	
Finance	2002	102,000	18,000

- (1) Neither Messrs. Whang nor Hass received personal benefit perquisites in excess of the lesser of \$50,000 or 10% of their aggregate salary and bonus.

- (2) Effective March 15, 2001, Mr. Whang entered into a five-year employment agreement with the Company. The agreement specifies an annual base salary of \$188,402. Effective April 1, 2001, Mr. Whang voluntarily reduced his annual salary by 20% to \$150,722 and Mr. Hass voluntarily reduced his annual salary by 15% to \$102,000.
- (3) See Employment And Change In Control Arrangements for a description of how Mr. Whang's incentive compensation is determined.
- (4) The discretionary cash bonus granted to Mr. Hass in 2004 was in consideration of work performed in connection with the acquisition of Bruce Technologies, Inc.

### Option Grants in Last Fiscal Year

There were no stock option grants during the 2004 fiscal year to any of the Named Executive Officers.

### Aggregated Option Exercises and Fiscal Year-End Option Values

The following table sets forth information (on an aggregated basis) concerning exercises of stock options during the 2004 fiscal year by each of the Named Executive Officers, and the year-end value of unexercised options.

Name	Shares Acquired On Exercise (#)	Value Realized (\$)	Number of Securities Underlying		Value of Unexercised In-The-	
			Unexercised Options at		Money	Options at Fiscal
			Fiscal Year-End (#)		Year-End(\$)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jong S. Whang			132,767	60,000	\$ 134,462	
Robert T. Hass			23,250	13,000	\$ 19,719	

- (1) Options are in-the-money at the fiscal year-end if the fair market value (based on the closing price of the Company's Common Stock on the Nasdaq Stock Market on September 30, 2004 of \$4.28 per share, less the exercise price) of the underlying securities exceeds the exercise or base price of the option on such date.

### EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

On March 15, 2001, the Company entered into a five-year employment agreement with its President, Jong S. Whang. Under the terms of the agreement, Mr. Whang is entitled to an annual base salary of \$188,402, and annual base salary increases of at least 5% to be determined by our Board of Directors. Mr. Whang is also entitled to receive annual incentive cash compensation of up to the lesser of 50% of his base salary or 10% of the Company's earnings before taxes and extraordinary items (after deducting the sum of such bonuses), based on the follow criteria: (i) a bonus equal to 2% of the annual earnings of the Company before taxes and extraordinary items and (ii) a bonus equal to 2% of the amount by which the revenues of the Company for the applicable fiscal year exceeds such revenues for the previous fiscal year. In addition, Mr. Whang was granted an option to purchase 150,000 shares of Common Stock pursuant to the terms of his employment agreement. These options were granted on March 15, 2001, and vest at the rate of 20% per full year of service over a five-year period. To the extent not already exercisable, the options become immediately exercisable upon: (i) the dissolution or liquidation of the Company, or a reorganization, merger or consolidation in which all, or substantially all, prior shareholders do not continue to own more than 60% of the then outstanding shares of Common Stock and voting securities, (ii) the sale of all, or substantially all, of the assets of the Company or (iii) the occurrence of a change in control of the Company, as discussed in the agreement. The agreement also contains confidentiality and non-compete provisions with which Mr. Whang must comply. Mr. Whang is also entitled to participate in any benefit plans generally available to employees of the Company. Finally, the Company is required to

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purchase a \$250,000 life insurance policy on the life of Mr. Whang, with his spouse as the beneficiary of such policy. To date, Mr. Whang has waived the Company's compliance with the latter requirement.

Under the terms of Mr. Whang's employment agreement, if he is terminated other than for cause, or he terminates his employment for good reason (as such terms are defined in his employment agreement), he is entitled to receive, as severance pay, salary, incentive compensation and vacation accrued through the date of termination plus the following: (i) an amount equal to two years of Mr. Whang's base salary in effect on the

termination date; (ii) a pro-rated portion of the amount of incentive compensation Mr. Whang would earn for the fiscal year in which the termination occurs if the results of operations of the Company for the period from the beginning of such fiscal year to the termination date were annualized; (iii) full vesting of all stock options issued under the employment agreement; and (iv) vesting of a pro-rated portion of the number of stock options that would have vested for the fiscal year in which the termination occurs.

Mr. Whang's employment agreement also provides for benefits should his employment with the Company be terminated following a change in control. If Mr. Whang's employment with the Company is terminated within one year following the occurrence of a change of control, either by the Company for any reason other than for cause, or by Mr. Whang for good reason, the Company would be required to pay him a lump sum payment equal to three years of his annual base salary in effect on the termination date and the maximum amount of incentive compensation that he could earn for the fiscal year in which the termination date occurs. In addition, all unvested stock options held by him would vest immediately.

The Company has also entered into a severance agreement with Robert T. Hass, its Vice President - Finance, which provides for severance benefits similar to those described above for Mr. Whang, with the exception that Mr. Hass is entitled to a lump sum severance payment equal to one year's base salary should his employment be terminated within one year following a change in control.

#### **Certain Relationships and Related Transactions**

The Company had no transactions during 2004 with any director, director nominee, executive officer, security holder known to the Company to own of record or beneficially more than 5% of the Common Stock, or any member of the immediate family of any of the foregoing persons, in which the amount involved exceeded \$50,000.

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## REPORT OF COMPENSATION AND OPTION COMMITTEE

The Compensation and Option Committee of the Company's Board of Directors (the Committee), which is composed entirely of independent, outside directors, establishes the general compensation policies of the Company, and specific compensation for each executive officer of the Company, and administers the Company's stock option program. The Committee's objective is to make the compensation packages of the executive officers of the Company sufficient to attract and retain persons of exceptional quality, and to provide effective incentives to motivate and reward Company executives for achieving the financial and strategic goals of the Company essential to the Company's long-term success and growth in shareholder value. The Company's executive compensation package consists of three main components: base salary, incentive cash bonuses and stock options.

**Base Compensation** The Committee's approach is to offer executives salaries competitive with those of other executives in the industry in which the Company operates. To that end, the Committee evaluates the competitiveness of base salaries based on information drawn from a variety of sources, including published and proprietary survey data and the Company's own experience recruiting and retaining executives, although complete information is not easily obtainable. The Company's base salary levels are intended to be consistent with competitive practice and level of responsibility, with salary increases reflecting competitive trends, the overall financial performance of the Company and the performance of the individual executive.

**Bonuses** In addition to base salary, executives are eligible to receive a discretionary annual bonus. At the beginning of each year, the Committee and the Chief Executive Officer (the CEO) review each individual executive's job responsibilities and goals for the upcoming year. The amount of the bonus and any performance criteria vary with the position and role of the executive within the Company. In addition, for all executives, the Committee reviews the Company's actual financial performance against its internally budgeted performance in determining year-end bonuses, if any. However, the Committee does not set objective performance targets for executives other than the CEO and sales and marketing personnel.

**Stock Option and Restricted Stock Grants** The Company, from time to time, grants stock options and shares of restricted stock in order to provide certain executives with a competitive total compensation package, and to reward them for their contribution to the long-term price performance of the Common Stock. Grants of stock options and restricted stock are designed to align the executive's interest with that of the shareholders of the Company. In awarding option grants, the Committee will consider, among other things, the amount of stock and options presently held by the executive, the executive's past performance and contributions, and the executive's anticipated future contributions and responsibilities.

**2004 CEO Compensation** Mr. Whang, the Company's CEO, is entitled to an annual base salary of \$188,402, with annual base salary increases of at least 5% to be determined by our Board of Directors, pursuant to the terms of his March 15, 2001 employment agreement with the Company. Effective April 1, 2001, Mr. Whang voluntarily reduced his annual base salary by 20% to \$150,722, and has forgone any salary increases since that date. Mr. Whang's base salary is based upon the compensation of executives in comparable positions in the semiconductor industry, adjusted for the size of the Company (total assets and revenues).

In connection with the execution of Mr. Whang's employment agreement, our Board of Directors approved an incentive compensation plan for the CEO, which provides for an annual cash bonus equal to 2% of the annual earnings of the Company before taxes and extraordinary items, plus 2% of the amount by which the revenues of the Company in an applicable fiscal year exceed such revenues for the previous fiscal year. The total of such cash bonuses is limited to the lesser of 50% of Mr. Whang's base salary for the applicable fiscal year or 10% of the Company's earnings before taxes and extraordinary items (after deducting the sum of such bonuses). Mr. Whang did not earn a bonus in 2004. Mr. Whang's employment agreement with the Company incorporates the incentive compensation plan described above. See Employment And Change In Control Arrangements.

RESPECTFULLY SUBMITTED,

Alvin L. Katz, Chairman  
Bruce R. Thaw  
Robert King

### AUDIT COMMITTEE REPORT

In accordance with its written charter adopted by our Board of Directors on April 16, 2004, a copy of which is attached as an exhibit to this Proxy Statement, the Audit Committee is responsible for reviewing and discussing the audited financial statements with management, discussing with the Company's auditors information relating to the auditors' judgments about the quality of the Company's accounting principles, recommending to our Board of Directors that the Company include the audited financial statements in its Annual Report on Form 10-K and overseeing compliance with the requirements of the Securities and Exchange Commission (the "SEC") for disclosure of auditors' services and activities. The Audit Committee also develops and recommends corporate governance guidelines to the Board and provides oversight with respect to corporate governance and ethical conduct.

The Board of Directors annually reviews the independence of the Audit Committee members in view of the NASD's listing standards and the SEC's definitions of independence for audit committee members. The Board has determined that each of the three members of the Audit Committee meets those definitions and standards. Additionally, each member of the Audit Committee is financially literate, and one of the Audit Committee members, Alvin L. Katz, has financial management expertise as required by Nasdaq's rules and meets the SEC's definition of an audit committee financial expert.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles, internal controls, and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The Company's independent auditors are responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles.

The Audit Committee meets regularly with the independent accountants without management present and also meets in executive session without any others present. The Audit Committee has reviewed the Company's consolidated financial statements for the fiscal year ended September 30, 2004, as audited by its former independent auditors, KPMG LLP ("KPMG"), and has discussed these financial statements with management. In addition, the Audit Committee has discussed with KPMG the matters required to be discussed by Statement of Auditing Standards No. 61, "Communications with Audit Committees." Furthermore, the Audit Committee has received the written disclosures and the letter from KPMG required by the Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," and has discussed with KPMG its independence.

Based upon the foregoing review and discussion, the Audit Committee recommended to our Board of Directors that the audited financial statements for the fiscal year ended September 30, 2004 be included in the Company's Annual Report on Form 10-K for filing with the SEC.

RESPECTFULLY SUBMITTED,

Bruce R. Thaw, Chairman  
Alvin L. Katz  
Robert F. King

**PRE-APPROVAL POLICY**

In May, 2003, the Audit Committee adopted a Pre-Approval Policy (the Policy ) governing the approval of all audit and non-audit services performed by the independent auditor in order to ensure that the performance of such services does not impair the auditor's independence.

According to the Policy, the Audit Committee will annually review and pre-approve the types of services, and will set a limit on the fees for such services, that may be provided by the independent auditor during the following year. The Policy specifically describes the annual audit services and fees, other services that are audit-related, the preparation of tax returns and tax related compliance services and all other services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is twelve (12) months from the date of pre-approval, unless the Audit Committee specifically provides for a different period.

Any service to be provided by the independent auditor that has not received general pre-approval under the Policy is required to be submitted to the Audit Committee for approval prior to the commencement of a substantial portion of the engagement. Any proposed service exceeding pre-approved cost levels is also required to be submitted to the Audit Committee for specific approval.

The Audit Committee will revise the list of general pre-approved services from time to time based on subsequent determinations. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

**CODE OF ETHICS**

The Board of Directors has adopted a Code of Ethics for all employees of the Company, as recommended by the Audit Committee. A copy of this Code of Ethics may be viewed on our website ([www.amtechsystems.com](http://www.amtechsystems.com)), or obtained at no charge by written request to the Company's Corporate Secretary.

**DISCLOSURE OF AUDIT AND NON-AUDIT FEES**

The following table sets forth the fees billed to us by our independent auditors during the years ended September 30, 2004 and 2003 for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements, (ii) services by our auditor that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as Audit Fees, (iii) services rendered in connection with tax compliance, tax advice and tax planning, and (iv) all other fees for services rendered.

	Year Ended	Year Ended
	Sept. 30, 2004	Sept. 30, 2003
Audit Fees	\$ 275,000	\$ 123,000
Audit-Related Fees (1)	5,773	
Tax Fees		
All Other Fees		



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Total Fees	<u>\$ 280,773</u>	<u>\$ 123,000</u>
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(1) Accounting and reporting advisory services related to acquisition activities.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth certain information, as of September 30, 2004, concerning outstanding options and rights to purchase Common Stock granted to participants in all of the Company's equity compensation plans and the number of shares of Common Stock remaining available for issuance under such equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	429,017	4.92	187,500
Equity compensation plans not approved by security holders (2)	69,300	13.10	
Total	498,317		187,500

(1) Represents the 1995 and 1998 Employee Stock Option Plans and the Non-employee Director Stock Option Plan.

(2) Represents (i) 10,000 shares of common stock issuable upon exercise of options granted to non-employee directors under stock purchase agreements prior to the 1996 establishment of the Non-employee Director Stock Option Plan, with an exercise price of \$1.13 and (ii) 59,300 shares of common stock issuable upon exercise of options granted to advisors in the connection with private placement in September 2000, having an exercise price of \$15.12. The options under both plans are fully vested.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information concerning the beneficial ownership of our Common Stock as of May 31, 2005, by (i) each director and executive officer of the Company, including the Named Executive Officers, (ii) all executive officers and directors of the Company as a group, and (iii) each person known by the Company to be the beneficial owner of more than 5% of our Common Stock. This information was determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, and is based upon the information furnished by the persons listed below. Except as otherwise indicated, each shareholder listed possesses sole voting and investment power with respect to the shares indicated as being beneficially owned.

Name and Address (1) (2)	No. of Shares of Common Stock Beneficially Held (3)	Percent of Common Stock Ownership (3)	No. of Shares of Preferred Stock Beneficially Held (3)	Percent of Preferred Stock Ownership (3)
Jong S. Whang	247,222 (4)	8.6%		
Robert T. Hass	29,375 (5)	1.1%		
Alvin L. Katz	96,000 (6)	3.5%		