

ULTRATECH INC
Form SC 13D
March 13, 2017

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No.)*

ULTRATECH, INC.

(Name of Issuer)

Common Stock, par value \$0.001 Per Share

(Title of Class of Securities)

904034105

(CUSIP Number)

Gregory A. Robbins

Senior Vice President and

General Counsel

Veeco Instruments Inc.

Terminal Drive

Plainview, New York 11803

(516) 677-0200

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

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With copies to:

Thomas J. Knox, Esq.

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February 2, 2017

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. o

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 904034105

1	Names of Reporting Persons Veeco Instruments Inc.*	
2	Check the Appropriate Box if a Member of a Group	
	(a)	<input type="radio"/>
	(b)	<input checked="" type="radio"/>
3	SEC Use Only	
4	Source of Funds (See Instructions) OO	
5	Check Box if Disclosure of Legal Proceedings Is Required Pursuant to Item 2(d) or 2(e) <input type="radio"/>	
6	Citizenship or Place of Organization Delaware	
	7	Sole Voting Power 0
	8	Shared Voting Power 1,564,023
	9	Sole Dispositive Power 0
	10	Shared Dispositive Power 1,564,023
11	Aggregate Amount Beneficially Owned by Each Reporting Person 1,564,023	
12	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) <input type="radio"/>	
13	Percent of Class Represented by Amount in Row (11) 5.75%	
14	Type of Reporting Person CO	

*As a result of the transactions discussed in Item 4 of this Schedule 13D, the reporting person may be deemed to be a member of a group under Rule 13d-5 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Beneficial ownership of the common stock is being reported because the reporting person may be deemed to have beneficial ownership of such common stock as a result of the relationships described under Items 2, 3 and 4 of this Schedule 13D. Neither the filing of this Schedule 13D nor any of its contents will be deemed to constitute an admission by the reporting person that it is the beneficial owner of any shares of common stock disclosed under this Schedule 13D for purposes of sections 13(d) and 13(g) of the Exchange Act, or for any other purpose and such beneficial ownership is expressly disclaimed.

The calculation of this percentage is based on 27,205,940 shares of common stock outstanding as of March 1, 2017 (as provided to the Reporting Person (as defined below) by Ultratech, Inc.).

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Item 1. Security and Issuer

This statement on Schedule 13D (**Schedule 13D**) relates to the common stock, par value \$0.001 per share (the **common stock**), of Ultratech, Inc., a Delaware corporation (**Ultratech**), whose principal executive offices are located at 3050 Zanker Road, San Jose, California 95134.

Item 2. Identity and Background

This Schedule 13D is being filed by Veeco Instruments Inc., a Delaware corporation (**Veeco** or the **Reporting Person**).

The principal business of Veeco is designing, developing, manufacturing, marketing, and supporting thin film equipment to meet the demands of key global trends such as improving energy efficiency, enhancing mobility, and increasing connectivity.

The principal business and principal office address of Veeco is Terminal Drive, Plainview, New York 11803.

The name, business address, present principal occupation or employment, citizenship of each executive officer and director (or persons performing similar functions) of the Reporting Person is set forth on Attachment A at the end of this Schedule 13D.

During the last five years neither the Reporting Person, nor any of the persons set forth on Attachment A, to the best knowledge of the Reporting Person, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or were party to a civil proceeding of a judicial or administrative body of competent jurisdiction and, as a result of such proceeding, was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration

As more fully described in Item 4, the Supporting Stockholders (as defined below) entered into the Support Agreement (as defined below) with Veeco. The Support Agreement was made to induce Veeco to enter into the Merger Agreement. The Reporting Person did not use any funds in connection with the Support Agreement except for transaction expenses incurred in connection with the Merger Agreement (as defined below).

Item 4. Purpose of Transaction

The Merger Agreement

On February 2, 2017, Veeco and Ulysses Acquisition Subsidiary Corp., a Delaware corporation (the **Merger Sub**) entered into the Agreement and Plan of Merger (the **Merger Agreement**) with Ultratech, pursuant to which, among other things, Merger Sub will be merged with and into Ultratech (the **Merger**), with Ultratech surviving the Merger as a wholly owned subsidiary of Veeco. At the time the Merger becomes effective (the **Effective Time**), each outstanding share of common stock, par value \$0.001 per share, of Ultratech (**Company Stock**) (other than shares of Company Stock held by Veeco or Ultratech (as treasury shares) or their respective subsidiaries or holders of Company Stock, if any, who properly exercise their appraisal rights under the General Corporation Law of the State of Delaware) outstanding immediately prior to the Merger will be automatically cancelled and converted into the right to receive (a) \$21.75 in cash, without interest (the **Cash Consideration**) and (b) 0.2675 of a share of the common stock of Veeco (**Veeco Common Stock**), par value \$0.01 per share (the **Stock Consideration**) and, together with the Cash Consideration, the **Merger Consideration**).

The closing of the Merger is subject to the adoption of the Merger Agreement by the affirmative vote of the holders of at least a majority of the outstanding shares of Company Stock (the **Company Stockholder Approval**). The closing of the Merger is also subject to various customary conditions, including the absence of any temporary restraining order, preliminary or permanent injunction or other judgment issued by any court of competent jurisdiction enjoining or otherwise prohibiting the consummation of the Merger; the Securities and Exchange Commission (the **SEC**) having declared effective a Form S-4 with respect to, and the authorization on the Nasdaq Global Select Market of, the shares of Veeco Common Stock issuable in connection with the Merger; the accuracy of the representations and warranties contained in the Merger Agreement; compliance with the covenants and agreements in the Merger Agreement in all material respects; and no material adverse effect on either Ultratech or Veeco. The closing of the Merger is not subject to a financing condition.

This description of the Merger Agreement does not purport to be complete and is qualified in its entirety by the Merger Agreement which is attached as Exhibit 2.1 to the Form 8-K filed by Veeco on February 3, 2017, incorporated into this Schedule 13D as Exhibit 1 and incorporated into this Item 4 by this reference.

The Support Agreement

In accordance with the Merger Agreement, certain stockholders of Ultratech (including certain members of the Company's management and all members of Board) who are beneficial owners of approximately 5.75% of the outstanding shares of Company Stock entered into a Support Agreement, dated February 2, 2017, with Veeco whereby such stockholders agreed, among other things,

to vote the shares of Company Stock owned and/or controlled by such stockholder in favor of approval of the Merger, adoption of the Merger Agreement and the consummation of the Merger, as well as such other matters set forth in the Support Agreements. Each Support Agreement also contains a lock-up provision that, subject to limited exceptions, prevents the stockholders party thereto from transferring their shares of Company Stock. Each Support Agreement terminates upon the earliest of (i) the Effective Time, (ii) the termination of the Merger Agreement and (iii) the date on which the Ultratech Board of Directors changes its recommendation that Ultratech's stockholders adopt the Merger Agreement

This description of the Support Agreement does not purport to be complete and is qualified in its entirety by reference to the Support Agreement which is attached as Exhibit 10.1 to the Form 8-K filed by Veeco on February 3, 2017, incorporated into this Schedule 13D as Exhibit 2 and is incorporated into this Item 4 by this reference.

Purpose of Transactions

The acquisition of the securities of Ultratech may be deemed to have been taken in furtherance of the transactions described above. The ultimate plan is for Veeco, through Merger Sub, to acquire control of the entire equity interest in Ultratech. The Support Agreement was entered into to induce Veeco to enter into the Merger Agreement.

Upon completion of the Merger:

- Ultratech will become a wholly-owned subsidiary of Veeco,
- The Company Stock will cease to be freely traded or listed on the Nasdaq Global Select Market,
- The class of Company Stock will be deregistered under the Exchange Act, and
- Veeco will control the board of directors of Ultratech and will make other changes in Ultratech's governing documents as it may deem appropriate.

Except as disclosed in this Schedule 13D, the Reporting Person does not have any plans or proposals that relate to, or would bring about, any of the results described in subparagraphs (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer

(a) and (b)

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Pursuant to the Support Agreement and certain relationships, Veeco may be deemed to own beneficially 1,564,023 Company Shares which constitutes approximately 5.75% of the class of Company Shares. The percentages are based on 27,205,940 Company Shares outstanding as of March 1, 2017 as provided to the Reporting Person by Ultratech.

Veeco may be deemed to share the power to vote or direct the vote, and share the power to dispose or direct the disposition of, 1,564,023 Company Shares or approximately 5.75% of the class of Company Shares.

Other than for purposes of Rule 13d-3, the foregoing statements will not be deemed to constitute an admission by the Reporting Person that the Reporting Person is the beneficial owner of any shares of common stock disclosed under this Schedule 13D for purposes of Sections 13(d) and 13(g) of the Exchange Act or for any other purpose, and such beneficial ownership is expressly disclaimed. To the Reporting Person's knowledge, no Company Shares are beneficially owned by any person listed on Attachment A.

(c)

Neither the Reporting Person nor any of the persons listed on Attachment A, to the Reporting Person's best knowledge, has effected any transactions in Company Shares.

(d)

None.

(e)

Not Applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer

The information disclosed under Items 3, 4 and 5 is incorporated by reference into this Item 6. The agreements listed as exhibits to this Schedule 13D are further incorporated by reference herein.

Other than the Merger Agreement and Support Agreement described above, to the best knowledge of the Reporting Person, there are no contracts, arrangements, understandings or relationships (legal or otherwise) between any of the Reporting Person or any person listed on Attachment A and any person with respect to any securities of Ultratech including, but not limited to, the transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss or the giving or

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withholding of proxies, including any securities pledged or otherwise subject to a contingency the occurrence of which would give another person voting power or investment power over such securities other than standard default and similar provisions contained in loan agreements.

Item 7. Materials to be Filed as Exhibits

Exhibit Number	Description
1	Agreement and Plan of Merger, dated as of February 2, 2017, by and among Ultratech, Inc., Veeco Instruments Inc. and Ulysses Acquisition Subsidiary Corp. (incorporated by reference to Exhibit 2.1 to Veeco's Form 8-K filed on February 3, 2017).
2	Form of Support Agreement (incorporated by reference to Exhibit 10.1 to Veeco's Form 8-K filed on February 3, 2017).

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SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: March 13, 2017

Veeco Instruments Inc.

By: /s/ Gregory A. Robbins
Name: Gregory A. Robbins
Title: Senior Vice President and General Counsel

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Attachment A

Listed below are the names, citizenship and present principal occupation or employment of the executive officers and directors of Veeco. The principal address of Veeco disclosed in Item 2 above is incorporated into this Attachment A with respect to the executive officers and directors of Veeco.

Directors

Name	Citizenship	Present Principal Occupation or Employment
Kathleen A. Bayless	United States of America	Retired
Richard A. D'Amore	United States of America	General Partner of North Bridge Venture Partners
Gordon Hunter	United States of America	Executive Chairman of Littelfuse, Inc.
Keith D. Jackson	United States of America	President, Chief Executive Officer and a director of ON Semiconductor Corporation
John R. Peeler	United States of America	Chairman and Chief Executive Officer of Veeco
Peter J. Simone	United States of America	Retired
Thomas St. Dennis	United States of America	Chairman of FormFactor, Inc.

Executive Officers

Name	Citizenship	Present Principal Occupation or Employment
John R. Peeler	United States of America	Chairman and Chief Executive Officer of Veeco
William J. Miller, Ph.D.	United States of America	President of Veeco
Shubham Maheshwari	United States of America	Executive Vice President and Chief Financial Officer of Veeco
John P. Kiernan	United States of America	Senior Vice President, Finance, Chief Accounting Officer, Corporate Controller and Treasurer of Veeco

nd updated the financial covenants in the agreement to reflect the integration of Signia into the Company's Communications & Surveillance Systems segment. On March 31, 2003, the Company repaid the \$2.5 million amount outstanding under the revolving credit facility, and on June 27, 2003, it prepaid \$10 million of the balance due under the term loan facility, consisting of \$1.7 million paid on the five-year term loan and \$8.3 million paid on the six-year term loan. This prepayment also served to reduce the Company's remaining scheduled quarterly payments under the term loan facility by approximately 4.7%. At June 27, 2003, the Company had outstanding borrowings of \$204.4 million under the facility, consisting of \$33.8 million under the five-year term loan and \$170.5 million under the six-year term loan. In addition, \$14.7 million of the credit line was allocated to support the Company's letters of credit on that date, leaving available borrowings under the facility of \$30.3 million. The Company has not utilized the revolving credit facility since the March 31, 2003 repayment. On June 30, 2003, the Company made its scheduled payments on the five- and six-year term loans of \$1.4 million and \$.5 million respectively. Current interest rates on

the remaining outstanding loan balances are 4.1% and 5.1%, respectively. Borrowings under the amended facility are secured by a pledge of substantially all of the Company's assets and bear interest at a base rate or LIBOR plus an applicable margin ranging from 1% to 4%. Available borrowings under the revolving credit facility are determined by the Company's borrowing base, which is calculated based upon eligible accounts receivable and inventories as defined in the agreement. The amended revolving credit and term loan agreement contains certain financial covenants of the Company, including minimum net worth, minimum EBITDA, and maximum total leverage ratio, and places limitations or restrictions on various business transactions, including capital expenditures, investments, purchases of the Company's stock, dividend payments, and asset sales. The Company was in compliance with these covenants on June 27, 2003. Historically, the Company's primary sources of liquidity have been cash provided by operations and its revolving credit agreement. The Company's liquidity position is dependent upon a number of factors, including the timing of production and delivery on sales contracts and the timing of billing and collection activity. Purchases of materials for production and payment for labor and overhead expenses can represent significant advance expenditures, and billings to and collection from customers can lag these expenditures significantly on some longer-term customer contracts. The Company's billing arrangements include (a) monthly progress payments (typically on fixed-price contracts) in which customers are billed 80% of incurred cost plus general and administrative expenses but without profit, (b) monthly billing in full at cost incurred plus profit (typically on cost-plus contracts), (c) periodic milestone achievement-based billing at cost incurred plus profit, and (d) billing at final delivery at cost incurred plus profit. Fixed-price contracts, some milestone-based contracts, and bill-at-delivery contracts represent a significant required use of working capital for the Company that must be funded by operations or through external sources. The Company has three defined benefit pension plans covering certain of its employees. See Note 13 of Notes to Consolidated Financial Statements contained in the Company's 2002 Annual Report to Stockholders for a complete description of these plans, including details regarding fluctuations in the fair values of plan assets and the projected benefit obligations associated with these plans for the three years ended December 31, 2002. While the cash requirements and expenses associated with these plans were minimal during this three year period, the Company anticipates that, absent a recovery in the equity market, it may be required to make increased cash contributions to the plans in 2003 in order to meet minimum plan funding requirements, though it doesn't anticipate that such contributions will have a material impact on its consolidated cash flow for the year. The Company's liquidity and ability to generate cash has improved significantly throughout the past year, and the Company anticipates further improvement throughout 2003 as the result of improved profitability and continuing focus on working capital management. Based upon its current level of operations and anticipated growth, the Company believes that cash from operations and other available sources of liquidity, including available borrowings under the amended revolving credit facility, will be sufficient to fund its operations for at least the next two years. The Company does not anticipate any significant nonoperating events that will require the use of cash. The Company has contractual obligations to make future payments under its amended term loan agreement and under long-term noncancelable lease agreements. The following table sets forth these contractual obligations as of June 27, 2003.

Payments due by period	Contractual Obligation									
2003 2004-2007 2008 and beyond Total	(In millions)									
Term loans	\$5.4	\$36.6	\$162.4	\$204.4	Capital leases	.1	.1	---	.2	Operating leases
						2.5	14.7	2.7	19.9	
						Total	\$8.0	\$51.4	\$165.1	\$224.5

===== The Company's term loan obligations for 2008 and beyond relate to its six-year term loan, which must be paid in full by March 4, 2008. The Company may prepay any obligations under its revolving credit and term loan facility without penalty. In addition, the lenders under the facility may require prepayments from the proceeds of certain transactions, including sales of net assets, issuance of equity securities, insurance/condemnation settlements, and the reversion of surplus assets from pension plans, as well as from any excess cash flows, as defined in the agreement, generated by the Company during a fiscal year. The Company's noncancelable operating leases are primarily for office space and manufacturing equipment. Certain of these agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. At June 27, 2003, the Company had outstanding letters of credit of approximately \$14.7 million. These letters of credit, substantially all of which expire within a year, relate primarily to the Company's contracts with foreign governments. Backlog The Company defines backlog as the value of contract awards received from customers which have not yet been recognized as sales. Funded backlog refers to contract awards for which the

Company has received orders and the customer has obligated funds. Unfunded backlog consists of potential product orders relating to existing customer contracts that are the subject of customer options for additional products or potential orders under existing contracts that receive annual or incremental funding. A significant portion of the Company's sales are to prime contractors, the Department of Defense, and foreign governments pursuant to long-term contracts. Accordingly, the Company's backlog consists in large part of orders under these contracts. As of June 27, 2003, the Company's funded backlog was \$276.1 million, and its total backlog was \$759.2 million. The following depicts the Company's backlog of orders by business segment at June 27, 2003 and December 31, 2002:

	Funded		Unfunded		
	December 31, 2002	June 27, 2002	December 31, 2003	June 27, 2003	
(In millions)					
Electronic Combat Systems	\$139.3	\$140.2	\$464.8	\$98.3	Diagnostics & Power Systems
50.4	59.4	15.8	17.9		Communications & Surveillance Systems
86.4	86.2	2.5	.9		
Total Backlog	\$276.1	\$285.8	\$483.1	\$117.1	

Electronic Combat Systems' unfunded backlog at June 27, 2003 includes approximately \$367.5 million of the segment's estimated 70% share of a ten year indefinite delivery, indefinite quantity contract to provide the U.S. Air Force, U.S. Navy, U.S. Marine Corps., and Air National Guard with an interoperable air combat training capability under a cooperative multi-service effort with Cubic Defense Applications. While it is expected that a substantial portion of funded backlog will be converted to revenue during 2003, the Company cannot provide assurance that the backlog, both funded and unfunded, will become revenue in any particular period, if at all. Uncertain timing of bookings and revenue recognition is typical in the industry in which the Company conducts business. Seasonality The Company's business is seasonal, with a concentration of revenue in the fourth quarter of the year, as many of the Company's sales contracts expire on December 31 of each year. As a result, product sales efforts at year end are expedited to fulfill funding terms prior to expiration of the contracts. Related Party Transactions The Company pays Veritas Capital Management, L.L.C. ("Veritas") an annual management fee. Veritas controls the Company's principal stockholder, IDT Holding, L.L.C. The Company paid \$450,000 in management fees to Veritas in both first half 2003 and 2002. In addition, in connection with the Company's initial public offering on February 27, 2002, the Company paid a \$1.5 million transaction advisory fee to The Veritas Capital Fund, L.P. The Company was not indebted to its principal stockholder or to Veritas at June 27, 2003 or December 31, 2002. Robert B. McKeon and Thomas J. Campbell, the Chairman and Secretary of the Company, respectively, and members of its Board of Directors, are managing members of Veritas. William G. Tobin, a member of the Company's Board of Directors and audit committee, is a Managing Director and Chairman of the Defense and Aerospace practice of Korn/Ferry International, an executive search firm. The Company contracted with Korn/Ferry in 2002 to conduct its search for a Chief Operating Officer. During 2002, the Company made payments to Korn/Ferry totaling \$179,000 in connection with this search, including \$146,000 paid in the first six months of 2002. The search was concluded in 2002, and no further payments to Korn/Ferry in connection with the search have been made. Edward N. Ney, a member of the Company's Board of Directors and audit committee, is Chairman Emeritus of Young & Rubicam, an advertising firm for which he previously served as President and Chief Executive Officer. The Company has contracted with Burson- Marsteller, an affiliate company of Young & Rubicam, to manage its investor relations functions. During the six month periods ended June 27, 2003 and June 30, 2002, the Company made payments to Burson- Marsteller totaling approximately \$81,000 and \$145,000, respectively. On June 27, 2003, the Company owed Burson-Marstellar approximately \$27,000 for services rendered during the second quarter of 2003. This payable is included in "Other accrued expenses" in the Company's consolidated balance sheet as of that date. Critical Accounting Policies and Estimates Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and assumptions which affect the amounts reported in the financial statements and determine whether contingent assets and liabilities, if any, are disclosed in the financial statements. On an ongoing basis, the Company evaluates its estimates and assumptions, including those related to long-term contracts, product returns and warranty obligations, bad debts, inventories, the recoverability of goodwill and other intangible assets, fixed asset lives, income taxes, self-insurance reserves, pensions and other post-retirement benefits, environmental matters, litigation, and other contingencies. The Company bases its estimates and assumptions on

historical experience and on various other factors which are believed to be reasonable under the circumstances, including current and expected economic conditions, the results of which form the basis for making judgments about the carrying values of assets and liabilities which are not readily apparent from other sources. Actual results could differ materially from the Company's estimates under different assumptions or conditions. The Company believes the following critical accounting policies affect its more significant estimates and assumptions used in the preparation of its consolidated financial statements: Revenue Recognition. The Company recognizes revenue and profit on approximately 80% of its contracts using the percentage-of-completion method of accounting, which relies on estimates of total expected contract revenues and costs. The Company follows this method since reasonably dependable estimates of the revenues and costs applicable to various stages of the contracts can be made. Recognized revenues and profit are subject to revisions as the projects progress to completion. Revisions to the Company's profit estimates are charged to income in the period in which the facts that give rise to the revisions become known. Although the Company makes provisions for losses on its contracts in its financial statements, it cannot provide assurance that such contract loss provisions, which are based upon estimates, will be adequate to cover all future losses or that it will not be required to restate prior period quarterly or annual financial statements as the result of errors in its estimates. Goodwill. The Company has in its June 27, 2003 consolidated balance sheet a goodwill asset in the amount of \$142.1 million. In accordance with the provisions of FASB Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), the Company performs periodic impairment tests of its goodwill. The process of evaluating goodwill for impairment involves the determination of the fair value of the Company's business units. Inherent in such fair value determinations are certain judgments and estimates, including the interpretation of current economic indicators and market valuations, and assumptions about the Company's strategic plans with regard to its operations. To the extent additional information arises or the Company's strategies change, it is possible that the Company's conclusions regarding goodwill impairment could change and result in a material effect on its consolidated financial position or results of operations. Other Intangible Assets. The Company's June 27, 2003 consolidated balance sheet contains other intangible assets totaling \$54.8 million, substantially all of which were acquired in the Signia acquisition. These intangible assets consist of trade names and trademarks, patents and proprietary technology, and customer relationships. In accordance with the provisions of FASB Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144"), the Company performs periodic impairment tests of its intangible assets when events and circumstances warrant such a review. The process of evaluating intangible assets for impairment involves the estimation of their remaining useful lives and the projection of future cash flows related to the assets. Factors that may impact these estimates and projections include, among other things, the level of brand support, customer demand, governmental regulation, the ability to raise prices, maintenance of historical market share and margins, and other factors. Changes in the Company's estimates and assumptions regarding these factors could affect the Company's conclusions regarding the value of its intangible assets and result in a material effect on its financial position or results of operations. Inventories. The Company reduces the value of its inventories for estimated obsolescence or unmarketable items in an amount equal to the difference between the cost of inventories and their estimated market values based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, inventory write-downs may be required. Contingencies. As discussed in its Annual Report on Form 10-K for the year ended December 31, 2002, the Company is involved in various legal actions arising in the normal course of its business, including a National Park Service investigation regarding the presence of residual radioactive materials and contamination at a uranium mine previously owned by a predecessor of one of the Company's subsidiaries. The outcomes of such legal actions are not expected, either individually or in the aggregate, to result in a material adverse effect on the Company's business, results of operations, or financial condition. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in the Company's assumptions related to these proceedings. The Company accrues its best estimate of the probable cost for the resolution of legal claims. Such estimates are developed in consultation with outside counsel handling these matters and are based upon a combination of litigation and settlement strategies. To the extent additional information arises or the Company's strategies change, it is possible that the Company's best estimate of its liability in these matters, if any, may change. Pension and Other Postretirement Benefits. The Company follows the guidance of FASB Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions ("SFAS 87"), and FASB Statement of Financial Accounting Standards No. 106,

Employers' Accounting for Postretirement Benefits Other Than Pensions ("SFAS 106"), when accounting for pension and postretirement benefits. Under these accounting standards, assumptions are made regarding the valuation of benefit obligations and the performance of plan assets. Delayed recognition of differences between actual results and expected or estimated results is a guiding principle of these standards. This delayed recognition of actual results allows for a smoothed recognition of changes in benefit obligations and plan performance over the working lives of the employees who benefit under the plans. The primary assumptions are as follows:

- o Discount rate - The discount rate is used in calculating the present value of benefits, which is based upon projections of benefit payments to be made in the future.
- o Expected return on plan assets - Management projects the future return on plan assets based principally upon prior performance. These projected returns reduce the net benefit costs the Company will record currently. During 2002, the Company made changes to its assumptions related to the discount rate and the expected return on plan assets. Management consults with its actuaries when selecting each of these assumptions. In selecting the discount rate, the Company considers fixed-income security yields, specifically AA-rated corporate bonds. At December 31, 2002, the Company decreased the discount rates used for all of its plans to 6.5% from the range of 7.0% to 7.25% used in the prior year as a result of decreased yields for long-term AA-rated corporate bonds. In estimating the expected return on plan assets, the Company considers past performance and future expectations for the types of investments held by the plans as well as the expected long-term allocations of plan assets to these investments. At December 31, 2002, the Company decreased the expected return on plan assets for all of its plans to 8.5% from the range of 8.5% to 9% used in the prior year. A variance in the assumptions described above would have an impact on the projected benefit obligations, the accrued other postretirement benefit liabilities, the annual net periodic pension and other postretirement benefit cost, and the Company's other comprehensive loss associated with its minimum pension liability adjustment. The fair value of the Company's pension plan assets declined from \$27.3 million at December 31, 2001 to \$23.7 million at December 31, 2002 due to the payment of benefits and the decline in the equity markets. This decline will serve to increase pension expense for 2003 through the calculation of "market-related value", which recognizes changes in fair value averaged on a systematic basis over five years, but the amount of these contributions has not yet been determined. For additional information regarding the Company's pension and postretirement plans, see Note 13 of Notes to Consolidated Financial Statements contained in the Company's 2002 Annual Report to Stockholders. The above listing is not intended to be a comprehensive list of all of the Company's accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP, with no need for management's judgment of their application. There are also areas in which management's judgment in selecting an available alternative would not produce a materially different result. See the Company's audited financial statements and notes thereto contained in its 2002 Annual Report to Stockholders for a discussion of the Company's accounting policies and other disclosures required by U.S. GAAP.

Recent Accounting Pronouncements In fourth quarter 2002, the Company early adopted the provisions of FASB Statement of Financial Accounting Standards No. 145 ("SFAS 145"), which rescinded FASB Statement of Financial Accounting Standards No. 4, Reporting Gains and Losses from Extinguishment of Debt ("SFAS 4"), and made other technical corrections to existing authoritative pronouncements. SFAS 4 required companies to classify all gains and losses from extinguishment of debt as extraordinary items, net of the related tax effects, in their statements of operations. SFAS 145 requires gains and losses from extinguishment of debt to be classified as income or loss from continuing operations unless they meet the criteria for classification as extraordinary items contained in Accounting Principles Board Opinion No. 30. In accordance with the provisions of SFAS 145, the Company has reclassified its first quarter 2002 early debt extinguishment loss of \$13.1 million, which was previously classified as an extraordinary item, net of tax, into its loss from continuing operations. This loss is included in "Refinancing costs" in the Company's consolidated statement of operations for the six months ended June 30, 2002. See Note 2 of Notes to Consolidated Financial Statements contained in this quarterly report on Form 10-Q for further discussion of the Company's refinancing costs.

Item 3: Quantitative and Qualitative Disclosures About Market Risk The Company has experienced no material changes in its market risk exposures which would affect the quantitative and qualitative disclosures provided in its Annual Report on Form 10-K for the year ended December 31, 2002.

Item 4: Controls and Procedures Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures within 90 days of the filing date of this quarterly report on Form 10-Q. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure

controls and procedures are adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries is made known to them by others within those entities, particularly during the period in which this quarterly report on Form 10-Q was prepared. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

INTEGRATED DEFENSE TECHNOLOGIES, INC. PART II. OTHER INFORMATION Item 4. Submission of Matters to a Vote of Security Holders Integrated Defense Technologies, Inc. held its Annual Meeting of Stockholders on June 3, 2003. The results of the meeting were as follows. (1) Four Class I Directors were re-elected to the Board of Directors to serve a three-year term expiring at the 2006 Annual Meeting of Stockholders, or until their respective successors are duly elected and qualified. ----- Votes

----- Against or Abstentions and For Withheld Non-Votes

----- Robert B. McKeon 18,778,242 1,366,765 1,182,924 General Richard E. Hawley

20,054,312 90,695 1,182,924 Admiral Joseph W. Prueher 20,054,312 90,695 1,182,924 General Anthony C. Zinni

20,054,212 90,795 1,182,924 (2) Ratification of the selection by the Audit Committee of the Board of Directors of

Deloitte & Touche LLP as the Company's independent auditor for fiscal year 2003 was approved by a vote of

19,665,026 for, 477,388 against, and 1,185,517 abstentions and non- votes. Item 6: Exhibits and Reports on Form 8-K

(a) Exhibits Exhibit 31.1 Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14, as

adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Exhibit 31.2 Certification of the Chief Financial

Officer Pursuant to Exchange Act Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32 Certifications Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the

Sarbanes-Oxley Act of 2002 (b) Reports on Form 8-K On July 29, 2003, the Company filed a report on Form 8-K to

furnish the July 29, 2003 announcement of its earnings results for the quarter ended June 27, 2003 pursuant to Item

12. Results of Operations and Financial Condition. INTEGRATED DEFENSE TECHNOLOGIES, INC.

SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused

this report to be signed on its behalf by the undersigned thereunto duly authorized. INTEGRATED DEFENSE

TECHNOLOGIES, INC. ----- (Registrant) By: /s/ Thomas J. Keenan By: /s/

John W. Wilhoite ----- Thomas J. Keenan John W. Wilhoite Chief

Executive Officer Vice President of Finance and (Principal Executive Officer) Chief Financial Officer (Principal

Financial and Accounting Officer) Date: August 8, 2003 Date: August 8, 2003