SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 1, 1997

AMTECH SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Arizona	0-11412	86-0411215
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

131 South Clark Drive, Tempe, Arizona	85281
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (602) 967-5146

Not applicable

(Former name or former address, if changed since last report.)

Item 2. Acquisition or Disposition of Assets.

Effective July 1, 1997, Amtech Systems, Inc. ("Amtech") acquired substantially all of the assets and the related operating liabilities of P.R. Hoffman Machine Products Corporation ("P.R. Hoffman" or the "Seller") (the "Acquisition"). The Acquisition was consummated in accordance with the terms of an Asset Purchase Agreement between Amtech, P.R. Hoffman, and John R. Krieger dated July 1, 1997.

The aggregate consideration paid by Amtech in connection with the Acquisition was approximately $2,909,000, comprised of $2.2 million cash, 32,388 unregistered shares of Amtech Common Stock, and the assumption of liabilities (approximately $644,000). The cash portion of the purchase price is subject to a post-closing adjustment based on P.R. Hoffman's June 30, 1997 balance sheet, which is expected to result in an additional cash payment of up to $200,000. The Acquisition also provides for an earnout formula which, in the aggregate, could pay the Seller an additional $2 million. Under the terms of the earnout formula, the Seller is entitled to fifty percent (50%) of P.R. Hoffman's pre-tax profits in excess of $800,000 per year for a period of five (5) years or a cumulative cap of $2 million, whichever occurs first.

The aggregate consideration paid in the Acquisition was determined through arm's length negotiations between representatives of Amtech and P.R. Hoffman. Neither Amtech nor, to the knowledge of Amtech, any affiliate, director or officer of Amtech had any material relationship with P.R. Hoffman prior to the Acquisition.

In connection with the Acquisition, the parties entered into certain ancillary agreements, including, but not limited to, a four-year Employment Agreement with Mr. Krieger, a Registration Rights Agreement with P.R. Hoffman, and a Sublease Agreement with Mr. Krieger. The Employment Agreement provides Mr. Krieger with an annual base salary of $150,000 and the right to participate in Amtech benefit plans. Under the terms of the Registration Rights Agreement, Amtech has granted P.R. Hoffman piggyback registration rights with respect to the unregistered shares of Amtech Common Stock issued to P.R. Hoffman in connection with the Acquisition, including shares of common stock that may be issued at the Company's option in connection with the earnout. Any unregistered shares issued to P.R. Hoffman in connection with the Acquisition are subject to a two-year lock-up period. Under the terms of the Sublease Agreement, Amtech will be leasing its operating facility relating to the Acquisition from Mr.

Krieger for a period of three (3) years at an annual rent of $126,900.

The assets purchased principally consisted of certain inventories valued by the parties at approximately $1,146,000; trade receivables of $1,187,000; certain fixed assets valued by the parties at $429,000; and goodwill and intangible assets valued by the parties at $147,000. These amounts are subject to change depending on amounts reflected in Seller's June 30, 1997 closing balance sheet. Following the Acquisition, Amtech intends to continue using the assets purchased for substantially the same purposes as they were used before the Acquisition.

Related liabilities of P.R. Hoffman assumed by Amtech include certain proratable expenses, obligations under certain contracts, leases and purchase orders expressly assumed by Amtech, and product claims and return obligations of P.R. Hoffman, subject to reimbursement by P.R. Hoffman if a specified dollar threshold is met.

Amtech financed the $2.2 million aggregate cash consideration paid in connection with the Acquisition with available cash and cash equivalents.

P.R. Hoffman will be operated through Amtech's wholly owned subsidiary, P.R. Hoffman Machine Products, Inc. (the "Subsidiary"), and is expected to remain headquartered in Carlisle, Pennsylvania. As of July 1, 1997, all current employees, approximately 35, of P.R. Hoffman became employees of the Subsidiary.

Item 7. Financial Statements and Exhibits.

(a) Financial Statements.

At the time of filing this report on Form 8-K, it is impractical to provide the required financial statements for P.R. Hoffman. The required financial statements will be filed by Amtech not later than 60 days following the date upon which this report on Form 8-K must be filed.

(b) Pro Forma Financial Information.

At the time of filing this report on Form 8-K, it is impractical to provide the required pro forma financial information for P.R. Hoffman. The required pro forma financial information will be filed by Amtech not later than 60 days following the date upon which this report on Form 8-K must be filed.

(c) Exhibits.

<TABLE>
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Exhibit No.	Description	Method of Filing
<S>	<C>	<C>
2	Asset Purchase Agreement, dated July 1, 1997, between Amtech Systems, Inc., P.R. Hoffman Machine Products Corporation, and John R. Krieger	Filed herewith
10.1	Employment Agreement, dated July 1, 1997, between Amtech Systems, Inc. and John R. Krieger	Filed herewith

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<S>	<C>	<C>
10.2	Registration Rights Agreement, dated July 1, 1997, between Amtech Systems, Inc. and P.R. Hoffman Machine Products Corporation	Filed herewith
10.3	Sublease Agreement, dated July 1, 1997, between Amtech Systems, Inc. and John R. Krieger	Filed herewith
99	Registrant's Press Release dated July 2, 1997	Filed herewith

</TABLE>

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 hereunto duly authorized.

Date: July 8, 1997

AMTECH SYSTEMS, INC.

By: /s/ Robert T. Hass

Robert T. Hass
Vice President-Finance (Chief Financial & Accounting Officer)

ASSET PURCHASE AGREEMENT

Between

AMTECH SYSTEMS, INC.

and

P.R. HOFFMAN MACHINE PRODUCTS CORPORATION

and

JOHN R. KRIEGER

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ASSET PURCHASE AGREEMENT

Agreement made as of the 1st day of July, 1997 between Amtech Systems, Inc., an Arizona corporation with its principal office at 131 South Clark, Tempe, Arizona 85281 or its wholly-owned subsidiary (the "Buyer"), and P.R. Hoffman Machine Products Corporation, a Delaware corporation with its principal office at 1517 Commerce Avenue, Carlisle, Pennsylvania 17013 (the "Seller"), and John R. Krieger whose residential address is 4 Hall Drive, Dillsburg, Pennsylvania 17019, the sole stockholder of Seller (the "Stockholder").

Preliminary Statement

The Buyer desires to purchase, and the Seller and Stockholder desire to sell, substantially all of the assets and business of the Seller, for the consideration set forth below and the assumption of certain of the Seller's liabilities set forth below, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. Sale and Delivery of the Assets.

1.1 Delivery of the Assets.

(a) Subject to and upon the terms and conditions of this Agreement, at the closing of the transactions contemplated by this Agreement (the "Closing"), the Seller shall sell, transfer, convey, assign and deliver to the Buyer, and the Buyer shall purchase from the Seller, the following properties, assets and other claims, rights and interests:

(i) all inventories of raw materials, work in process, finished goods, office supplies, maintenance supplies, packaging materials, spare parts and similar items of the Seller (collectively, the "Inventory") which exist on the Closing Date (as defined below);

(ii) all accounts, accounts receivable, notes and notes receivable payable to the Seller existing on the Closing Date, including any security held by the Seller for the payment thereof, but excluding any account, account receivable, note or note receivable payable by any affiliate (as such term is defined in the Securities Act of 1933, as amended,

and the rules and regulations promulgated thereunder) of Seller ("Affiliate") to the Seller (the accounts, accounts receivable, notes and notes receivable, including any related security therein, to be transferred to the Buyer pursuant hereto are collectively referred to herein as the "Accounts Receivable");

(iii) all prepaid expenses, petty cash, deposits, bank accounts and other similar assets of the Seller existing on the Closing Date, including the cash represented by such assets;

(iv) all rights of the Seller under the contracts, agreements, leases, licenses and other instruments set forth on Schedule 2.16 attached hereto (collectively, the "Contract Rights");

(v) all of the Seller's (or, in the case of the Sublease Agreement, the Buyer's) right, title and interest in and to all leases, subleases, franchises, licenses, permits, easements and rights-of-way which are appurtenant to real property related to the Leases identified in Schedule 2.11 attached hereto (collectively the "Real Property");

(vi) all books, records and accounts, correspondence, goodwill and recorded knowledge relating to the Assets and the business of Seller, production records, technical, accounting, manufacturing and procedural manuals, customer, vendor and distributor lists, employment records, warranty records, sales and marketing literature, studies, reports or summaries relating to any environmental conditions or consequences of any operation, present or former, as well as all studies, reports or summaries relating to any environmental aspect or the general condition of the Assets, and any confidential information which has been reduced to writing relating to or arising out of the business of the Seller;

(vii) all rights of the Seller under express or implied warranties from the suppliers of the Seller;

(viii) the motor vehicles and other rolling stock owned by the Seller on the Closing Date;

(ix) all of the machinery, equipment, tools, production reels and spools, numerically controlled programs, internally developed and purchased software, tooling, dies, production fixtures, maintenance machinery and equipment, furniture, leasehold improvements and construction in progress owned by the Seller on the Closing Date whether or not reflected as capital assets in the accounting records of the Seller (collectively, the "Fixed Assets");

(x) all of the Seller's right, title and interest in and to all intangible property rights, including but not limited to inventions, discoveries, trade secrets, processes, formulas, know-how, United States and foreign patents, patent applications, trade names, including the name "P.R. Hoffman Machine Products Corporation" or any derivation thereof, trademarks, trademark registrations, applications for trademark registrations, copyrights, copyright registrations, owned or, where not owned, used by the Seller in its business and all licenses and other agreements to which the Seller is a party (as licensor or licensee) or by which the Seller is bound relating to any of the foregoing kinds of property or rights to any "know-how" or disclosure or use of ideas (collectively, the "Intangible Property");

(xi) all of Seller's right, title and interest in and to the insurance policies set forth on Schedule 2.8 attached hereto; and

(xii) except as specifically provided in Subsection 1.1(b) hereof, all other assets, properties, claims, rights and interests of the Seller which exist on the Closing Date, of every kind and nature and description, whether tangible or intangible, real, personal or mixed.

(b) Notwithstanding the provisions of paragraph (a) above, the assets to be transferred to the Buyer under this Agreement shall not include those assets listed on Schedule 1.1(b) attached hereto (the "Excluded Assets").

(c) The Inventory, Accounts Receivable, Contract Rights, Real Property, Fixed Assets, Intangible Property and other properties, assets and business of the Seller described in paragraph (a) above, other than the Excluded Assets, shall be referred to collectively as the "Assets."

1.2 Further Assurances. At any time and from time to time after the Closing, at the Buyer's request and without further consideration, the Seller promptly shall execute and deliver such instruments of sale, transfer, conveyance, assignment and confirmation, and take such other action, as the Buyer may reasonably request to more effectively transfer, convey and assign to the Buyer, and to confirm the Buyer's title to, all of the Assets, to put the Buyer in actual possession and operating control thereof, to assist the Buyer in exercising all rights with respect thereto and to carry out the purpose and intent of this Agreement.

1.3 Purchase Price. As consideration for the Assets, Amtech

Systems, Inc. will pay Seller as follows:

(a) The cash purchase price for the Assets shall be Two Million Two Hundred Thousand Dollars ($2,200,000), subject to the adjustments provided in Subsection 1.7 hereof (the "Cash Purchase Price"). The Cash Purchase Price shall be payable at the Closing in immediately available funds.

(b) At the Closing Buyer shall issue to Seller or its assign an amount of unregistered shares of $.01 par value common stock of Amtech Systems, Inc. equal to the maximum number of shares that Buyer can issue at a recorded cost of $65,000 (the "Shares"). The consideration to be delivered pursuant hereto is hereafter referred to as the "Additional Purchase Price." The actual number of Shares to be issued by Buyer shall be computed by dividing $65,000 by the average of the closing price per share of Buyer's common stock on the NASDAQ SmallCap Market for the ten trading days prior to the Closing Date adjusted by a thirty-five percent (35%) discount.

(c) During the five-year period following the Closing Date, Buyer shall pay to Seller up to $2,000,000 of additional consideration subject to an earn-out, subject to the adjustments, if any, set forth in Section 1.8 hereof. The earn-out is limited to a five-year term or aggregate payments of $2,000,000, whichever occurs first. The first earn-out year shall commence on October 1, 1997, and shall continue until September 30, 1998, so as to coincide with Buyer's fiscal year. Following the completion of the audit of Buyer and its consolidated subsidiaries following the conclusion of each fiscal year during the earn-out, Seller shall be

entitled to receive from Buyer 50% of pre-tax net income (as described in Section 1.8) generated by the Assets (which term, for purposes of this Section 1.3(c), shall also include any assets subsequently acquired by Buyer for use in the business of Seller as such operations are conducted following the Closing Date; and provided, however, that pre-tax net income shall not include any pre-tax net income or losses attributable to or derived from the assets of any business acquired by the Buyer subsequent to April 23, 1997 and combined with the business of Seller (hereinafter "Seller's Business")) during such fiscal year in excess of $800,000. At least 35% of the earn-out consideration shall be payable in cash or in registered shares of common stock (the "Registered Shares") of Buyer, at the option of Buyer, and the remainder shall be payable in unregistered shares of common stock or cash, at the option of Buyer. For purposes of determining the number of shares of common stock to be issued as payment for any earn-out amount, the per share value shall be the average of the closing price per share of Buyer's common stock on the NASDAQ SmallCap Market (or any other exchange on which Buyer's common stock is then quoted or listed) for the ten trading days immediately preceding the payment date of the earn-out consideration. To the extent recognized under the Code (as defined in Section 2.25), the parties to this Agreement agree to value the aforementioned shares for tax reporting purposes with reference to the restrictions imposed, if any, under applicable securities laws.

(d) Any shares of common stock issued by the Buyer pursuant to subsections (b) and (c) above, excluding the Registered Shares, shall be (i) subject to a lock-up restricting transferability for a period of two years from the date of issuance, and certificates representing the shares shall bear a legend referencing such lock-up, and (ii) shall have piggyback registration rights exercisable after the expiration of the two-year lock-up period as set forth in a registration rights agreement substantially in the form attached hereto as Exhibit A (the "Registration Rights Agreement"), which Registration Rights Agreement shall be executed and delivered by the Buyer and the Seller at the Closing.

1.4 Assumption of Liabilities; Etc.

(a) At the Closing, the Buyer shall execute and deliver an Instrument of Assumption of Liabilities (the "Instrument of Assumption") substantially in the form attached hereto as Exhibit B, pursuant to which it shall assume and agree to perform, pay and discharge the following liabilities, obligations and commitments of the Seller (the "Assumed Liabilities"):

(i) All trade accounts payable and accrued expenses reflected on the unaudited balance sheet of the Seller as of May 31, 1997, previously delivered to the Buyer (the "May 31, 1997 Balance Sheet"), less any payments made from May 31, 1997 to the Closing Date or any reductions in accrued expenses, and less any accounts payable of the Seller to any Affiliate (excluding, however, rental payments due from Seller to PRH Properties);

(ii) All other trade accounts payable and accrued operating liabilities of the Seller incurred in the ordinary course of business of the Seller (payroll, payroll taxes, commissions and royalties) from May 31, 1997 to the Closing Date and set forth on Schedule 1.4 hereto, other than any liabilities of the Seller to any Affiliate

(excluding, however, rental payments due from Seller to PRH Properties) and

accounts payable that are contingent or are not fixed in amount as of the Closing Date;

(iii) All obligations of the Seller for unfunded pension plan liabilities after the Closing under the employee pension plan set forth on Schedule 1.4 attached hereto which liabilities become due and payable after the Closing Date, and all other obligations arising with respect to such pension plan after the Closing Date that relate to the assumption by the Buyer of such plan and the administration thereof;

(iv) All obligations of the Seller under that certain collectively bargained union contract dated November 2, 1996 between Seller and United Automobile, Aerospace and Agriculture Implement Workers of America (UAW) and its Local 1443, a copy of which is attached to Schedule 1.4 attached hereto; and

(v) All obligations of the Seller under contracts, leases, purchase orders and other agreements set forth on Schedule 2.16 (except subparagraphs 2.16(a)(i) and (a)(vi) set forth thereon)) or otherwise arising in the ordinary course of Seller's business that, in the aggregate, do not exceed $2,500.

(b) The Buyer shall not at the Closing assume or agree to perform, pay or discharge, and the Seller shall remain unconditionally liable for, all obligations, liabilities and commitments, fixed or contingent, of the Seller other than the Assumed Liabilities.

1.5 Allocation of Purchase Price and Assumed Liabilities. The aggregate amount of the Purchase Price and the Assumed Liabilities shall be allocated among the Assets as set forth on Schedule 1.5 attached hereto. Such allocation shall be subject to adjustment to the extent that the Purchase Price is adjusted pursuant to Subsections 1.7 or 1.8 hereof in the manner specified in such Subsections.

1.6 The Closing. The Closing shall take place at the law offices of McNees, Wallace & Nurick, 100 Pine Street, Harrisburg, Pennsylvania at 9:00 a.m., Eastern Daylight time, on July 1, 1997 or at such other place, time or date as may be mutually agreed upon in writing by the parties hereto. The transfer of the Assets by the Seller to the Buyer shall be deemed to occur at 12:01 a.m., Eastern Daylight time, on the date of the Closing (the "Closing Date").

1.7 Post Closing Adjustments; Financial Statement Delivery Obligations; Schedule Update Requirement. The Cash Purchase Price set forth in Subsection 1.3(a) hereof shall be subject to adjustment after the Closing Date as follows:

(a) As promptly as possible following the Closing Date, but in no event later than 30 days following the Closing Date, the Seller shall prepare (i) a balance sheet of its assets and liabilities as of the Closing Date certified to be true and accurate by duly authorized officers of the Seller (the "June 30, 1997 Balance Sheet"), and (ii) the related statements of income and cash flows of the Seller for the six-month period ended June 30, 1997 (collectively, including the June 30, 1997 Balance Sheet, the "June 30, 1997 Financial Statements"). The

June 30, 1997 Financial Statements shall be prepared in accordance with generally accepted accounting principles applied consistently with the Audited Financial Statements (as defined in Section 2.5), without any adjustments applicable solely as a result of the acquisition of the Assets by the Buyer on the Closing Date, and shall be reviewed by Seller's independent public accountants, Arthur Andersen LLP (the "Accountants"). The fees and expenses of the Accountants arising in connection with the matters described in this Section 1.7(a) shall borne equally by the Buyer and the Seller.

(b) The June 30, 1997 Balance Sheet delivered pursuant to paragraph (a) above shall be accompanied by a statement prepared by the Seller setting forth the sum, if any, by which the aggregate net book value (consistent with GAAP) of (x) the Assets minus (y) the Assumed Liabilities, in each case as shown on the June 30, 1997 Balance Sheet (the "Net Adjusted Book Value"), is greater than, or less than, $2,038,000 (such difference, if any, herein referred to as the "Net Asset Adjustment"), together with the calculations showing the basis for the determination of such sum.

(c) In the event that the Buyer disputes the June 30, 1997 Balance Sheet or the calculation of the Net Adjusted Book Value or the Net Asset Adjustment, the Buyer shall notify the Seller in writing (the "Dispute Notice") of the amount, nature and basis of such dispute, within 30 calendar days after delivery of the June 30, 1997 Balance Sheet. In the event of such a dispute, the parties hereto shall first use their best efforts to resolve such dispute among themselves. If the parties are unable to resolve the dispute within 15 calendar days after delivery of the Dispute Notice, the dispute shall be submitted to Ernst & Young LLP or such other independent public accounting firm as the parties shall mutually agree upon (the "Additional Accountants") for resolution. The Additional Accountants shall use their best efforts to resolve

the dispute within 30 days after submission. The determination of the Additional Accountants as to the resolution of any dispute shall be binding and conclusive upon all parties hereto. All determinations pursuant to this paragraph (c) shall be in writing and shall be delivered to the parties hereto. Any award made pursuant to this Subsection 1.7 may be entered in and enforced by any court having jurisdiction thereover and the parties hereby consent and commit themselves to the jurisdiction of the courts of the State of Arizona for purposes of the enforcement of any such award.

(d) The fees and expenses of the Additional Accountants arising in connection with the resolution of disputes pursuant to paragraph (c) above shall be borne equally by the Buyer and the Seller.

(e) Immediately upon the earlier of the expiration of the 30-day period for giving the Dispute Notice if no Dispute Notice is given or the acceptance by the Buyer of the June 30, 1997 Balance Sheet and the calculation of the Net Asset Adjustment, or immediately upon the resolution of disputes, if any, pursuant to paragraph (c) above, the amount of the Net Asset Adjustment, if positive, shall be added to, and if negative, shall be deducted from, the Cash Purchase Price (as so adjusted, the "Adjusted Cash Purchase Price") as follows:

If the Adjusted Cash Purchase Price is less than the original Cash Purchase Price, the deficiency, together with interest thereon at the rate of 8% per annum from the Closing Date to the payment

of such deficiency, shall be promptly paid by the Seller to the Buyer in immediately available funds. If the Adjusted Cash Purchase Price is greater than the original Cash Purchase Price, the excess, together with interest thereon at the rate of 8% per annum from the Closing Date to the date of payment of such excess, shall be promptly paid by the Buyer to the Seller in immediately available funds.

(f) If the Cash Purchase Price is adjusted pursuant to paragraph (e) above, the allocation thereof among the Assets as set forth on Schedule 1.5 attached hereto shall be appropriately modified to reflect increases or decreases in the various asset categories which give rise to such adjustments. Any disputes concerning such changes in allocation shall be resolved in accordance with the procedures set forth in paragraph (c) above and the expenses incurred in connection therewith shall be borne in the manner specified in paragraph (d) above.

(g) Concurrently with the delivery by the Seller to the Buyer of the June 30, 1997 Financial Statements pursuant to this Section 1.7, the Seller shall have provided the Buyer with a true, correct and complete list and amount, as of the Closing Date, of:

(i) the Inventory;

(ii) the Fixed Assets;

(iii) the Accounts Receivable, including an aging thereof;

(iv) the trade accounts payable and accrued liabilities assumed pursuant to Subsection 1.4(a)(i) and (ii) hereof;

(v) all unfilled customer orders; and

(vi) all shipments made during the period from May 31, 1997 to the Closing Date,

none of which information shall be materially different from the information supplied by the Seller as of May 31, 1997 on Schedules 2.9, 2.10, 2.14 and 2.20 attached hereto except for those changes that occur in the ordinary course of Seller's business.

1.8 Post-Closing Earn-out Payments. The earn-out payments set forth in Subsection 1.3(c) hereof shall be determined, paid and, if necessary, adjusted as follows:

(a) Within 30 days following completion of the audit of Buyer and its consolidated subsidiaries each fiscal year, but in no event later than 120 days after the end of such fiscal year, the Buyer shall prepare statements of income and financial condition relating to the Assets as of the earn-out year end, certified to be true and accurate by a duly authorized officer of the Buyer (the "Earn-out Statement"). The Earn-out Statement shall be prepared in accordance with generally accepted accounting principles applied consistently with the Buyer's

past practice. Pre-tax net income generated by the Seller's Business shall be determined before deductions for (i) interest for indebtedness other than new indebtedness related to the operation of the Assets (excluding indebtedness relating to the acquisition of the Assets), (ii) state and federal income taxes,

(iii) stepped-up depreciation as a result of the acquisition of the Assets, (iv) amortization of goodwill or other intangibles arising solely from purchase accounting and (v) allocation of Buyer's home office corporate overhead not related to the Assets.

(b) The Earn-out Statement delivered pursuant to paragraph (a) above shall be accompanied by a statement prepared by the Buyer setting forth the sum, if any, that Buyer owes to the Seller as earn-out consideration pursuant to Section 1.3(c) (the "Earn-out Sum"), together with the calculations showing the basis for the determination of such sum. In the event Stockholder's employment with the Seller is terminated, whether voluntarily or otherwise, Buyer shall provide Stockholder with access (at the principal executive offices of the Buyer and during normal business hours) to such records as Stockholder shall reasonably request to verify the accuracy of the Earn-out Statement.

(c) In the event that the Seller disputes the Earn-out Statement or the calculation of the Earn-out Sum, the Seller shall notify the Buyer in writing (the "Earn-out Dispute Notice") of the amount, nature and basis of such dispute, within 30 calendar days after delivery of the Earn-out Statement. In the event of such a dispute, the parties hereto shall first use their best efforts to resolve such dispute among themselves. If the parties are unable to resolve the dispute within 45 calendar days after delivery of the Earn-out Dispute Notice, the dispute shall be submitted to Additional Accountants for resolution. The Additional Accountants shall use their best efforts to resolve the dispute within 30 days after submission. The determination of the Additional Accountants as to the resolution of any dispute shall be binding and conclusive upon all parties hereto. All determinations pursuant to this paragraph (c) shall be in writing and shall be delivered to the parties hereto. Any award may pursuant to this Subsection 1.8 may be entered in and enforced by any court having jurisdiction thereover and the parties hereby consent and commit themselves to the jurisdiction of the courts of the State of Arizona for purposes of the enforcement of any such award.

(d) The fees and expenses of the Additional Accountants in connection with the resolution of disputes pursuant to paragraph (c) above shall be borne equally by the Buyer and the Seller.

(e) Immediately upon the earlier of the expiration of the 30-day period for giving the Earn-out Dispute Notice if no Earn-out Dispute Notice is given or the acceptance by the Seller of the Earn-out Statement, or immediately upon the resolution of disputes, if any, pursuant to paragraph (c) above, the amount of the Earn-out Sum, if any, shall promptly be paid by the Buyer to the Seller in a manner consistent with Section 1.3(c).

2. Representations of the Seller and the Stockholder. The Seller and the Stockholder represent and warrant to the Buyer as follows:

2.1 Organization. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has all requisite power and authority (corporate and other) to own its properties, to carry on its business as now being conducted, to execute and deliver this Agreement and the agreements contemplated herein, and to consummate the transactions contemplated hereby. The Seller is duly qualified to do business and in good standing in all jurisdictions in which the ownership of property or the character of its business requires such qualification. Certified copies of the Certificate of Incorporation, Bylaws and Minutes of the Seller, each as amended to date, have been previously delivered to the Buyer, are complete and correct, and no amendments have been made thereto or have been authorized since the date thereof. The Seller does not own any capital stock of or other equity interest in any corporation, partnership or other entity.

2.2 Capitalization of the Seller. The Seller's authorized capital stock consists of 1,000 shares of Common Stock, $1.00 par value, of which 1,000 shares are issued and outstanding and held of record and beneficially by the Stockholder. All of such shares have been duly and validly issued and are fully paid and nonassessable.

2.3 Authorization. The execution and delivery of this Agreement by the Seller, and the agreements provided for herein, and the consummation by the Seller of all transactions contemplated hereby, have been duly authorized by all requisite corporate and shareholder action. This Agreement and all such other agreements and obligations entered into and undertaken in connection with the transactions contemplated hereby to which the Seller is a party constitute the valid and legally binding obligations of the Seller, enforceable against the Seller in accordance with their respective terms. The execution, delivery and performance by the Seller of this Agreement and the agreements provided for herein, and the consummation by the Buyer of the transactions contemplated hereby and thereby, will not, with or without the giving of notice or the passage of time or both, (a) violate the provisions of any law, rule or regulation applicable to the Seller or the Assets; (b) violate the provisions of the Certificate of Incorporation or Bylaws of the Seller; (c) violate any judgment, decree, order or award of any court, governmental body or arbitrator; or (d) conflict with or result in the breach or termination of any term or provision of, or constitute a default under, or cause any acceleration

under, or cause the creation of any lien, charge or encumbrance upon the properties or assets of the Seller pursuant to, any indenture, mortgage, deed of trust or other instrument or agreement to which the Seller is a party or by which the Seller or any of its properties is or may be bound. Schedule 2.3 attached hereto sets forth a true, correct and complete list of all consents and approvals of third parties that are required in connection with the consummation by the Seller of the transactions contemplated by this Agreement.

2.4 Ownership of the Assets. Schedule 2.4 attached hereto sets forth a true, correct and complete list of all claims, liabilities, liens, pledges, charges, encumbrances and equities of any kind affecting the Assets (collectively, the "Encumbrances"). The Seller is, and at the Closing will be, the true and lawful owner of the Assets, and will have the right to sell and transfer to the Buyer good, clear, record and marketable title to the Assets, free and clear of all Encumbrances of any kind, except as specifically set forth on Schedule 2.4 attached hereto (the "Permitted Encumbrances"). The delivery to the Buyer of the instruments of transfer of ownership contemplated by this Agreement will vest good and marketable title to the Assets in

the Buyer, free and clear of all liens, mortgages, pledges, security interests, restrictions, prior assignments, encumbrances and claims of any kind or nature whatsoever, except for the Permitted Encumbrances and the Permitted Exceptions.

2.5 Financial Statements.

(a) The Seller has previously delivered to the Buyer audited balance sheets as of December 31, 1996 and December 31, 1995 (the "Audited Balance Sheets") and the related statements of income, shareholders' equity, retained earnings and cash flow of the Seller for the two years then ended (collectively, including the Audited Balance Sheets, the "Audited Financial Statements"). The Seller has also previously delivered to the Buyer its May 31, 1997 Balance Sheet and the related statements of income, shareholders' equity and retained earnings of the Seller for the five-month period ended May 31, 1997 (collectively, the "May 31, 1997 Financial Statements"). Except as set forth on Schedule 2.5 with respect to the May 31, 1997 Financial Statements, the Audited Financial Statements, the May 31, 1997 Financial Statements and the June 30, 1997 Financial Statements to be delivered pursuant to Subsection 1.7 hereof (collectively, the "Financial Statements") have been (or will be) prepared by the Seller in accordance with generally accepted accounting principles applied consistently with that used in the Audited Financial Statements and are certified without qualification by the independent public accountants, in the case of the Audited Financial Statements, and have been (or will be) certified by the Seller's President (who is also acting as Seller's chief financial officer) and reviewed by the Accountants, in the case of the June 30, 1997 Financial Statements and the May 31, 1997 Financial Statements.

(b) The Financial Statements fairly present, as of their respective dates, the financial condition, retained earnings, assets and liabilities of the Seller and the results of operations of the Seller's business for the periods indicated; and with respect to the contracts and commitments for the sale of goods or the provision of services by the Seller, the Financial Statements contain and reflect adequate reserves, which are consistent with previous reserves taken, for all reasonably anticipated material losses and costs and expenses.

2.6 Absence of Undisclosed Liabilities. Except as and to the extent (a) reflected and reserved against in the May 31, 1997 Balance Sheet, (b) set forth on Schedule 2.6 attached hereto or (c) incurred in the ordinary course of business after the date of the May 31, 1997 Balance Sheet and not material in amount (except with respect to accounts payable and accrued expenses arising subsequent to May 31, 1997, which, for purposes of this Section 2.6, shall not be subject to the materiality limitation), either individually or in the aggregate, the Seller does not have any liability or obligation, secured or unsecured, whether accrued, absolute, contingent, unasserted or otherwise, affecting the Assets. For purposes of this Subsection 2.6, "material" means any amount in excess of $5,000 or amounts that, in the aggregate, exceed $10,000.

2.7 Litigation. Except as set forth on Schedule 2.7 attached hereto, the Seller is not a party to, or to the Seller's best knowledge threatened with, and none of the Assets are subject to, any litigation, suit, action, investigation, proceeding or controversy before any court, administrative agency or other governmental authority or any other claim or dispute in excess

of $1,000 relating to or affecting the Assets or the business or condition (financial or otherwise) of the Seller. The Seller is not in violation of or in default with respect to any judgment, order, writ, injunction, decree or rule of any court, administrative agency or governmental authority or any regulation of any administrative agency or governmental authority.

2.8 Insurance. Schedule 2.8 attached hereto sets forth a true, correct and complete list of all fire, theft, casualty, general liability, workers compensation, business interruption, environmental impairment, product liability, automobile and other insurance policies insuring the Assets or

business of the Seller and of all life insurance policies maintained for any of its employees, specifying the type of coverage, the amount of coverage, the premium, the insurer and the expiration date of each such policy (collectively, the "Insurance Policies") and all claims made under such Insurance Policies since January 1, 1994. True, correct and complete copies of all of the Insurance Policies have been previously delivered by the Seller to the Buyer. The Insurance Policies are in full force and effect and are in amounts and of a nature which are adequate and customary for the Seller's business. All premiums due on the Insurance Policies or renewals thereof have been paid and there is no default under any of the Insurance Policies. Except as set forth on Schedule 2.8 attached hereto, the Seller has not received any notice or other communication from any issuer of the Insurance Policies since January 1, 1994 canceling or materially amending any of the Insurance Policies, materially increasing any deductibles or retained amounts thereunder, or materially increasing the annual or other premiums payable thereunder, and, to the best knowledge of the Seller, no such cancellation, amendment or increase of deductibles, retainages or premiums is threatened.

2.9 Inventory. Schedule 2.9 attached hereto sets forth a true, correct and complete list of the Inventory as of May 31, 1997, including a description and the book value thereof. Schedule 2.9, as updated pursuant to Section 1.7(g) hereof, shall set forth a true, correct and complete list of the Inventory as of the Closing Date, including a description and valuation thereof. Such Inventory consists of items of a quality and quantity which are usable or saleable without discount in the ordinary course of the business conducted by the Seller. The value of all items of obsolete materials and of materials of below standard quality has been written down to net realizable market value, and the values at which such Inventory is carried reflect the inventory valuation method of the Seller consistent with that used in the Audited Financial Statements.

2.10 Fixed Assets. Schedule 2.10 attached hereto sets forth a true, correct and complete list of all Fixed Assets as of May 31, 1997, including a description and the book value thereof. Schedule 2.10, as updated pursuant to Section 1.7(g) hereof, shall set forth a true, correct and complete list of all Fixed Assets as of the Closing Date, including a description and valuation thereof. Except as set forth on Schedule 2.10, all of the Fixed Assets are in good operating condition and repair, normal wear and tear excepted, are currently used by the Seller in the ordinary course of business and in the production of products of the Seller and normal maintenance has been consistently performed with respect to such Fixed Assets.

2.11 Leases. Schedule 2.11 attached hereto sets forth a true, correct and complete list as of the date hereof of all leases of real property, identifying separately each ground lease, to which the Seller or the Stockholder is a party (the "Leases"). True, correct and

complete copies of the Leases, and all amendments, modifications and supplemental agreements thereto, have previously been delivered by the Seller to the Buyer. The Leases are in full force and effect, are binding and enforceable against each of the parties thereto in accordance with their respective terms and, except as set forth on Schedule 2.11, have not been modified or amended since the date of delivery to the Buyer. No party to any Lease has sent written notice to the other claiming that such party is in default thereunder, which remains uncured. Except as set forth on Schedule 2.11 attached hereto, there has not occurred any event which would constitute a breach of or default in the performance of any material covenant, agreement or condition contained in any Lease, nor has there occurred any event which with the passage of time or the giving of notice or both would constitute such a breach or material default. The Seller is not obligated to pay any leasing or brokerage commission relating to any Lease and, except as set forth on Schedule 2.11 attached hereto, will not have any enforceable obligation to pay any leasing or brokerage commission upon the renewal of any Lease. No material construction, alteration or other leasehold improvement work with respect to any of the Leases remains to be paid for or to be performed by the Seller.

2.12 Change in Financial Condition and Assets. Except as set forth on Schedule 2.12 attached hereto, since May 31, 1997, there has been no change which materially and adversely affects the business (as presently conducted and as proposed to be conducted), properties, assets or condition (financial or otherwise) of the Seller. The Seller has no knowledge of any existing or threatened occurrence, event or development which, as far as can be reasonably foreseen, could have a material adverse effect on the Seller or its business (as presently conducted and as proposed to be conducted), properties, assets or condition (financial or otherwise).

2.13 Tax Matters. The Seller has filed all federal, state and local tax returns which are required to be filed and has paid all taxes, interest, penalties, assessments and deficiencies which have become due or which have been claimed to be due. The Seller is current in the payment of all income, franchise, real estate, sales, use and withholding taxes and other employee benefits, taxes or imposts. Except as set forth on Schedule 2.13 attached hereto, no deficiencies have been asserted or assessed as a result of any audit by the Internal Revenue Service or any state or local taxing authority and no such deficiency or audit has been proposed or threatened.

2.14 Accounts Receivable. Schedule 2.14 attached hereto sets forth a true, correct and complete list of all Accounts Receivable, including an aging thereof as of May 31, 1997. Schedule 2.14, as updated pursuant to Section 1.7(g) hereof, shall set forth a true, correct and complete list of the Accounts Receivable as of the Closing Date, including an aging thereof. All Accounts Receivable arose out of the sales of inventory or services in the ordinary course of business and are collectible in the face value thereof within five (5) months of the date of invoice, using normal collection procedures, net of the reserve for doubtful accounts as set forth thereon, which reserve is adequate and was calculated in accordance with generally accepted accounting principles consistently applied.

2.15 Books and Records. The general ledgers and books of account of the Seller, all federal, state and local income, franchise, property and other tax returns filed by the

Seller, with respect to the Assets, and all other books and records of the Seller are in all material respects complete and correct and have been maintained in accordance with good business practice and in accordance with all applicable procedures required by laws and regulations.

2.16 Contracts and Commitments.

(a) Schedule 2.16 attached hereto contains a true, complete and correct list and description of the following contracts and agreements, whether written or oral (collectively, the "Contracts"):

(i) all loan agreements, indentures, mortgages and guaranties to which the Seller is a party or by which the Seller or any of its property is bound;

(ii) all pledges, conditional sale or title retention agreements, security agreements, equipment obligations, personal property leases and lease purchase agreements relating to any of the Assets to which the Seller is a party or by which the Seller or any of its property is bound;

(iii) all contracts, agreements, commitments, purchase orders or other understandings or arrangements to which the Seller is a party or by which the Seller or any of its property is bound which (A) involve payments or receipts by the Seller of more than $1,000 in the case of any single contract, agreement, commitment, understanding or arrangement under which full performance (including payment) has not been rendered by all parties thereto or (B) which may materially adversely affect the condition (financial or otherwise) or the properties, assets, business or prospects of the Seller;

(iv) all collective bargaining agreements, employment and consulting agreements, executive compensation plans, bonus plans, deferred compensation agreements, pension plans, retirement plans, employee stock option or stock purchase plans and group life, health and accident insurance and other employee benefit plans, agreements, arrangements or commitments to which the Seller is a party or by which the Seller or any of its property is bound;

(v) all agency, distributor, sales representative and similar agreements to which the Seller is party;

(vi) all contracts, agreements or other understandings or arrangements between the Seller and any stockholder or Affiliate of the Seller;

(vii) all leases, whether operating, capital or otherwise, under which the Seller is lessor or lessee (excluding leases relating to real property identified on Schedule 2.11);

(viii) all contracts, agreements and other documents or information relating to past disposal of waste (whether or not hazardous); and

(ix) any other material agreement or contract entered into by the Seller.

(b) Except as set forth on Schedule 2.16 attached hereto:

(i) each Contract is a valid and binding agreement of the Seller, enforceable against the Seller in accordance with its terms, and the Seller does not have any knowledge that any Contract is not a valid and binding agreement of the other parties thereto;

(ii) the Seller has fulfilled all material obligations required pursuant to the Contracts to have been performed by the Seller on its part prior to the date hereof, and the Seller has no reason

to believe that it will not be able to fulfill, when due, all of its obligations under the Contracts which remain to be performed after the date hereof;

(iii) the Seller is not in breach of or default under any Contract, and no event has occurred which with the passage of time or giving of notice or both would constitute such a default, result in a loss of rights or result in the creation of any lien, charge or encumbrance, thereunder or pursuant thereto;

(iv) to the best knowledge of the Seller, there is no existing breach or default by any other party to any Contract, and no event has occurred which with the passage of time or giving of notice or both would constitute a default by such other party, result in a loss of rights or result in the creation of any lien, charge or encumbrance thereunder or pursuant thereto;

(v) the Seller is not restricted by any Contract from carrying on its business anywhere in the world; and

(vi) the Seller has no written or oral Contracts to sell products or perform services which are expected to be performed at, or to result in, a loss.

(c) Except as set forth on Schedule 2.3 or Schedule 2.16, the continuation, validity and enforceability of each Contract will not be affected by the transfer thereof to Buyer under this Agreement and all such Contracts are assignable to Buyer without a consent.

(d) True, correct and complete copies of all Contracts have previously been delivered by the Seller to the Buyer.

2.17 Compliance with Agreements and Laws. The Seller has all requisite licenses, permits and certificates, including environmental, health and safety permits, from federal, state and local authorities necessary to conduct its business and own and operate its assets (collectively, the "Permits"). Schedule 2.17 attached hereto sets forth a true, correct and complete list of all such Permits, copies of which have previously been delivered by the Seller to the Buyer. The Seller is not in violation of any law, regulation or ordinance (including,

without limitation, laws, regulations or ordinances relating to building, zoning, environmental, disposal of hazardous substances, land use or similar matters) relating to its properties, the violation of which could have a material adverse effect on the Seller or its properties. The business of the Seller does not violate, in any material respect, any federal, state, local or foreign laws, regulations or orders (including, but not limited to, any of the foregoing relating to employment discrimination, occupational safety, environmental protection, hazardous waste, conservation, or corrupt practices), the enforcement of which would have a material and adverse effect on the results of operations, condition (financial or otherwise), assets, properties, business or prospects of the Seller. Except as set forth on Schedule 2.17 attached hereto, the Seller has not since January 1, 1993 received any notice or communication from any federal, state or local governmental or regulatory authority or otherwise of any such violation or noncompliance.

2.18 Employee Relations.

(a) The Seller is in compliance in all material respects with all federal, state and municipal laws respecting employment and employment practices, terms and conditions of employment, and wages and hours, and is not engaged in any unfair labor or employment practice, and there are no arrears in the payment of wages, withheld income or social security taxes.

(b) Except as set forth on Schedule 2.18 attached hereto:

(i) none of the employees of the Seller is represented by any labor union;

(ii) there is no unfair labor or employment practice complaint against the Seller pending before the National Labor Relations Board, the Equal Employment Opportunity Commission or any state or local agency;

(iii) there is no pending labor strike or other material labor trouble affecting the Seller (including, without limitation, any organizational drive);

(iv) there is no material labor grievance pending against the Seller;

(v) there is no pending representation question respecting the employees of the Seller; and

(vi) there are no pending arbitration

proceedings arising out of or under any collective bargaining agreement to which the Seller is a party, or to the best knowledge of the Seller, any basis for which a claim may be made under any collective bargaining agreement to which the Seller is a party.

(c) Schedule 2.18 attached hereto sets forth a true, correct and complete list of the Seller's current payroll, including the job descriptions and salary or wage rates of each of its employees, showing separately for each such person who received an annual

salary in excess of $60,000 the amounts paid or payable as salary and bonus payments for the year ended December 31, 1996.

(d) For purposes of this Subsection 2.18, the term "employee" shall be construed to include sales agents and other independent contractors who spend a majority of their working time on the Seller's business.

2.19 Absence of Certain Changes or Events. Except as set forth on Schedule 2.19 attached hereto, since May 31, 1997, the Seller has not entered into any transaction which is not in the usual and ordinary course of business, and, without limiting the generality of the foregoing, the Seller has not:

(a) Incurred any material obligation or liability for borrowed money;

(b) Discharged or satisfied any lien or encumbrance or paid any obligation or liability other than current liabilities reflected in the May 31, 1997 Balance Sheet;

(c) Mortgaged, pledged or subjected to lien, charge or other encumbrance any of the Assets;

(d) Sold or purchased, assigned or transferred any of its tangible assets or canceled any debts or claims, except for inventory sold and raw materials purchased in the ordinary course of business;

(e) Made any material amendment to or termination of any Contract or performed any act or omitted to perform any act which would cause the breach of any Contract;

(f) Suffered any losses, whether insured or uninsured, and whether or not in the control of the Seller, in excess of $10,000 in the aggregate, or waived any rights of any value;

(g) Made any changes in compensation of its officers, directors or employees;

(h) Authorized or issued recall notices for any of its products or initiated any safety investigations;

(i) Received notice of any litigation, warranty claim or products liability claims; or

(j) Made any material change in the terms, status or funding condition of any Employee Plan, as defined in Subsection 2.25 hereof.

2.20 Customers. Schedule 2.20 attached hereto sets forth a true, correct and complete list of the names and addresses of the ten largest customers of the Seller and any

customers which accounted for more than 5% of the Seller's total sales in the fiscal years ended December 31, 1996 and 1995. None of such customers has notified the Seller that it intends to discontinue or curtail its relationship with the Seller.

2.21 Suppliers. Schedule 2.21 attached hereto sets forth a true, correct and complete list of the names and addresses of the ten suppliers of the Seller which accounted for the largest dollar volume of purchases by the Company for the fiscal years ended December 31, 1996 and 1995. None of such suppliers has notified the Seller that it intends to discontinue its relationship with the Seller or ration its products to the Seller.

2.22 Bank Accounts. Schedule 2.22 attached hereto contains a true, correct and complete list of all bank accounts, investment accounts, money market accounts, safe deposit boxes and similar accounts in the name of or controlled by the Seller and the names of persons having access thereto.

2.23 Prepayments and Deposits. Schedule 2.23 attached hereto sets forth all prepayments or deposits from customers for products to be shipped, or services to be performed, after the Closing Date which have been received by the Seller as of May 31, 1997.

2.24 Trade Names and Other Intangible Property.

(a) Schedule 2.24 attached hereto sets forth a true,

correct and complete list and, where appropriate, a description of, all Intangible Property. True, correct and complete copies of all licenses and other agreements relating to the Intangible Property have been previously delivered by the Seller to the Buyer.

(b) Except as otherwise disclosed in Schedule 2.24 attached hereto, the Seller is the sole and exclusive owner of all Intangible Property and all designs, permits, labels and packages used on or in connection therewith. The Intangible Property owned by the Seller is sufficient to conduct the Seller's business as presently conducted and, when transferred to the Buyer pursuant to this Agreement, will be sufficient to permit the Buyer to conduct the business of the Seller as presently conducted by the Seller. The Seller has received no notice of, and has no knowledge of any basis for, a claim against it that any of its operations, activities, products or publications infringes on any patent, trademark, trade name, copyright or other property right of a third party, or that it is illegally or otherwise using the trade secrets, formulae or any property rights of others. The Seller has no disputes with or claims against any third party for infringement by such third party of any trade name or other Intangible Property of the Seller. The Seller has taken all steps reasonably prudent to protect its right, title and interest in and to the Intangible Property.

2.25 Employee Benefit Plans.

(a) Employee Plans. Schedule 2.25 attached hereto contains a true, correct and complete list of all pension, benefit, profit sharing, retirement, deferred compensation, welfare, insurance, disability, bonus, vacation pay, severance pay and other similar plans, programs and agreements, whether reduced to writing or not, other than any

"multiemployer plan" as such term is defined in Section 4001(a)(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), relating to the Seller's employees, or maintained at any time since January 1, 1993 by the Seller or by any other member (hereinafter, "Affiliate") of any controlled group of corporations, group of trades or businesses under common control, or affiliated service group (as defined for purposes of Section 414(b), (c) and (m), respectively, of the Internal Revenue Code of 1986, as amended (the "Code")) (the "Employee Plans") and, except as set forth on Schedule 2.25 attached hereto, the Seller has no obligations, contingent or otherwise, past or present, under applicable law or the terms of any Employee Plan.

(b) Prohibited Transactions. Neither the Seller nor any of its Affiliates, directors, officers, employees or agents, or any "party in interest" or "disqualified person," as such terms are defined in Section 3 of ERISA, and Section 4975 of the Code has, with respect to any Employee Plan, engaged in or been a party to any nonexempt "prohibited transaction," as such term is defined in Section 4975 of the Code or Section 406 of ERISA, in connection with which, directly or indirectly, the Buyer or any of its Affiliates, directors or employees or any Employee Plan or any related funding medium could be subject to either a penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code.

(c) Compliance. With respect to all Employee Plans, the Seller and its Affiliates are in compliance with the requirements prescribed by any and all statutes, orders or governmental rules or regulations currently in effect, including, but not limited to, ERISA and the Code, applicable to such Employee Plans. The Seller and its Affiliates have in all respects performed all obligations required to be performed by them under, and is not in violation in any respect of, and there has been no default or violation by any other party with respect to, any of the Employee Plans. Except as set forth on Schedule 2.25 attached hereto: (i) none of the Employee Plans which are subject to Title IV of ERISA has been or will be terminated in whole or in part within the meaning of ERISA or the Code; (ii) no liability has been incurred to, nor has any event or circumstance occurred, nor will any event or circumstance occur prior to the Closing Date, which could result in such a liability being asserted by, the Pension Benefit Guaranty Corporation ("PBGC") with respect to any Employee Plan (other than the payment of annual premiums under Section 4007 of ERISA or benefits payable in accordance with the terms of such Employee Plan); (iii) no Employee Plan that is subject to Part 3 of Subtitle B of Title I of ERISA or Section 412 of the Code, or both, incurred any "accumulated funding deficiency" (as defined in ERISA), whether or not waived; (iv) neither Seller nor any Affiliate has failed to pay any amounts due and owing as required by the terms of any Employee Plan; (v) there has been no "reportable event" within the meaning of Section 4043(b)(1)-(13) of ERISA (and PBGC Regulations thereunder), or any event described in Section 4063(a) of ERISA, with respect to any Employee Plan, other than as disclosed herein or on accompanying schedules; (vi) neither Seller nor any Affiliate has failed to make any payment to an Employee Plan required under Section 302 of ERISA nor has any lien ever been imposed under Section 302(f) of ERISA; (vii) neither Seller nor any Affiliate has adopted an amendment to any Employee Plan which requires the provision of security under Section 307 of ERISA, (viii) the PBGC has not instituted any proceedings to terminate an Employee Plan pursuant to Section 4042 of ERISA.

(d) Multiemployer Plans. Schedule 2.25 lists each and every multiemployer plan to which Seller or its Affiliates contribute, are

required to contribute, or have ever been required to contribute. No multiemployer plan listed in Schedule 2.25 is in "reorganization" (as defined in Section 4241 of ERISA) or "insolvent" (as defined in Section 4245 of ERISA). Neither Seller nor any Affiliate has withdrawn or is reasonably expected to withdraw from a multiemployer plan in a complete or partial withdrawal which has resulted or will result in "withdrawal liability," as defined for purposes of Part I of Subtitle E of Part IV of ERISA, with respect to any such plan which has not been satisfied in full. The Seller and its Affiliates have made all contributions to any such plan as are required through the Closing Date under the terms of any such plans or applicable statutes, regulations, rulings and other applicable law; and no event has occurred, or can occur prior to the Closing Date, which could give rise to any other liability (other than a continuing obligation to contribute to such plan(s) under the terms of any applicable collective bargaining agreements) on the part of the Seller or the Buyer, or their Affiliates, officers, employees or directors with respect to such plan(s).

(e) Retiree Benefits. Except as set forth in Schedule 2.25, no Employee Plan provides health or life insurance benefits for retirees. No such plan contains any provisions, and no commitments or agreements exist, which in any way would limit or prohibit the Buyer from amending any such plan to reduce or eliminate such retiree benefits.

(f) Copies of Employee Plans and Related Documents. The Seller has previously delivered to the Buyer true, correct and complete copies of all Employee Plans which have been reduced to writing and written descriptions of all Employee Plans which have not been reduced to writing, and all agreements, including trust agreements and insurance contracts, related to such Employee Plans, and the Summary Plan Description and all modifications thereto for each Employee Plan communicated to employees. With respect to each Employee Plan that is a "defined benefit plan," as such term is defined in Section 3(35) of ERISA (the "Defined Benefit Plans"), true, correct and complete copies of (i) the annual actuarial valuation reports for the last five years, (ii) the Form 5500 and Schedule A or B thereto, or both, filed for the last five years and (iii) any filings made with the Pension Benefit Guaranty Corporation, Internal Revenue Service or Department of Labor, or any correspondence with or from such agencies, regarding the termination of any such Defined Benefit Plan, have been delivered to the Buyer.

(g) Qualifications. Each Employee Plan intended to qualify under Section 401(a) of the Code has been determined by the Internal Revenue Service to so qualify, and the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501(a). Each Employee Plan which is a benefit plan intended to be exempt from tax under of Section 501(c)(9) of the Code has been determined by the Internal Revenue Service to be so exempt. Determination letters with respect to each such Employee Plan have been previously delivered by the Seller to the Buyer, and nothing has since occurred, or will occur prior to the Closing Date, which might cause the loss of such qualification or exemption, no such Employee Plan has been operated in a manner which would cause it to be disqualified in operation, and all such Employee Plans have been administered in compliance with and consistent with all applicable requirements of the Code and ERISA, including, without limitation, all reporting, notice, and disclosure requirements.

(h) Funding Status, Etc.

(i) Except as set forth on Schedule 2.25, neither the Seller nor any corporation or trade or business (whether or not incorporated) which would be treated as a member of the controlled group of Seller under Section 4001(a)(14) of ERISA would be liable for (A) any amount pursuant to Section 4062, 4063, 4064, 4068 or 4069 of ERISA if any of the Employee Plans which are subject to Title IV of ERISA were to terminate or (B) any amount pursuant to Section 4201 of ERISA if a complete or partial withdrawal from any multiemployer plan listed on Schedule 2.25 occurred before the Closing. Except as set forth on Schedule 2.25, all Employee Plans which are subject to Title IV of ERISA have no unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA. There is no unpaid contribution due with respect to the plan year of any such Defined Benefit Plan ended prior to the Closing Date, as required under the minimum funding requirements of Section 412 of ERISA. The Seller has paid the actuarial minimum recommended funding payment for the quarterly period ended June 30, 1997 for any such Defined Benefit Plan, or has accrued (or will accrue) for the same on the June 30, 1997 Balance Sheet.

(ii) With respect to each Employee Plan which is a qualified defined contribution pension, profit-sharing or stock bonus plan, as defined in the Code, all employer contributions accrued prior to the Closing Date under the Plan terms and applicable law have been made by the Seller.

(iii) With respect to Employee Plans not described in clause (i) or (ii) above, all premiums or other payments required by the terms of such plans or any group or individual insurance policies and programs maintained by the Seller and covering any present or former employees of the Seller with respect to all periods up to and including the Closing Date have been fully paid or accrued. The Seller shall be

responsible for any welfare benefits not fully covered by third-party insurance policies or programs relating to claims incurred by present or former employees of the Seller on or before the Closing Date.

(i) Claims and Litigation. Except as set forth on Schedule 2.25, there are no threatened other proceedings by present or former employees of the Seller or its affiliates, plan participants, beneficiaries or spouses of any of the above, the Internal Revenue Service, the PBGC, or any other person or entity involving any Employee Plan including claims against the assets of any trust, involving any Employee Plan, or any rights or benefits thereunder, other than ordinary and usual claims for benefits by participants or beneficiaries including claims pursuant to domestic relations orders.

(j) No Implied Rights. Nothing expressed or implied herein shall confer upon any past or present employee of the Seller, his or her representatives, beneficiaries, successors and assigns, nor upon any collective bargaining agent, any rights or remedies of any nature, including, without limitation, any rights to employment or continued employment with the Seller, the Buyer, or any successor or affiliate.

(k) Transfer. The Seller shall take any actions as may be necessary or appropriate under all applicable laws and the terms of the Employee Plans to establish the

Buyer, or an affiliate of the Buyer, as having all rights and obligations with respect to the pension plan assumed pursuant to Subsection 1.4 hereof, including, without limitation, rights with respect to all annuity or insurance contracts which form a part of any of such Employee Plan, together with all other Employee Plan assets. The Seller shall obtain as of the Closing Date any and all consents from trustees required to effect any transfer of any trust(s) related to such assumed Employee Plan to such trustee(s) as may be appointed by the Buyer.

(l) Schedule 2.25 attached hereto sets forth the detailed procedures for assuming the pension plan pursuant to Subsection 1.4 hereof.

(m) Liabilities. Except as identified on Schedule 2.25 or in the May 31, 1997 Financial Statements or the June 30, 1997 Financial Statements, the Buyer assumes no liabilities with respect to any Employee Plan which liability relates to any period prior to June 30, 1997, including, without limitation, any taxes, accrued vacation or sick pay (whether or not vested), accrued vacation, sick and personal leaves, employee policies, employee benefit claims or liability to the Pension Benefit Guaranty Corporation; provided, however, that with respect to the period from May 31, 1997 to June 30, 1997 Buyer shall assume no liabilities with respect to any Employee Plan except with respect to those items listed on the May 31, 1997 Financial Statements that have changed subsequent thereto in the ordinary course of Seller's business.

2.26 Environmental Matters. The Seller is in compliance with all statutes, regulations and ordinances relating to the protection of human health and the environment including, without limitation, the Clean Water Act 33 U.S.C. U1251 et seq., the Resource Conservation and Recovery Act 42 U.S.C. U6901 et seq., the Clean Air Act 42 U.S.C. U7401 et seq., Toxic Substances Control Act 15 U.S.C. U2601 et seq., the Emergency Planning Community Right-to-Know Act 42 U.S.C. U11,001 et seq., the regulations developed pursuant to these statutes and the corresponding state and local statutes, ordinances and regulations (collectively, the "Environmental Laws"). The Seller has not released any hazardous substance into the environment at any property owned, leased or used in connection with the operation of the Assets or its business (the "Premises") including, without limitation, any such release in the soil or groundwater underlying the Premises, in violation of any Environmental Laws. There are no asbestos, polychlorinated biphenyls or underground storage tanks located on the Premises and the Seller has not released any asbestos, polychlorinated biphenyls or materials stored in underground storage tanks located on the Premises, including without limitation, petroleum or petroleum-based materials, in violation of any Environmental Laws. The Seller has no knowledge of and has not received notice of any violation or any potential violation of any environmental statute or regulation nor has it any knowledge with respect to or been advised of any claim or liability or any potential claim or liability pursuant to any environmental statute or regulation brought by any governmental agency or private party with respect to the Assets or the operation of its business.

2.27 Acquired Assets Complete. The Assets are, when utilized by a labor force substantially similar to that employed by the Seller on the date hereof, adequate to conduct the business operations currently conducted by the Seller.

2.28 Regulatory Approvals. All consents, approvals, authorizations and other requirements prescribed by any law, rule or regulation which must be obtained or satisfied by the Seller and which are necessary for the execution and delivery by the Seller of this Agreement and the documents to be executed and delivered by the Seller in connection herewith are set forth on Schedule 2.28 attached hereto and have been, or will be prior to the Closing Date, obtained and satisfied.

2.29 Indebtedness to and from Officers, Directors and Shareholders. Except as set forth on Schedule 2.29 attached hereto, the Seller is not indebted, directly or indirectly, to any person who is an officer, director or shareholder of the Seller or any affiliate of any such person in any amount whatsoever other than for salaries for services rendered or reimbursable business expenses, all of which have been reflected on the Financial Statements, and no such officer, director, shareholder or affiliate is indebted to the Seller, except for advances made to employees of the Seller in the ordinary course of business to meet reimbursable business expenses anticipated to be incurred by such obligor.

2.30 Powers of Attorney and Suretyships. Except as set forth on Schedule 2.30 attached hereto, the Seller has no general or special powers of attorney outstanding (whether as grantor or grantee thereof) and has no obligation or liability (whether actual, accrued, accruing, contingent or otherwise) as guarantor, surety, co-signor, endorser, co-maker, indemnitor or otherwise in respect of the obligation of any person, corporation, partnership, joint venture, association, organization or other entity, except as endorser or maker of checks or letters of credit, respectively, endorsed or made in the ordinary course of business.

2.31 Disclosure. No representation or warranty by the Seller in this Agreement or in any Exhibit hereto, or in any list, statement, document or information set forth in or attached to any Schedule delivered or to be delivered pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit any material fact necessary in order to make the statements contained therein not misleading. The Seller has disclosed to the Buyer all material facts pertaining to the transactions contemplated by this Agreement.

3. Representations of the Buyer. The Buyer represents and warrants to the Seller as follows:

3.1 Organization and Authority. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Arizona, and has requisite power and authority (corporate and other) to own its properties and to carry on its business as now being conducted. The Buyer has full power to execute and deliver this Agreement and the Instrument of Assumption of Liabilities and to consummate the transactions contemplated hereby and thereby. Certified copies of the Articles of Incorporation and the Bylaws of the Buyer, as amended to date, have been previously delivered to the Seller, are complete and correct, and no amendments have been made thereto or have been authorized since the date thereof.

3.2 Capitalization of the Buyer. On the date hereof, the Buyer's authorized capital stock consists of 200,000,000 shares of capital stock, divided into 100,000,000 shares

of Common Stock, $.01 par value ("Common Stock"), of which approximately 4,167,318 shares are issued and outstanding, and 100,000,000 shares of preferred stock, none of which are outstanding. All of the outstanding shares of capital stock of the Buyer have been and on the Closing Date will be duly and validly issued and are, or will be, fully paid and nonassessable.

3.3 Authorization. The execution and delivery of this Agreement by the Buyer, and the agreements provided for herein, and the consummation by the Buyer of all transactions contemplated hereby, have been duly authorized by all requisite corporate action. This Agreement and all such other agreements and written obligations entered into and undertaken in connection with the transactions contemplated hereby constitute the valid and legally binding obligations of the Buyer, enforceable against the Buyer in accordance with their respective terms. The execution, delivery and performance of this Agreement and the agreements provided for herein, and the consummation by the Buyer of the transactions contemplated hereby and thereby, will not, with or without the giving of notice or the passage of time or both, (a) violate the provisions of any law, rule or regulation applicable to the Buyer; (b) violate the provisions of the Buyer's Certificate of Incorporation or Bylaws; (c) violate any judgment, decree, order or award of any court, governmental body or arbitrator; or (d) conflict with or result in the breach or termination of any term or provision of, or constitute a default under, or cause any acceleration under, or cause the creation of any lien, charge or encumbrance upon the properties or assets of the Buyer pursuant to, any indenture, mortgage, deed of trust or other agreement or instrument to which it or its properties is a party or by which the Buyer is or may be bound. Schedule 3.3 attached hereto sets forth a true, correct and complete list of all consents and approvals of third parties that are required in connection with the consummation by the Buyer of the transactions contemplated by this Agreement.

3.4 Regulatory Approvals. Except for certain filings with the Securities and Exchange Commission, all consents, approvals, authorizations and other requirements prescribed by any law, rule or regulation which must be obtained or satisfied by the Buyer and which are necessary for the consummation of the transactions contemplated by this Agreement have been, or will be prior to the Closing Date, obtained and satisfied.

3.5 Disclosure. No representation or warranty by the Buyer in this Agreement or in any Exhibit hereto, or in any list, statement, document or information set forth in or attached to any Schedule delivered or to be delivered pursuant hereto by the Buyer, contains or will contain any untrue statement of a material fact or omits or will omit any material fact necessary in order to make the statements contained therein not misleading.

3.6 SEC Filings. The Buyer has previously delivered to the Seller true, correct and complete copies of all filings made by the Buyer with the Securities and Exchange Commission since July 1, 1996.

4. Access to Information; Public Announcements

4.1 Access to Management, Properties and Records.

(a) From the date of this Agreement until the Closing Date, the Seller shall afford the officers, attorneys, accountants and other authorized representatives of the Buyer free and full access upon reasonable notice and during normal business hours to all management personnel, offices, properties, books and records of the Seller, so that the Buyer may have full opportunity to make such investigation as it shall desire to make of the management, business, properties and affairs of the Seller, and the Buyer shall be permitted to make abstracts from, or copies of, all such books and records. The Seller shall furnish to the Buyer such financial and operating data and other information as to the Assets and the business of the Seller as the Buyer shall reasonably request.

(b) If the Buyer, at its option and expense, prior to the Closing Date, elects to have a report or reports prepared by an engineer or other professional selected by the Buyer, certifying that the real property facilities where the Seller operates the Assets (the "Real Estate") complies with all applicable federal, state and local environmental and wetlands laws, rules and regulations and that there is not now, and never has been, manufacture, storage, or disposal of hazardous wastes at the Real Estate in violation of said laws, rules and regulations, the Seller shall cooperate with such engineer or professional to the extent necessary to prepare such reports, including, without limitation, providing such engineer or professional access to the Real Estate and necessary records, and arranging interviews with employees of the Seller.

(c) The Seller shall authorize the release to the Buyer of all files pertaining to the Seller, the Assets or the business or operations of the Seller held by any federal, state, county or local authorities, agencies or instrumentalities.

4.2 Confidentiality. All information not previously disclosed to the public or generally known to persons engaged in the respective businesses of the Seller or the Buyer which shall have been furnished by the Buyer or the Seller to the other party in connection with the transactions contemplated hereby or as provided pursuant to this Section 4 shall not be disclosed to any person other than their respective employees, directors, attorneys, accountants or financial advisors or other than as contemplated herein. In the event that the transactions contemplated by this Agreement shall not be consummated, all such information which shall be in writing shall be returned to the party furnishing the same, including, to the extent reasonably practicable, all copies or reproductions thereof which may have been prepared, and neither party shall at any time thereafter disclose to third parties, or use, directly or indirectly, for its own benefit, any such information, written or oral, about the business of the other party hereto.

4.3 Public Announcements. The Buyer and the Seller agree not to disclose the existence or contents of this Agreement and the transactions contemplated hereby to any person other than their respective officers, directors, senior employees and professional advisors on a need-to-know basis except to the extent that disclosure may be required by applicable laws. In that regard, the Buyer will make a press release upon the signing by the parties of the Agreement, provided that such press release shall be subject to the Seller's prior approval not

to be unreasonably withheld. Except as required by law, the Seller agrees not to issue any press release or make any public statement regarding the subject matter hereof without the prior written consent of the Buyer, and thereafter only a press release issued in a form reasonably satisfactory to the Buyer. The Seller acknowledges (i) the Buyer's status as a publicly traded reporting company, (ii) that the existence and contents of this Agreement and the discussions and transactions contemplated hereby may constitute material, non-public information under the Federal securities laws, and (iii) the necessity of exercising the foregoing measures in order to accommodate the Buyer in its public reporting responsibilities.

5. Pre-Closing Covenants of the Seller. [Intentionally deleted.]

6. Best Efforts to Obtain Satisfaction of Conditions. The Seller and the Buyer covenant and agree to use their best efforts to obtain the

satisfaction of the conditions specified in this Agreement.

7. Conditions to Obligations of the Buyer. The obligations of the Buyer under this Agreement are subject to the fulfillment, at the Closing Date, of the following conditions precedent, each of which may be waived in writing in the sole discretion of the Buyer:

7.1 Continued Truth of Representations and Warranties of the Seller; Compliance with Covenants and Obligations. The representations and warranties of the Seller shall be true on and as of the Closing Date as though such representations and warranties were made on and as of such date, except for any changes permitted by the terms hereof or consented to in writing by the Buyer. The Seller shall have performed and complied with all terms, conditions, covenants, obligations, agreements and restrictions required by this Agreement to be performed or complied with by it prior to or at the Closing Date.

7.2 Corporate Audit; Delivery of Financial Statements. An audit of the financial statements of the Seller for the years ended December 31, 1996 and 1995 shall have been completed by the Accountants and delivered to the Buyer at least three business days prior to the Closing Date and shall be satisfactory to the Buyer and sufficient to permit the Buyer to report the financial condition and results of operation of the Seller and the Assets in compliance with SEC regulations applicable to the Buyer. The Seller shall have delivered to the Buyer the May 31, 1997 Financial Statements and such financial statements shall have been prepared in accordance with generally accepted accounting principles applied consistently with past practice and shall have been certified by the Seller's President (who is also acting as Seller's chief financial officer) and reviewed by the Accountants.

7.3 Governmental Approvals. All governmental agencies, departments, bureaus, commissions and similar bodies, the consent, authorization or approval of which is necessary under any applicable law, rule, order or regulation for the consummation by the Seller of the transactions contemplated by this Agreement and the operation of the Seller's business by the Buyer shall have consented to, authorized, permitted or approved such transactions.

7.4 Consents of Lenders, Lessors and Other Third Parties. The Seller shall have received all requisite consents and approvals of all lenders, lessors and other third parties

whose consent or approval is required in order for the Seller to consummate the transactions contemplated by this Agreement, including, without limitation, those set forth on Schedule 2.3 attached hereto.

7.5 Adverse Proceedings. No action or proceeding by or before any court or other governmental body shall have been instituted or threatened by any governmental body or person whatsoever which shall seek to restrain, prohibit or invalidate the transactions contemplated by this Agreement or which might affect the right of the Buyer to own or use the Assets after the Closing.

7.6 Opinion of Counsel. The Buyer shall have received an opinion of McNees, Wallace & Nurick, counsel to the Seller, dated as of the Closing Date, in substantially the form attached hereto as Exhibit C, and as to such other matters as may be reasonably requested by the Buyer or its counsel.

7.7 Board of Directors and Shareholder Approval and Corporate Proceedings. The shareholders of the Seller shall have duly authorized the transactions contemplated by this Agreement. All corporate and other proceedings required to be taken on the part of the Seller to authorize or carry out this Agreement and to convey, assign, transfer and deliver the Assets shall have been taken.

7.8 The Assets. Except for the Permitted Encumbrances and the Permitted Exceptions, at the Closing the Buyer shall receive good, clear, record and marketable title to the Assets, free and clear of all liens, liabilities, security interests and encumbrances of any nature whatsoever.

7.9 Employment Contracts. On or prior to the Closing Date, the Buyer shall have executed an employment contract with John R. Krieger upon substantially the terms set forth in Schedule 7.9 attached hereto.

7.10 Assignment of Insurance Policies. On or prior to the Closing Date, the Seller shall have cooperated with and/or assisted the Buyer with respect to obtaining insurance policies extending warranty or products liability coverage to the Seller for products manufactured by the Seller prior to the Closing Date or for claims made on or prior to the Closing Date.

7.11 Cash Available for Working Capital Purposes. On the Closing Date, the Seller will have available cash for working capital purposes of not less than that reflected on the May 31, 1997 Balance Sheet, which cash will be transferred to the Buyer pursuant to the terms of this Agreement.

7.12 Trade Payables. On the Closing Date, the Seller will not have obligations, exceeding those obligations reflected on the May 31, 1997 Balance Sheet in the aggregate, to suppliers and vendors of goods and services

and other trade creditors.

7.13 Engineer's Report. On or prior to the Closing Date, the Buyer shall have received the engineer's report referred to in Subsection 4.1(b) hereof.

7.14 Tax Lien Certificate. On or prior to the Closing Date, the Seller shall have obtained and delivered to the Buyer tax lien certificates from all jurisdictions in which Assets are located and which provide such tax lien certificates.

7.15 Closing Deliveries. The Buyer shall have received at or prior to the Closing each of the following documents:

(a) a bill of sale substantially in the form attached hereto as Exhibit D;

(b) such instruments of conveyance, assignment and transfer, in form and substance satisfactory to the Buyer, as shall be appropriate to convey, transfer and assign to, and to vest in, the Buyer, good, clear, record and marketable title to the Assets;

(c) all technical data, formulations, product literature and other documentation relating to the Seller's business, all in form and substance satisfactory to the Buyer;

(d) such contracts, files and other data and documents pertaining to the Assets or the Seller's business as the Buyer may reasonably request;

(e) the general ledgers and books of account of the Seller, and all federal, state and local income, franchise, property and other tax returns filed by the Seller with respect to the Assets since January 1, 1994;

(f) such certificates of the Seller's officers and such other documents evidencing satisfaction of the conditions specified in Section 7 as the Buyer shall reasonably request;

(g) a certificate of the Secretary of State of the State of Delaware as to the legal existence and good standing (including tax) of the Seller in Delaware;

(h) certificates of the Secretary of the Seller attesting to the incumbency of the Seller's officers, respectively, the authenticity of the resolutions authorizing the transactions contemplated by the Agreement, and the authenticity and continuing validity of the charter documents delivered pursuant to Subsection 2.1;

(i) except with respect to those lessors set forth on Schedule 7.15(i), estoppel certificates from each lessor from whom the Seller leases real or personal property consenting to the assumption of such lease by the Buyer and representing that there are no outstanding claims against the Seller under any such lease;

(j) Cross-Receipt executed by the Buyer and the Seller;

(k) the Sublease Agreement, together with satisfactory evidence to the Buyer reflecting the consent of PRH Properties to such Sublease Agreement;

(l) the Registration Rights Agreement;

(m) the Certificate of No Adverse Conditions in the form of Exhibit I attached hereto; and

(n) such other documents, instruments or certificates as the Buyer may reasonably request.

8. Conditions to Obligations of the Seller. The obligations of the Seller under this Agreement are subject to the fulfillment, at the Closing Date, of the following conditions precedent, each of which may be waived in writing at the sole discretion of the Seller:

8.1 Continued Truth of Representations and Warranties of the Buyer; Compliance with Covenants and Obligations. The representations and warranties of the Buyer in this Agreement shall be true on and as of the Closing Date as though such representations and warranties were made on and as of such date, except for any changes consented to in writing by the Seller. The Buyer shall have performed and complied with all terms, conditions, obligations, agreements and restrictions required by this Agreement to be performed or complied with by it prior to or at the Closing Date.

8.2 Corporate Proceedings. All corporate and other proceedings

required to be taken on the part of the Buyer to authorize or carry out this Agreement shall have been taken.

8.3 Governmental Approvals. All governmental agencies, departments, bureaus, commissions and similar bodies, the consent, authorization or approval of which is necessary under any applicable law, rule, order or regulation for the consummation by the Buyer of the transactions contemplated by this Agreement shall have consented to, authorized, permitted or approved such transactions.

8.4 Consents of Lenders, Lessors and Other Third Parties. The Buyer shall have received all requisite consents and approvals of all lenders, lessors and other third parties whose consent or approval is required in order for the Buyer to consummate the transactions contemplated by this Agreement, including, without limitation, those set forth on Schedule 3.3 attached hereto.

8.5 Adverse Proceedings. No action or proceeding by or before any court or other governmental body shall have been instituted or threatened by any governmental body or person whatsoever which shall seek to restrain, prohibit or invalidate the transactions contemplated by this Agreement or which might affect the right of the Seller to transfer the Assets.

8.6 Opinion of Counsel. The Seller shall have received an opinion of Squire, Sanders & Dempsey L.L.P., counsel to the Buyer, dated as of the Closing Date, in substantially the form attached hereto as Exhibit E, and as to such other matters as may be reasonably requested by the Seller or its counsel.

8.7 Employment Contract and Hiring. On or prior to the Closing Date, the Buyer shall have executed and delivered an Employment Contract with John R. Krieger upon substantially the terms set forth in Schedule 7.9 attached hereto. In addition, the Buyer hereby agrees to offer employment to substantially all of the Seller's employees, to assume the Seller's obligations under its union contract and pension plan, and to recognize the past service of Seller's employees in those instances where Buyer has a policy that takes into account the prior service of an employee. Further, Buyer agrees to grant to each transferred employee, in accordance with such policies, the number of vacation and sick days for fiscal 1997 equal to the transferred employee's unused vacation and sick days in 1997 accrued in the June 30, 1997 Financial Statements. Except as is provided in Section 1.4, Buyer is under no obligation to adopt or continue any Employee Plan; and shall not be an adopting employer under any Employee Plan or otherwise responsible for the payment of any benefits under any Employee Plan.

8.8 Registration Rights Agreement. On or prior to the Closing Date, the Buyer shall have executed and delivered a Registration Rights Agreement with the Seller or the Stockholder upon substantially the terms set forth in Exhibit A attached hereto.

8.9 Sublease Agreement. On or prior to the Closing Date, the Buyer shall have executed and delivered a Sublease Agreement with the Stockholder relating to the Real Estate upon substantially the terms set forth in Exhibit G attached hereto.

8.10 General Liability Insurance. The Seller shall have received assurances from the Buyer that the Buyer has obtained general liability insurance covering Seller's business in the aggregate amount of $6 million through primary and umbrella insurance policies. Such insurance shall, among other things, insure against product liability claims relating to products of Seller that were shipped prior to the Closing and shall name the Stockholder as an additional insured. Buyer shall keep such insurance in force until the earlier of December 31, 1999 or at such time as all of its obligations under this Agreement have been fulfilled. This Section 8.10 shall not be construed to restrict Buyer's ability to change insurance carriers subsequent to the Closing so long as the same level of coverage described above is maintained.

8.11 Closing Deliveries. The Seller shall have received at or prior to the Closing each of the following documents:

(a) such certificates of the Buyer's officers and such other documents evidencing satisfaction of the conditions specified in this Section 8 as the Seller shall reasonably request;

(b) a certificate of the Secretary of State of the State of Arizona as to the legal existence and good standing (including tax) of the Buyer in Arizona;

(c) a certificate of the Secretary of the Buyer attesting to the incumbency of the Buyer's officers, the authenticity of the resolutions authorizing the transactions contemplated by this agreement, and the authenticity and continuing validity of the charter documents delivered pursuant to Subsection 3.1;

(d) Instrument of Assumption of Liabilities executed by the Buyer and accepted by the Seller;

(e) payment of the Cash Purchase Price and the Additional Purchase Price;

(f) cross receipt executed by the Buyer; and

(g) such other documents, instruments or certificates as the Seller may reasonably request.

9. Indemnification.

9.1 By the Buyer and the Seller and the Stockholder. The Buyer, on the one hand, and the Seller and the Stockholder, jointly and severally on the other hand, hereby indemnifies and holds harmless the other party against all claims, damages, losses, liabilities, costs and expenses (including, without limitation, settlement costs and any legal, accounting or other expenses for investigating or defending any actions or threatened actions) reasonably incurred by the Buyer or the Seller and the Stockholder in connection with each and all of the following:

(a) Any breach by the indemnifying party of any representation or warranty in this Agreement;

(b) Any breach of any covenant, agreement or obligation of the indemnifying party contained in this Agreement or any other agreement, instrument or document contemplated by this Agreement;

(c) Any misrepresentation contained in any statement, certificate or schedule furnished by the indemnifying party pursuant to this Agreement or in connection with the transactions contemplated by this Agreement; and

(d) Any violation by the Seller of, or any failure by the Seller to comply with, any law, ruling, order, decree, regulation or zoning, environmental or permit requirement applicable to the Seller, the Assets or its business, whether or not any such violation or failure to comply has been disclosed to the Buyer, including any costs incurred by the Buyer (i) in order to bring the Assets into compliance with environmental laws as a consequence of noncompliance with such laws on the Closing Date or (ii) in connection with the transfer of the Assets.

9.2 Limits on Indemnification. The Seller and Stockholder will not be liable for any matter described in this Section 9 (hereinafter referred to as a "Loss" or the "Losses") unless and until the aggregate amount of all such Losses exceeds $20,000 (the "Basket Amount"); provided, however, that unpaid Accounts Receivable shall be excluded from the Basket Amount and shall remain subject to the repurchase obligations set forth in Section 10.7; and provided further, that claims made pursuant to Section 10.8 shall be subject to a separate

limitation as set forth in such paragraph. Thereafter, the Seller and the Stockholder shall be liable for the amount of such Losses in excess of $20,000 and shall pay such excess to Buyer in immediately available funds. If the aggregate of all such Losses exceeds $40,000, the Seller and the Stockholder shall thereupon pay Buyer the Basket Amount in immediately available funds. In no event shall the Seller and the Stockholder be liable for any Losses pursuant to this Section 9 in excess of the consideration received by the Seller and the Stockholder described in Section 1.2, as adjusted pursuant to Section 1.7.

9.3 Claims for Indemnification. Whenever any claim shall arise for indemnification hereunder, the party seeking indemnification (the "Indemnified Party") shall promptly notify the party from whom indemnification is sought (the "Indemnifying Party") of the claim and, when known, the facts constituting the basis for such claim. In the event of any such claim for indemnification hereunder resulting from or in connection with any claim or legal proceedings by a third party, the notice to the Indemnifying Party shall specify, if known, the amount or an estimate of the amount of the liability arising therefrom. The Indemnified Party shall not settle or compromise any claim by a third party for which it is entitled to indemnification hereunder without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld, unless suit shall have been instituted against it and the Indemnifying Party shall not have taken control of such suit after notification thereof as provided in Subsection 9.3 of this Agreement.

9.4 Defense by Indemnification Party. In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any claim or legal proceeding by a person who is not a party to this Agreement, the Indemnifying Party at its sole cost and expense may, upon written notice to the Indemnified Party, assume the defense of any such claim or legal proceeding if it acknowledges to the Indemnified Party in writing its obligations to indemnify the Indemnified Party with respect to all elements of such claim. The Indemnified Party shall be entitled to participate in (but not control) the defense of any such action, with its counsel and at its own expense. If the Indemnifying Party does not assume the defense of any such claim or litigation resulting therefrom within 30 days after the date such claim is made, (a) the

Indemnified Party may defend against such claim or litigation, in such manner as it may deem appropriate, including, but not limited to, settling such claim or litigation, after giving notice of the same to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate, and (b) the Indemnifying Party shall be entitled to participate in (but not control) the defense of such action, with its counsel and at its own expense. If the Indemnifying Party thereafter seeks to question the manner in which the Indemnified Party defended such third party claim or the amount or nature of any such settlement, the Indemnifying Party shall have the burden to prove by a preponderance of the evidence that the Indemnified Party did not defend or settle such third party claim in a reasonably prudent manner.

9.5 Payment of Indemnification Obligation. The Seller and the Stockholder hereby agree that any claim for indemnification by the Buyer under this Section 9 or under any other provision of this Agreement may, at the Buyer's option, be set off against the Buyer's obligation to make earn-out payments pursuant to Sections 1.3(c) and 1.8; provided, however, that Buyer shall pay such set off amounts into an escrow account mutually agreeable to Buyer and the Stockholder until such time as the indemnification claim is resolved in full. Any interest

earned on such escrow account shall inure to the benefit of the party prevailing on the matter. All indemnification by the Buyer or the Seller and the Stockholder hereunder (to the extent not satisfied in the manner specified in the preceding sentence) shall be effected by payment of cash or delivery of a cashier's or certified check in the amount of the indemnification liability. In the event the Buyer shall receive insurance proceeds pursuant to an unexpired insurance policy of Seller or Buyer, as the case may be, with respect to a matter Buyer is seeking indemnification hereunder, any amount required to be paid by the Seller and the Seller Stockholder pursuant to such indemnification obligation shall be net of any such insurance proceeds. In the event Buyer makes a claim on its insurance policy relating to a Loss for which Seller has an indemnification obligation pursuant to this Section 9, Seller shall pay any increase in insurance premiums resulting directly and proximately from such claim by Buyer on such insurance policy for a period of thirty (30) months following such increase; provided, however, that in no event shall such amount exceed the original claim for indemnification. Buyer shall provide Seller with such documentation relating to such increase as shall be reasonably necessary to establish the amount of such increase attributable to the claim.

9.6 Survival of Representations; Claims for Indemnification. All representations and warranties made by the parties herein or in any instrument or document furnished in connection herewith shall survive the Closing and any investigation at any time made by or on behalf of the parties hereto. Further, Buyer's covenant in Section 8.10 shall survive the Closing for the period specified therein. All such representations and warranties shall expire on December 31, 1999, except for claims, if any, asserted in writing prior to such date, which shall survive until finally resolved and satisfied in full; provided, however, that the representations and warranties of the Seller and the Stockholder made pursuant to (i) Section 2.13 shall survive forever or until all applicable statutory limitation periods have expired, taking into account any extensions of such periods, and (ii) Sections 2.26 and 9.1(d) shall survive for a period of ten (10) years following the Closing Date; and provided, further, that the limitations on survival shall not apply to any breach of this Agreement resulting from any wilful or knowing misrepresentation or omission or fraud. All claims and actions for indemnity pursuant to this Section 9 for breach of any representation or warranty shall be asserted or maintained in writing by a party hereto on or prior to December 31, 1999, the referenced statutory period or ten (10) year period, as the case may be.

10. Post-Closing Agreements.

The Seller and the Stockholder agree that from and after the Closing Date:

10.1 Proprietary Information.

(a) The Seller shall hold in confidence, and use its best efforts to have all of its officers, directors and personnel hold in confidence, all knowledge and information of a secret or confidential nature with respect to the business of the Seller and shall not disclose, publish or make use of the same without the consent of the Buyer, except to the extent that such information shall have become public knowledge other than by breach of this Agreement by the Seller.

(b) The Seller agrees that the remedy at law for any breach of this Subsection 10.1 would be inadequate and that the Buyer shall be entitled to injunctive relief in addition to any other remedy it may have upon breach of any provision of this Subsection 10.1.

10.2 No Solicitation or Hiring of Former Employees. Except as provided by law, for a period of three years after the Closing Date, the Seller shall not solicit any person who was an employee of the Seller on the Closing Date to terminate his employment with the Buyer or to become an employee of the Seller or hire any person who was such an employee on the date hereof or on the

Closing Date.

10.3 Non-Competition Agreement.

(a) For a period of three years after the Closing Date, neither the Seller nor any Affiliate thereof shall (i) manufacture, market or sell any product which has the same or substantially the same form, function and primary application as any existing or proposed product manufactured by the Seller on or prior to the Closing Date or (ii) engage in any business competitive with the business of the Seller as conducted on the date hereof or on the Closing Date, in the United States or any other country in which the Seller conducted its business during the two years prior to the Closing Date.

(b) The parties hereto agree that the duration and geographic scope of the non-competition provision set forth in this Subsection 10.3 are reasonable. In the event that any court determines that the duration or the geographic scope, or both, are unreasonable and that such provision is to that extent unenforceable, the parties hereto agree that the provision shall remain in full force and effect for the greatest time period and in the greatest area that would not render it unenforceable. The parties intend that this non-competition provision shall be deemed to be a series of separate covenants, one for each and every county of each and every state of the United States of America and each and every political subdivision of each and every country outside the United States of America where this provision is intended to be effective. The Seller agrees that damages are an inadequate remedy for any breach of this provision and that the Buyer shall, whether or not it is pursuing any potential remedies at law, be entitled to equitable relief in the form of preliminary and permanent injunctions without bond or other security upon any actual or threatened breach of this non-competition provision.

10.4 Sharing of Data.

(a) The Seller shall have the right for a period commencing on the Closing Date and ending on April 20, 2003, to have reasonable access to such books, records and accounts, including financial and tax information, correspondence, production records, employment records and other similar information as are transferred to the Buyer pursuant to the terms of this Agreement for the limited purposes of concluding its involvement in the business of the Seller prior to the Closing Date and for complying with its Obligations under applicable securities, tax, environmental, employment or other laws and regulations. The Buyer shall have the right for a period of three years following the Closing Date to have reasonable access to those books, records and accounts, including financial and tax information, correspondence, production records, employment records and other records which are retained

by the Seller pursuant to the terms of this Agreement to the extent that any of the foregoing relates to the business of the Seller transferred to the Buyer hereunder or is otherwise needed by the Buyer in order to comply with its obligations under applicable securities, tax, environmental, employment or other laws and regulations.

(b) The Seller and the Buyer agree that from and after the Closing Date they shall cooperate fully with each other to facilitate the transfer of the Assets from the Seller to the Buyer and the operation thereof by the Buyer.

10.5 Use of Name. The Seller agrees not to use the name "P.R. Hoffman Machine Products" or any derivation thereof after the Closing Date in connection with any business whether or not related to, competitive with, or an outgrowth of, the business conducted by the Seller on the date hereof.

10.6 Cooperation in Litigation. Each party hereto will fully cooperate with the other in the defense or prosecution of any litigation or proceeding already instituted or which may be instituted, hereafter against or by such party relating to or arising out of the conduct of the business of the Seller prior to or after the Closing Date (other than litigation arising out the transactions contemplated by this Agreement). The party requesting such cooperation shall pay the out-of-pocket expenses (including legal fees and disbursements) of the party providing such cooperation and of its officers, directors, employees and agents reasonably incurred in connection with providing such cooperation, and will, if requested, reimburse the party providing such cooperation for such party's time spent in such cooperation and the reasonable salaries or costs of fringe benefits or similar expenses paid by the party providing such cooperation to its officers, directors, employees and agents while assisting in the defense or prosecution of any such litigation or proceeding.

10.7 Repurchase of Accounts Receivable.

(a) For the period commencing on the Closing Date and ending on November 30, 1997 (the "Collection Period"), the Buyer shall use its reasonable efforts to collect the Accounts Receivable. The Buyer may, but shall not be obligated to, use a collection agency or commence legal actions in connection with such collection efforts. Promptly after the expiration of the Collection Period, the Buyer shall give notice to the Seller designating those

Accounts Receivable in excess of $2,500 which have not been collected as of the end of the Collection Period and which the Buyer wishes the Seller to purchase. Within ten days after receipt of such notice from the Buyer, the Seller shall purchase (without recourse to the Buyer) such designated Accounts Receivable then remaining unpaid for a purchase price equal to the face amount thereof.

(b) Upon the Seller's repurchase of any unpaid Account Receivable pursuant to this Subsection 10.7, (i) the Buyer shall promptly deliver to the Seller any tangible evidence of such Account Receivable then in the possession of the Buyer or under its control, and (ii) the Seller shall be entitled to such customary and reasonable actions as it deems necessary or desirable in order to collect such unpaid Account Receivable; provided, that the Seller shall consult with the Buyer prior to taking any collection action which might reasonably

be expected to jeopardize the Buyer's relationship with such customer. The Buyer will, from time to time after such repurchase, execute and deliver to the Seller such instruments and other documents as the Seller may reasonably request to assist the Seller in its collection efforts.

(c) In the event that any payment received by the Buyer during the Collection Period is remitted by a customer which is indebted under both Accounts Receivable and an account receivable arising out of the sale of inventory in the ordinary course of business after the Closing Date (a "New Receivable"), such payments shall first be applied to the Accounts Receivable due from such customer and the balance remaining after payment in full of all Accounts Receivable due from such customer shall be applied to the New Receivable; provided, however, that (i) with respect to any Account Receivable being contested or disputed by the payor thereof, no portion of the amount in dispute shall be deemed to have been collected by the Buyer in respect of the Account Receivable due from such customer (unless otherwise directed by the customer) until all amounts owed by such customer to the Buyer for New Receivables have been paid or such dispute has been resolved, whichever occurs first (it being understood that undisputed amounts of Accounts Receivable shall be applied in accordance with the priorities set forth above in this Subsection 10.7) and (ii) the foregoing priorities shall not apply to sums received by the Buyer which are specifically identified by the customer as being tendered in payment of a New Receivable. The Buyer agrees not to induce any customer to identify any payment as being in respect of a New Receivable, except in the event the Buyer reasonably determines to sell to said customer on a C.O.D. basis only.

(d) The Buyer will cooperate, at the Seller's expense, with the Seller in collecting any Accounts Receivable which are repurchased by the Seller pursuant to this Subsection 10.7; provided, however, that the foregoing shall not require the Buyer to be a party to any action brought by the Seller to collect such Accounts Receivable.

(e) The Buyer agrees to furnish to the Seller within 15 days after the end of each month during the Collection period a statement setting forth the Accounts Receivable collected during such month and a trial balance of the uncollected Accounts Receivable showing the aging thereof as of the end of such month.

(f) The Seller hereby authorizes the Buyer to open any and all mail addressed to the Seller (if delivered to the Buyer) if received on or after the Closing Date and hereby grants to the buyer a power of attorney to endorse and cash any checks or instruments made payable or endorsed to the Seller or its order and received by the Buyer.

(g) The Seller agrees that it will forward promptly to the Buyer any monies, checks or instruments received by the Seller after the Closing Date with respect to the Accounts Receivable, except with respect to those Accounts Receivable which are repurchased by the Seller pursuant to this Subsection 10.7.

(h) Any sums received by the Buyer in respect of Accounts Receivable (and so identified by the relevant account debtor) after their repurchase by the Seller pursuant to Subsections 10.7(a) hereof shall be promptly transmitted by the Buyer to the Seller. In addition, if receipt by the Buyer of unidentified sums of money from an account debtor who

owes any Account Receivable repurchased by the Seller pursuant to Subsections 10.7(a) hereof results in such account debtor having an aggregate credit balance with the Buyer, the Buyer shall promptly transmit to the Seller an amount of money equal to the lesser of (a) such aggregate credit balance or (b) the remaining of all Accounts Receivable which have been repurchased by the Seller and are payable by such account debtor to the Seller.

(i) Seller's obligation to repurchase unpaid Accounts Receivable, under this Section 10.7 may be satisfied by Buyer out of a holdback and/or setoff against monies or stock otherwise payable to Seller pursuant to Sections 1.3(c) and 1.8 hereof if not promptly paid by Seller in cash or delivery of a cashiers or bank check.

10.8 Product Claims and Returns. Seller shall be responsible for customer claims relating to services rendered by Seller prior to the Closing Date, and customer claims relating to, or returns of, products (which term for purposes of this Section 10.8 shall mean those products where there is sufficient evidence to reflect the date of shipment thereof) of Seller which (a) were sold and shipped or otherwise provided by the Seller prior to the Closing Date, (b) were in the finished goods inventory of the Seller as of the Closing Date, or (c) were work in process and more than fifty percent (50%) completed by the Closing Date. If a customer makes a claim or seeks a return and, in the judgment of the Buyer, the claim or return is proper, Buyer shall replace or repair, as the case may be, the services rendered or product purchased at the Buyer's then generally prevailing prices and labor rates. Such repairs and returns for the twelve (12) calendar months following the date of this Agreement shall be compared to the greater of $40,000 or the product of .008 times the gross sales of Seller for such period (the "Threshold Amount"). If the actual repairs and returns for such twelve (12) month period is lower than the greater of $40,000 or the product of .008 times the gross sales of Seller for such period, then Seller shall have no obligation to reimburse Buyer for any amounts pursuant to this Section 10.8. If the actual repairs and returns for such twelve (12) month period exceeds the greater of $40,000 or the product of .008 times the gross sales of Seller for such period, then Buyer shall determine and advise Seller of the aggregate amount of such claims and returns and Seller shall promptly reimburse Buyer for the amounts thereof in excess of the Threshold Amount. Seller's obligation to reimburse Buyer for amounts pursuant to this Section 10.8 shall expire on June 30, 1998, except for claims, if any, asserted in writing prior to such date, which shall survive until finally resolved and satisfied in full.

11. Transfer and Sales Tax. Notwithstanding any provisions of law imposing the burden of such taxes on the Seller or the Buyer, as the case may be, the Seller shall be responsible for and shall pay (a) all sales, use and transfer taxes, and (b) all governmental charges, if any, upon the sale or transfer of any of the Assets hereunder. If the Seller shall fail to pay such amounts on a timely basis, the Buyer may pay such amounts to the appropriate governmental authority or authorities, and the Seller shall promptly reimburse the Buyer for any amounts so paid by the Buyer.

12. Brokers and Expenses. Except as otherwise provided in this Agreement, each party shall bear its own expenses incurred in connection herewith in the transactions contemplated hereby; provided, however, the parties agree that they will equally split the costs and expenses incurred in connection with the Accountant's preparation of the Audited Financial Statements. The Buyer acknowledges that it shall be responsible for fees owing to its investment banker, B.C. Capital Corp., in connection herewith. The Seller acknowledges that it shall be responsible for fees owing to its financial advisor, The Geneva Companies and affiliates, in connection herewith. Other than the foregoing, the parties hereto agree that no other person or entity is or will be entitled to any brokerage, finder's or similar fees in connection herewith.

13. Notices. Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or sent by facsimile, federal express, registered or certified mail, postage prepaid, addressed as follows or to such other address of which the parties may have given notice:

To the Seller: P.R. Hoffman Machine Products Corporation
1517 Commerce Avenue
Carlisle, Pennsylvania 17013
Attention: John R. Krieger
Fax: (717) 796-2132

With a copy to: McNees, Wallace & Nurick
100 Pine Street
P.O. Box 1166
Harrisburg, Pennsylvania 17108-1166
Attention: W. Jeffry Jamouneau, Esq.
Fax: (717) 237-5300

To the Buyer: Amtech Systems, Inc.
131 South Clark
Tempe, Arizona 85281
Attention: J. S. Whang
Fax: (602) 968-3763

With copies to: Squire, Sanders & Dempsey L.L.P.
40 North Central Avenue
Suite 2700
Phoenix, Arizona 85004
Attention: Christopher D. Johnson, Esq.
Fax: (602) 253-8129

Unless otherwise specified herein, such notices or other communications shall be deemed received (a) on the date delivered, if delivered personally or via facsimile (with machine confirmation); or (b) three business days after being

sent, if sent by registered or certified mail.

14. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Buyer and the Seller may not assign their respective obligations hereunder without the prior written consent of the other party; provided, however, that the Buyer may assign this Agreement, and its rights and obligations hereunder, to a wholly-owned subsidiary. Any assignment in contravention of this provision shall be void. No assignment shall release the Buyer from any obligation or liability under this Agreement. Buyer acknowledges that Seller is adopting a plan of complete liquidation and dissolution to be effective upon the Closing.

15. Entire Agreement; Amendments; Attachments

(a) This Agreement, all Schedules and Exhibits hereto, and all agreements and instruments to be delivered by the parties pursuant hereto represent the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersede all prior oral and written and all contemporaneous oral negotiations, commitments and understandings between such parties. The Buyer and the Seller, by the consent of their respective Boards of Directors, or officers authorized by such Boards, may amend or modify this Agreement, in such manner as may be agreed upon, by a written instrument executed by the Buyer and the Seller.

(b) If the provisions of any Schedule or Exhibit to this Agreement are inconsistent with the provisions of this Agreement, the provision of the Agreement shall prevail. The Exhibits and Schedules attached hereto or to be attached hereafter are hereby incorporated as integral parts of this Agreement.

16. Bulk Sales Laws. Except for the indemnity provided by Seller pursuant to Section 9, Buyer and Seller waive compliance with any applicable bulk sales laws.

17. Legal Fees. In the event that legal proceedings are commenced by the Buyer against the Seller, or by the Seller against the Buyer, in connection with this Agreement or the transactions contemplated hereby, the party or parties which do not prevail in such proceedings shall pay the reasonable attorneys' fees and other costs and expenses, including investigation costs, incurred by the prevailing party in such proceedings.

18. Governing Law and Venue. This Agreement shall be governed by and construed in accordance with Pennsylvania law. Notwithstanding the foregoing choice of law, the parties expressly agree that any controversy, dispute, litigation or claim arising out of the subject matter of this Agreement and the transactions contemplated hereby shall be brought or commenced only in a federal or state court located in Maricopa County, Arizona. The parties agree to be subject to the personal jurisdiction of the federal and/or state courts situated in Maricopa County, Arizona and agree that a claim of forum non-conveniens shall not be a defense to an action initiated in such venues.

19. Section Headings. The section headings are for the convenience of the parties and in no way alter, modify, amend, limit, or restrict the contractual obligations of the parties.

20. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

21. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be one and the same document.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of and on the date first above written.

(Corporate Seal) SELLER:

ATTEST: P.R. HOFFMAN MACHINE PRODUCTS CORPORATION

By:

- ---------- ----------

Secretary John R. Krieger
Its President

(Corporate Seal) BUYER:

ATTEST: AMTECH SYSTEMS, INC.

By: ________________________________

____

Secretary

J.S. Whang

Its President

STOCKHOLDER:

____

John R. Krieger

EMPLOYMENT AGREEMENT

BY THIS EMPLOYMENT AGREEMENT (the "Agreement") made and entered into this 1st day of July, 1997, AMTECH SYSTEMS, INC., an Arizona corporation ("Employer"), and JOHN R. KRIEGER ("Employee"), state, confirm and agree as follows:

I. RECITALS

1.1 Employer is engaged in the business of manufacturing and producing for profit equipment for the fabrication and handling of silicon semiconductor wafers ("Systems") and further improving technologies and intellectual properties having application to such business ("Employer's Business"). Employer's Business is conducted on a worldwide basis. All locations in which material portions of Employer's Business are, or may during the term of Employee's employment by Employer be, conducted are hereinafter collectively referred to as the "Market Area."

1.2 Employer has acquired the assets of P.R. Hoffman Machine Products Corporation (the "Assets"), a company wholly owned by Employee and previously engaged in a business complementary to Employer's Business ("PRH") pursuant to an Asset Purchase Agreement of even date herewith. Henceforth, the commercial application of the Assets shall be considered a part of "Employer's Business".

1.3 Employee has expertise in the business of manufacturing, marketing and distributing semiconductor equipment and related consumables used in the lapping and polishing of silicon semiconductor wafers and has knowledge of and personal relationships affecting the operations, business contacts, trade secrets, potential customers, marketing strategies and other confidential matters of critical significance to the commercial application of the Assets and to Employer's future prospects (the "Trade Secrets"). The aid or assistance by Employee to any competitor of Employer or direct competition of Employee respecting Employer's Business within the Market Area would materially and irreparably injure Employer.

1.4 Employer desires to hire Employee, and Employee desires to accept such employment, on the terms and conditions hereinafter set forth.

II. AGREEMENTS

2.1 Employment. Employer hereby employs Employee, and Employee hereby accepts such employment from Employer, on the terms and conditions set forth in this Agreement.

2.2 Term. This Agreement will commence upon July 1, 1997 and it will continue in effect for four (4) years from such date.

2.3 Renewal and Review. This Agreement shall be renewable for successive one (1) year periods at the mutual election of the Employee and the Employer. The Board of Directors of the Employer (the "Board") shall periodically, at least annually, review the salary established in Paragraph 2.6 hereof and may, in its discretion, increase such salary for any subsequent period in accordance with the Employee's contributions to the success of the Employer.

2.4 Duties. During the term of this Agreement, the Employee shall perform such services for Employer as shall from time to time be assigned to Employee by the Board and the President of Employer, and shall devote all of his time, attention, skill and energies to the business of the Employer and shall serve it faithfully, diligently and to the best of his ability. The parties agree that Employee shall have principal responsibility for the management, operation and marketing of the business previously conducted by PRH and exploitation of the Assets. Employee shall be principally situated at Carlisle, Pennsylvania, the site of the Assets, for at least the first two years of the term of this Agreement; provided that Employee may be required to travel extensively in furtherance of Employer's Business and Employee's duties hereunder. The parties intend that Employee will subsequently relocate to Employer's principal headquarters and transition to a central management role to be determined by the mutual consent of Employer and Employee. The parties agree that Employee may elect to change his residence and place of principal employment to within a reasonable distance of Employer's Tempe, Arizona office after completion of the first two years of the term of this Agreement.

2.5 Service as Board Member. If the Employee is elected or appointed as a member of the Board of Employer or any of its subsidiaries during all or any portion of the term of this Agreement, the Employee shall serve in such capacity without additional compensation.

2.6 Compensation. Employee will receive the following compensation for

his services during his term of employment:

(a) Subject to the immediately following sentences, a minimum gross base salary of $150,000 per year, which, after withholding and other required deductions, shall be paid in equal installments in accordance with the salary payment policies as may be established by Employer from time to time, but in no event shall such installments be less than monthly.

(b) Participate in any group benefit plan, medical plan and/or other benefit plans, either currently in effect or as may be established from time to time by the Board, for which Employee may be eligible to participate.

(c) Receive such other compensation as may from time to time be granted to Employee by the Board, in its discretion, including any bonuses if approved by the Board.

2.7 Expenses and Miscellaneous Benefits. Upon receipt of reasonably detailed receipts and other documentation as required for obtaining a tax deduction under the codes and regulations of applicable tax authorities and as may be requested by Employer, Employer will pay or reimburse Employee for all ordinary and necessary business expenses incurred or paid

by Employee in furtherance of Employer's business, all in accordance with Employer's policies and procedures of general application. Employee will be permitted to take three (3) weeks of vacation annually during his first ten (10) years of service with Employer, and four (4) weeks thereafter. Vacation during any partial year shall be prorated.

2.8 Termination.

(a) Death. In the event of the Employee's death during the term of this Agreement, this Agreement shall thereupon terminate and Employer shall pay to the Employee's beneficiary or estate, as that term is hereinafter defined, the pro rata portion of the Employee's salary which was earned but unpaid at the date of the Employee's death.

As used herein, the term "beneficiary or estate" means the person or persons designated by the Employee in the last written notice delivered to the Employer during his lifetime, or in the absence of such written notice, such person or persons designated by the Employee in his last will and testament specifically to receive Employee's benefits under the terms of this Agreement, or, in the absence of both written notice and such a designation, the Employee's estate. In the event that the Employee should during his lifetime designate a person or persons other than his wife as beneficiary or beneficiaries in such written notice, such notice to be valid must contain the signed consent of the Employee's spouse.

(b) Permanent Disability. In the event the Employee should become permanently disabled during the term of this Agreement, then this Agreement shall terminate. For the purposes hereof, "permanent disability" shall mean that disability resulting from injury, disease or other cause, whether mental or physical, which incapacitates the Employee from performing his normal duties as an employee, which appears to be permanent in nature and contemplates the continuous, necessary and substantially complete loss of all professional activities. The determination of "permanent disability" shall be made by a qualified physician licensed to practice medicine in the state of Arizona and acceptable to Employer.

(c) Temporary Disability. In the event the Employee should become disabled, and such disability is not permanent, as defined above, such disabled Employee shall be entitled to his salary for a period of one-hundred eighty (180) days. If such temporary disability continues longer than such one-hundred eighty (180) day period, then Employee shall be deemed to have become permanently disabled for the purposes of this Agreement at the end of said ninety (90) day period.

(d) Voluntary Withdrawal. The Employee may voluntarily terminate his employment hereunder by giving at least sixty (60) days prior written notice to the Board of his intention to withdraw. Such notice shall specify the end of a calendar month as the termination date.

(e) Dismissal. Employer may terminate Employee's employment under this Agreement at any time with or without cause (as defined in Section 2.9 hereof) by giving at least thirty (30) days written notice to the Employee at his address as listed on the Employer's records specifying the effective date of termination.

2.9 Termination for Cause. This Agreement may be terminated for cause by Employer. "Cause" shall mean (i) Employee's wilful, repeated or negligent failure to perform his duties hereunder and to comply with any reasonable or

proper direction given by or on behalf of the Company's Board of Directors and the continuation of such failure following twenty (20) days written notice to such effect, (ii) Employee being guilty of serious misconduct on the Company's premises or elsewhere, whether during the performance of his duties or not, which is reasonably likely to cause material damage to the reputation of the Company or render it materially more difficult for Employee to satisfactorily continue to perform his duties; (iii) Employee being found guilty in a criminal court of any offense of a nature which is reasonably likely to materially adversely affect the reputation of the Company or to materially prejudice its interests if Employee were to continue to be employed by the Company; (iv) Employee's commission of any act of fraud, theft or any intentional tort against the Company, or (v) Employee's violation of any of the material terms, covenants, representations or warranties contained in this Agreement and failure to correct such violation within twenty (20) days after written notice by the Company. Upon any termination under this Paragraph 2.9, Employee or Employee's estate, as the case may be, will be entitled to receive only that compensation due Employee through the date of termination.

2.10 Termination Other than for Cause. In the event that Employer terminates this Agreement without cause, Employee will receive $150,000 per annum, net of withholding and other deductions required by law, for the balance of the remaining contract, payable at Employer's election either in a lump sum or at the times such salary would have been payable were Employee to remain employed by Employer.

2.11 Noncompetition.

(a) Employee agrees that, except in accordance with his duties under this Agreement on behalf of Employer, he will not during the term of this Agreement:

(i) Participate in, be employed in any capacity by, serve as director, consultant, agent or representative for, or have any interest, directly or indirectly, in any enterprise which is engaged in the business of distributing, selling or otherwise trading in products or services which are competitive to any products or services distributed, sold or otherwise traded in by Employer or any of its subsidiaries during the term of the Employee's employment with Employer, or

which are competitive to any products or services being actively developed, with the bona fide intent to market same, by Employer or its subsidiaries during the term of the Employee's employment with Employer.

(ii) In addition, Employee agrees that for a period of seven and one-half (7.5) years after the date of this Agreement (unless Employer breaches this Agreement by failing to pay to the Employee all sums due him under the terms hereof, in which event the following provisions of this Section 2.11(a) shall be inapplicable), Employee shall observe the covenants set forth in this Section 2.11 and shall not own, either directly or indirectly or through or in conjunction with one or more members of his spouse's family or through any trust or other contractual arrangement, a greater than five percent (5%) interest in, or otherwise control either directly or indirectly, any partnership, corporation, or other entity which distributes, sells, or otherwise trades in products which are competitive to any products or services being developed, distributed, sold or otherwise traded in by Employer or its subsidiaries, during the term of this Agreement, or being actively developed by Employer or any of Employer's subsidiaries during the term of this Agreement with Employer with a bona fide intent to market same. Employee further agrees, for such five year period following termination, to refrain from directly or indirectly soliciting Employer's vendors, customers or employees, except that the Employee may solicit Employer's vendors or customers in connection with a business that does not compete directly or indirectly with that of Employer or its subsidiaries.

(b) Employee hereby agrees that damages and any other remedy available at law would be inadequate to redress or remedy any loss or damage suffered by Employer upon any breach of the terms of this Section 2.11 by Employee, and Employee therefore agrees that Employer, in addition to recovering on any claim for damages or obtaining any other remedy available at law, also may enforce the terms of the Section 2.11 by injunction or specific performance, and may obtain any other appropriate remedy available in equity.

2.12 Assignment of Patents. Employee shall disclose fully to Employer any and all discoveries and any and all ideas, concepts or inventions relating to Employer's Business which he shall conceive or make during his period of employment, or during the period of six months after his employment shall terminate, which are in whole or in part the result of his work with Employer.

Such disclosure is to be made promptly after each such discovery or conception, and each such discovery, idea, concept or invention will become and remain the property of Employer, whether or not patent applications are filed thereon. Upon request and at the expense of Employer, Employee shall make application through the patent solicitors of Employer for letters patent of the United States and any and all other countries at the discretion of Employer on such discoveries, ideas and inventions, and assign all such applications to Employer, or at its order, forthwith, without additional payment by Employer during his period of employment and for reasonable compensation for time actually spent by Employee at such work at the request of Employer after the termination of the employment. Employee shall give Employer, its attorneys and solicitors, all reasonable assistance in preparing and prosecuting such applications

and, on the request of Employer, execute all papers and do all things that may be reasonably necessary to protect the right of Employer and vest in it or its assigns the discoveries, ideas or inventions, applications and letters patent herein contemplated. Said cooperation shall also include all actions reasonably necessary to aid Employer in the defense of its rights in the event of litigation.

2.13 Trade Secrets.

(a) In the course of the term of this Agreement, it is anticipated that Employee shall have access to secret or confidential technical and commercial information, records, data, specifications, systems, methods, plans, designs, policies, inventions, material and other knowledge ("Confidential Material"), whether or not copyrighted, owned by Employer and its subsidiaries, including without limitation all such information and material relating to the Assets. Employee recognizes and acknowledges that included within the Confidential Material are Employer's confidential commercial information, technology, methods of manufacture, designs, and any computer programs, source codes, object codes, executable codes and related materials, including without limitation customer lists and all such information and material relating to the Assets, all as they may exist from time to time, and that they are valuable, special and unique aspects of Employer's Business. All such Confidential Material shall be and remain the property of the Company. Except as required by his duties to the Company, Employee shall not, directly or indirectly, either during the term of his employment or at any time thereafter, disclose or disseminate to anyone or make use of, for any purpose whatsoever, any Confidential Material. Upon termination of his employment, Employee shall promptly deliver to the Company all Confidential Material (including all copies thereof, whether prepared by Employee or others) which are in the possession or under the control of Employee. Employee shall not be deemed to have breached this Section 2.13 if (i) Employee shall be specifically compelled by lawful order of any judicial, legislative, or administrative authority or body to disclose any Confidential Material or else face civil or criminal penalty or sanction, or (ii) Employee can demonstrate by clear and convincing evidence that the Confidential Material is or became publicly and openly known and in the public domain through no fault of the Employee.

(b) Employee hereby agrees that damages and any other remedy available at law would be inadequate to redress or remedy any loss or damage suffered by Employer upon any breach of the terms of this Section 2.13 by Employee, and Employee therefore agrees that Employer, in addition to recovering on any claim for damages or obtaining any other remedy available at law, also may enforce the terms of this Section 2.13 by injunction or specific performance, and may obtain any other appropriate remedy available in equity.

2.14 Representations and Warranties. The Employee hereby represents and warrants that the execution of this Agreement and the discharge of his obligations hereunder will not breach or conflict with any other contracts, agreements, covenants or understandings, either oral or written, between the Employee and any other party or parties.

2.15 Assignment. This Agreement and the rights, interests and benefits shall not be assigned, transferred, pledged or hypothecated in any way and shall not be subject to execution, attachment or similar process. Any attempt to assign, transfer, pledge or hypothecate or make any other disposition of this Agreement or of such rights, interests and benefits contrary to the foregoing provision or the levy of any attachment or similar process thereupon, shall be null and void and without effect and shall relieve the Employer and Employee of any and all liability hereunder; provided, however, that the obligations set forth in Sections 2.11, 2.12 and 2.13 of this Agreement shall survive any termination of this Agreement.

2.16 Attorneys' Fees. In the event either party hereto institutes an action or other proceeding to enforce any rights arising under this Agreement, the party prevailing in such action or other proceeding shall be paid all reasonable costs and attorneys' fees by the other party, such fees to be set by court and not by the jury.

2.17 Notices. Any notice or communication to be given under the terms of this Agreement ("Notice") shall be in writing and delivered in person or deposited, certified or registered, in the United States mail, postage prepaid, addressed as follows:

If to Employer: Amtech Systems, Inc.
131 S. Clark Drive
Tempe, Arizona 85181
Attn: J.S. Whang

If to Employee: John R. Krieger
4 Hall Drive
Dillsburg, Pennsylvania 17019

or at such other address as either party may from time to time designate by Notice hereunder. Notices shall be effective upon delivery in person, or if mailed at midnight on the third business day after the date of mailing.

2.18 Entire Agreement. This Agreement constitutes and embodies the full and complete understanding and agreement of the parties hereto and supersedes all prior understandings or agreements whether oral or in writing.

2.19 Modifications and Amendments. This Agreement shall not be altered or amended except by a written agreement signed by the parties hereto.

2.20 Benefit and Binding Effect. Except as herein otherwise expressly provided, this Agreement shall be binding upon and inure to the benefit of the Employer and its successors and assigns, including any corporation, person or other entity which may acquire all or substantially all of the assets of the business of Employer or any other corporation with or into which Employer is consolidated or merged, and the Employee and his heirs, executors, administrators and legal representatives; provided, however, that the obligations of Employee hereunder may not be delegated or assigned.

2.21 Governing Law. This Agreement shall be governed by and construed in accordance with Pennsylvania law, without reference to conflict of laws principles. Notwithstanding the foregoing choice of law, the parties expressly agree that any controversy, dispute, litigation or claim arising out of the subject matter of this Agreement shall be brought or commenced only in a federal or state court located in Maricopa County, Arizona. The parties agree to be subject to the personal jurisdiction of the federal and/or state courts situated in Maricopa County, Arizona, and agree that a claim of forum non-conveniens shall not be a defense to an action initiated in such venues.

2.22 Headings; Interpretation; Gender. The paragraph headings used herein are for convenience and reference only and are not intended to define, limit or describe the scope or intent of any provision of this Agreement. When used in this Agreement, the term "including" shall mean without limitation by reason of enumeration. Words used herein in the singular shall include the plural and words used herein in the masculine gender shall include the feminine in all cases where such would apply.

2.23 Waiver. The failure of either party to insist, in any one or more instances, upon strict performance of any of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition, but the obligations of either party with respect thereto shall continue in full force and effect.

2.24 Severability. In the event that any portion of this Agreement may be held to be invalid or unenforceable for any reason whatsoever, it is agreed that said invalidity or unenforceability shall not affect the other portions of this Agreement and that the remaining covenants, terms and conditions, or portions thereof, shall remain in full force and effect, and any court of competent jurisdiction may so modify the objectionable provisions as to make it valid, reasonable and enforceable.

2.25 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed a duplicate original.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 1st day of July, 1997.

AMTECH SYSTEMS, INC.,
an Arizona corporation

By: ---

Its: ---

EMPLOYER

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of July 1, 1997, between AMTECH SYSTEMS, INC., an Arizona corporation (the "Buyer"), and P.R. HOFFMAN MACHINE PRODUCTS CORPORATION, a Delaware corporation (the "Seller"). All capitalized terms used in this Agreement and not defined herein shall have the respective meanings ascribed to them in the Asset Purchase Agreement of even date herewith between the Seller, John R. Krieger, and the Buyer (the "Asset Purchase Agreement").

WHEREAS, pursuant to the Asset Purchase Agreement, the Seller has agreed to sell, transfer, convey, assign and deliver to the Buyer substantially all of the assets and business of the Seller;

WHEREAS, in partial consideration therefor, the Asset Purchase Agreement requires the Buyer to grant to the Seller piggyback registration rights with respect to certain of the shares of Common Stock to be issued to the Seller pursuant to Sections 1.3(b) and (c) of the Asset Purchase Agreement.

1. Defined Terms. As used herein, the following capitalized defined terms shall have the following meanings:

"Commission" shall mean the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

"Common Stock" shall mean the Common Stock, $.01 par value, of the Buyer, as constituted as of the date of this Agreement.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations of the SEC promulgated thereunder.

"Person" shall mean in individual, partnership, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"Piggyback Registration" shall mean a registration under the Securities Act effected pursuant to Section 2 hereof.

"Prospectus" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"Register," "Registered" and "Registration" refer to a registration effected by preparing and filing a Registration Statement in compliance with the Securities Act and the declaration or ordering by the SEC of the effectiveness of such Registration Statement.

"Registrable Securities" shall mean the shares of Common Stock issued to Seller pursuant to Sections 1.3(b) and 1.3(c) of the Asset Purchase Agreement, excluding the Registered Shares, and any shares of Common Stock received by the Seller by way of sub-division of the outstanding shares (by reclassification, stock split or otherwise); provided, however, that any such securities shall cease to be Registrable Securities when they have been Registered under a Piggyback Registration.

"Registration Expenses" shall mean any and all expenses incident to performance of or compliance by the Buyer with this Agreement, including but not limited to (i) all SEC, stock exchange or National Association of Securities Dealers, Inc. registration and filing fees, (ii) all fees and expenses incurred in connection with compliance with state securities or blue sky laws, (iii) all expenses and disbursements of any Persons in preparing or assisting in preparing, word processing, duplicating, printing, distribution, messengering and delivering any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements and other documents relating to the performance of and compliance with this Agreement, (iv) the reasonable fees and disbursements of counsel for the Buyer, and (v) the fees and disbursements of the independent public accountants of the Buyer, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, and transfer taxes, but excluding underwriting discounts and commissions, if any, relating to the sale or disposition of Registrable Securities by the Seller.

"Registration Rights Expiration Date" shall mean the earlier of (i) such time as the Seller may sell, without violation of any provision of the Securities Act, the Exchange Act or any SEC rule or regulation, under Rule 144(k) within a three-month period all Registrable Securities held by the Seller, or (ii) such time as all such Registrable Securities issued have been eligible for a Piggyback Registration and the Seller either has included said shares or declined to include them in a Piggyback Registration.

"Registration Statements" shall mean a registration statement of the

Buyer pursuant to the provisions of Section 2 hereof, and all amendments and supplements to such registration statement, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended from time to time, and the rules and regulations of the SEC promulgated thereunder.

"Seller" shall mean P.R. Hoffman Machine Products Corporation or John R. Krieger, as the case may be, including any transfer of the Registrable Securities by P.R. Hoffman Machine Products Corporation to John R. Krieger following the date of this Agreement.

2. Piggyback Registration.

(a) Notice of Piggyback Registration and Inclusion of Registrable Securities. If the Buyer at any time after the date of this Agreement proposes to register any of its Common Stock (other than pursuant to a registration statement on Form S-4 or Form S-8, or any successor form), whether or not for sale for its own account, and the registration form to be used may be used for the registration of the Registrable Securities, the Buyer will (i) promptly give the Holder written notice thereof, and (ii) include in such registration (and in any related qualification under blue sky or other state securities laws), and in any underwriting involved therein, all the Registrable Securities specified in a written request delivered to the Buyer by the Seller within 20 calendar days after delivery of such written notice from the Buyer, provided that the Seller has requested such Piggyback Registration with respect to any of the Registrable Securities held by the Seller at such time; provided, however, that if Seller declines to include any of the Registrable Securities held by it at that time, such shares shall no longer be eligible for inclusion in any future Piggyback Registration. If the Piggyback Registration is an underwritten offering, and the underwriter or the Buyer, based upon the advice of its underwriter(s), in good faith requests in writing, due to market conditions, that the number of securities covered by the Registration be reduced, the Buyer may reduce the number of Registrable Securities to be included in the Piggyback Registration pro rata with the reduction of shares of Common Stock included with respect to other participants in the Registration other than the Buyer. Seller may not, by virtue solely of the rights granted to it in this Agreement, participate in a Piggyback Registration after the Registration Rights Expiration Date.

(b) Expenses. The Buyer shall pay all Registration Expenses in connection with each Piggyback Registration pursuant to this Section 2.

(c) Exercise of Registration Rights. The Seller may not exercise the rights granted hereunder with respect to any of the Registrable Securities for a period of two years from the date of issuance of such Registrable Securities.

3. Registration Procedures.

In connection with the registration of any Registrable Securities under this Agreement, the Buyer shall effect such Registrations pursuant to the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto shall:

(a) prepare and file with the SEC a Registration Statement which shall comply as to form in all material respects with the requirements of the applicable form under the Securities Act and include all financial statements required by the SEC to be filed therewith,and use its best efforts to cause such Registration Statement to become effective and remain effective for six months, provided, however, that such six-month period shall be extended for a period of time equal to the longest period during which the Seller refrains from selling any securities included in such Registration at the request of the underwriter, if any, of such Registration;

(b) during such period prepare and file with the SEC such amendments and supplements to such Registration Statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement;

(c) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement at the earliest practicable time and provide immediate notice to the Seller of the withdrawal of any such order;

(d) use its best efforts to register and qualify the securities covered by such Registration Statement under such securities or blue sky laws and regulations of such jurisdiction as shall be necessary or appropriate for the distribution of the securities covered by the Registration Statement, provided that the Buyer shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) furnish to the Seller such number of prospectuses and other documents incident thereto the Seller from time to time may reasonable request;

(f) notify the Seller at any time when a Prospectus relating to a Registration Statement is required to be delivered under the Securities Act of the happening of any event as a result of which the Prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or incomplete in light of the circumstances then existing, and at the request of any such seller, prepare and furnish to such seller a reasonable number of copies of a supplement to or an amendment of such Prospectus as may be necessary so that, as thereafter delivered to the purchasers of such shares, such Prospectus shall not include an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or incomplete in the light of the circumstances then existing; and

(g) cause all such Registrable Securities registered pursuant to this Agreement to be listed on each securities exchange on which the same class of securities issued by the Buyer are then listed.

4. Indemnification; Contribution.

(a) The Buyer agrees to indemnify and hold harmless the Seller, the directors, officers, employees, subsidiaries and agents of each such Holder and each Person who controls the Seller within the meaning of the Securities Act or the Exchange Act (a "Controlling Person"), from and against any and all losses, claims, damages, liabilities and expenses (including, without limiting the foregoing but subject to Section 4(c) hereof, the legal and other expenses incurred in connection with any action, suit or proceeding or any claim asserted) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus (as amended or supplemented if the Buyer shall have furnished any amendments or supplements thereto), or arising out of or based upon

any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the Buyer shall not be liable in any such case to the Seller to the extent that such losses, claims, damages, liabilities or expenses arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission made in reliance upon and conformity with information specifically relating to the Seller, furnished in writing to the Buyer by the Seller expressly for use in such Registration Statement or Prospectus.

(b) The Seller agrees to indemnify and hold harmless the Buyer, the directors, officers, employees, subsidiaries and agents of the Buyer and each Controlling Person, from and against any and all losses, claims, damages, liabilities and expenses (including, without limiting the foregoing but subject to Section 4(c) hereof, the legal and other expenses incurred in connection with any action, suit or proceeding or any claim asserted) arising out of or based upon any untrue statement made in such Registration Statement or Prospectus in reliance upon or in conformity with information relating specifically to such Holder which was furnished in writing to the Buyer by such Holder expressly for use in such Registration Statement or Prospectus, provided that such Holder shall not be liable in any such case to the extent that such losses, claims, damages, liabilities or expenses arise out of or are based upon any such untrue statement or omission or alleged untrue statement or omission for which such Holder is entitled to indemnification under Section 4(a) hereof.

(c) In case any action or proceeding (including any governmental or regulatory investigation or proceeding) shall be brought against any party indemnified under either of paragraphs (a) or (b) above (an "Indemnified Party"), based upon the Registration Statement or any Prospectus, or any amendment or supplement thereto, and with respect to which indemnity may be sought against the party to provide such indemnification (the "Indemnifying Party"), the Indemnified Party shall promptly notify the Indemnifying Party in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and payment of all reasonable fees and expenses relating thereto. The Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the defense thereof, but the fees and expenses of such counsel shall be at the Indemnified Party's expense unless (i) the employment of such counsel has been specifically authorized in writing by the Indemnifying Party, (ii) the Indemnifying Party has not assumed the defense and employed counsel reasonably satisfactory to such Indemnified Party within 15 days after notice of any such action or proceeding, or (iii) the named parties to any such action or proceeding (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party and such Indemnified Party shall have been advised by such counsel that there may be one or more legal defenses available to the Indemnifying Party that are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to assume the defense of such action or proceeding on behalf of such Indemnified Party, it being understood, however,

that the Indemnifying Party shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to all local counsel which is necessary, in the good faith opinion of counsel for the Indemnified Party in order to adequately represent the Indemnified Party) for the Indemnified Party, which firm shall be

designated in writing by the Indemnified Party and that all such fees and expenses shall be reimbursed as they are incurred upon written request and presentation of invoices). The Indemnifying Party shall not be liable for any settlement of any such action effected without the written consent of the Indemnifying Party, which cannot be unreasonably withheld, but if settled with the written consent of the Indemnifying Party or if there is a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify and hold harmless such Indemnified Party from and against any loss or liability by reason of such settlement or judgment. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which such Indemnified Party is a party and indemnity has been sought hereunder by such Indemnified Party unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding to which it is entitled to be indemnified, and may not settle matters as to which the Indemnified Party is not entitled to indemnification.

(d) If the indemnification provided for in this Section 4 is unavailable to an Indemnified Party under paragraph (a) or (b) hereof (other than by reason of the exceptions provided therein) in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable to such Indemnified Party as a result of such losses, claims, damages, liabilities and expenses in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and the Indemnified Party on the other hand in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party on the one hand and the Indemnified Party on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact related to information supplied by the Indemnifying Party on the one hand or by the Indemnified Party on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The Buyer and the Seller agree that it would not be just and equitable if contribution pursuant to this Section 4 were determined by a pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in paragraph (d) above which shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating any claim or defendant in any such action, suit or proceeding. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(f) The provisions of this Section 4 will remain in full force and effect, regardless of any investigation made by or on behalf of any Indemnified Party or any of the officers, directors, employees, agents or Controlling Persons of such Indemnified Party, and will survive the sale by the Seller of Registrable Securities.

5. Miscellaneous.

(a) Amendment; Waivers. This Agreement may not be changed orally, but (subject to the provisions of this Section 5(a)) only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought. Any term, covenant, agreement or condition of this Agreement may be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), if the Buyer shall have obtained the consent in writing of the Seller. The Buyer shall promptly send copies of any request for consent, amendment or waiver (and any request for any such amendment, consent or waiver) relating to this Agreement to the Seller.

(b) Notices. All communications provided for hereunder shall be in writing and sent by telecopy, certified or registered first class mail or nationwide overnight delivery service (with charges prepaid), addressed to the Seller at the registered address of the Seller as set forth in the register kept by the Buyer at its principal office, and if to the Buyer, at its principal executive offices specified in its most recent report filed with the SEC pursuant to the Exchange Act or to such other address for purposes hereof as the Buyer may have designated in writing to the Seller (such notice being effective on receipt).

(c) Rules 144 and 144A. The Buyer covenants that it will file

the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder (or, if the Buyer is not required to file such reports, the Buyer shall (i) upon the request of the Seller of Registrable Securities make publicly available such information as is necessary to enable the Seller to sell Registrable Securities pursuant to Rule 144 or (ii) deliver such information to a prospective purchaser as is necessary to enable the Seller to sell Registrable Securities pursuant to Rule 144A).

(d) Successors and Assigns. All covenants and agreements in this Agreement shall bind and inure to the benefit of the respective successors, heirs, personal representatives and assigns of the parties hereto (including, without limitation, any transferee of the Seller) whether so expressed or not.

(e) Counterparts. This Agreement and any amendments, waivers, consents, or supplements hereto or hereunder may be executed in any number of counterparts, and by different parties hereto or thereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. This Agreement shall become effective upon the execution and delivery of a counterpart hereof by each of the parties hereto.

(f) Descriptive Headings. Descriptive headings of sections of this Agreement are for convenience of reference only and do not constitute a part of this Agreement.

(g) Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the State of Arizona, without regard to principles of conflicts of law.

(h) Independence of Covenants. All covenants hereunder shall be given independent effect.

(i) Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(j) Satisfaction Requirement. If any agreement, certificate or other writing, or any action taken or to be taken, is by the terms of this Agreement required to be satisfactory to any party, the determination by such party of such satisfaction shall be made by such party in its own independent judgment exercised in good faith.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the date first written above.

AMTECH SYSTEMS, INC.

By: ----------

Name: ----------

Title: ----------

P.R. HOFFMAN MACHINE PRODUCTS CORPORATION

By: ----------

Name: ----------

Title: ----------

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT, dated as of July 1, 1997 is made by and between JOHN R. KRIEGER, an adult individual, as sublessor ("Krieger") and P. R. HOFFMAN MACHINE PRODUCTS, INC., an Arizona corporation, as sublessee ("Hoffman").

W I T N E S S E T H:

WHEREAS, by Lease Agreement dated as of July 12, 1994 (the "Lease Agreement"), by and between PRH Properties, a Pennsylvania general partnership, as landlord (the "Partnership"), and P.R. Hoffman Machine Products Corporation, a Delaware corporation, as tenant (the "Company"), the Company leased from the Partnership that certain real property containing approximately 2.35 acres, together with all improvements located thereon and appurtenances thereunto belonging, located on Commerce Drive, South Middleton Township, Cumberland County, Pennsylvania (the "Premises"); and

WHEREAS, Paragraph 21 of the Lease Agreement provides that the Company shall not have the right to assign or sublet the Premises without the written consent of the Partnership, which consent shall not be unreasonably withheld; and

WHEREAS, pursuant to a certain Assignment and Assumption Agreement dated as of July 1, 1997 (the "Assignment Agreement"), the Company assigned to Krieger, and Krieger accepted and assumed from the Company, all of the Company's rights, obligations, title and interest in, to and under the Lease Agreement; and

WHEREAS, Krieger desires to sublease the Premises to Hoffman, and Hoffman desires to sublease the Premises from Krieger; and

WHEREAS, the consent of the Partnership to the Assignment Agreement has been obtained by the Company; and

WHEREAS, the consent of the Partnership to this Sublease Agreement has been obtained by Krieger.

NOW, THEREFORE, in consideration of the premises, the mutual terms, covenants and conditions herein contained, and the rent reserved to be paid by Hoffman to Krieger, the parties hereto, intending to be legally bound, do hereby agree and covenant as follows:

1. Sublease of the Premises. Krieger hereby subleases to Hoffman, and Hoffman hereby subleases from Krieger, the Premises.

2. Term. This Sublease Agreement shall be for an initial term of two (2) years beginning July 1, 1997 (the "Commencement Date"), and ending June 30, 1999, unless sooner terminated in accordance with the terms of this Sublease Agreement. Hoffman shall have the right and option to renew the term for two (2) successive, additional periods of one (1) year each; provided, however, that Hoffman shall have no right or option to renew the term of this Sublease if an Event of Default (as defined herein) has occurred under this Sublease upon the date of giving of the notice to renew or at any time thereafter through and including the expiration date of the then-existing term of this Sublease. Hoffman shall exercise its right to renew the term only by providing Krieger with written notice thereof at least ninety days (90) days prior to the expiration of the then-existing term. The maximum term of this Sublease and all renewal terms is four (4) years from the Commencement Date.

3. Rent.

(a) Commencing on the Commencement Date, Hoffman shall pay to Krieger during the term of this Sublease Agreement, as annual minimum rental, the sum of One Hundred Twenty-Six Thousand Nine Hundred Dollars ($126,900), payable in equal monthly installments of Ten Thousand Five Hundred Seventy-Five Dollars ($10,575).

(b) At the expiration of every anniversary date following the Commencement Date during the term of this Sublease (each a "Sublease Year"), the minimum rent shall be adjusted by the index known as the U.S. City Average Consumer Price Index for Urban Wage Earners and Clerical Workers (revised series; 1982-84=100) issued from time to time by the Federal Bureau of Labor Statistics, or any successor agency that shall issue the index, or any other measure hereafter employed by the Federal Bureau of Labor Statistics or any successor agency in lieu of such index (the "CPI"). The CPI adjustment to the minimum rent shall be exactly equal to the change in the cost of living as determined by the CPI; provided, however, that in no event shall the CPI adjustment to the minimum rent exceed five percent (5%) for any Sublease Year. To compute such CPI adjustment, the prevailing CPI will be used. Each such

CPI adjustment shall be accomplished by multiplying the minimum rent established for the Sublease Year terminating just prior to each date of adjustment aforesaid by a fraction, the numerator of which shall be the most recently published CPI prior to the current date of adjustment in question, and the denominator of which shall be the CPI published closest to, and used as the numerator in calculations under this Subparagraph 3(b) for, the date of adjustment occurring just prior to the current date of adjustment (but in no event shall the minimum rent be reduced as a result of such adjustment below the minimum rent payable immediately prior thereto), and the increased minimum rent resulting from the CPI adjustment to minimum rent thereby established shall continue in effect as a minimum rent until again adjusted as herein provided.

(c) All rent shall be payable in advance, punctually and without demand, deduction or set off, payable on the first day of each month during the term of this Sublease at such place as Krieger may designate in writing. If Hoffman fails to make any rental or other payment within ten (10) days of the date it is due hereunder, a late charge equal to five percent (5%) of the amount of the payment due shall be assessed and shall be immediately due and collectible as additional rent hereunder.

4. Utilities, Taxes, Insurance. Hoffman shall pay for all utility services, including without limitation intended, electricity, water, sewer, and telephone services, consumed by Hoffman on the Premises. In addition, Hoffman shall immediately, upon demand by Krieger, reimburse Krieger for any and all payments required to be made by Krieger under the Lease Agreement (other than late fees or penalties), including, without limitation intended, payments for taxes or insurance for the Premises. Krieger agrees, subject to reimbursement as provided above, to maintain all insurance required under the Lease Agreement during the term of this Sublease Agreement.

5. Compliance with Terms and Conditions of the Lease Agreement. Except as otherwise provided in this Sublease Agreement, the parties hereto shall be subject to all of the terms and conditions of the Lease Agreement, and Hoffman agrees to comply with each and every provision of the Lease Agreement and to perform all the covenants applicable to Krieger contained therein, including, without limitation intended, the maintenance obligations set forth in Paragraphs 10 and 11 of the Lease Agreement. Hoffman acknowledges receipt of a copy of the Lease Agreement, which is attached hereto as Exhibit "A" and made a part hereof.

6. Compliance with Law, Condition of the Premises. Hoffman shall comply with all laws, ordinances and regulations concerning the Premises (and any fixtures, machinery or equipment therein) and Hoffman's use of the Premises. Hoffman has examined and knows the condition of the Premises and equipment, and acknowledges that no representations as to the condition and repair thereof have been made by Krieger or its agents prior to or at the execution of this Sublease Agreement that are not herein expressed, and accepts the Premises and equipment in an "as is" condition without warranty as to suitability for any particular use.

7. Default by Hoffman.

(a) If Hoffman shall default in making any payment of rent or other sums required to be paid by Hoffman in accordance with the terms of this Sublease, or shall default in the observance or performance of any other provision of this Sublease, and such default shall continue uncured for a period of ten (10) days with respect to a monetary default or thirty (30) days with respect to a non-monetary default, an Event of Default shall have occurred; provided however, that if the nature of Hoffman's default is such that it is not capable of being cured within such thirty day period, the Event of Default shall not be deemed to have occurred if Hoffman commences such cure within a thirty day period and thereafter diligently prosecutes such cure to completion, as determined by Krieger in Krieger's sole and reasonable discretion.

(b) If an Event of Default has occurred, Krieger may declare this Sublease Agreement and Hoffman's right to possession of the Premises ended, whereupon Krieger shall have all such remedies as the Partnership has upon an Event of Default under the Lease Agreement, together with any other rights or remedies available at law or equity.

8. Default by Krieger.

(a) In the event Krieger shall default in keeping, observing or performing any of the terms, provisions, covenants and conditions contained in the Lease Agreement, and such default is not cured (or proper corrective measures to cure such default commenced) by Krieger within the period specified in the Lease Agreement for the curing of such defaults, Hoffman shall have the right, but not the obligation, to remedy such default after giving written notice thereof to Krieger. Krieger agrees to promptly send to Hoffman a copy of any notice of default received from the Partnership.

(b) In the event Krieger shall default in keeping, observing

or performing any of the terms, provisions, covenants and conditions contained in this Sublease Agreement, and such default is not cured (or proper corrective measures to cure such default commenced) by Krieger within ten (10) days of such default, Hoffman, at any time thereafter upon ten (10) days' written notice to Krieger, may declare this Sublease Agreement ended, whereupon Hoffman shall have the remedies provided at law or in equity.

9. Casualty. In the event of a casualty which would give Krieger the right to terminate the Lease Agreement, as determined by Krieger in its sole discretion, either Krieger or Hoffman may terminate this Sublease Agreement upon thirty (30) days' written notice to the other party.

10. Surrender of the Premises, Holding Over, Notice to Quit.

(a) Upon the expiration or earlier termination of this Sublease for any reason, Hoffman shall surrender the Premises to Krieger in as good condition as existed on the Commencement Date, ordinary wear and tear excepted.

(b) If Hoffman, with Krieger's consent, remains in possession of the Premises after expiration or termination of the term, or after the date in any notice given by Krieger to Hoffman terminating this Sublease, such possession by Hoffman shall be deemed to be a month-to-month tenancy terminable on thirty (30) days' notice given at any time by either party. All provisions of this Sublease except those pertaining to term, shall apply to the month-to-month tenancy.

(c) Time is of the essence of each provision of this Sublease. Hoffman hereby waives the Notice to Quit requirements of the Pennsylvania Landlord and Tenant Act of 1951, as amended, 68 P.S. ss.250.101 et seq., or any other applicable law, and agrees to surrender the Premises without the need for notice at the expiration of the term, including any renewal or extension thereof, or upon sooner termination of this Sublease.

11. Assignment and Subletting. Hoffman shall not assign or sublet the Premises or any part thereof without the written consent of Krieger, which consent may be withheld in Krieger's sole discretion.

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered by hand or by certified or registered mail, return receipt requested, first-class postage prepaid, properly addressed to the party to whom such notice is directed, at the address hereinafter specified, or at such other address as the party receiving notice designates to the other party in writing and by complying with the terms of this paragraph.

If to Krieger:

John R. Krieger
4 Hall Drive
Dillsburg, PA 17019

with a copy to:

McNees, Wallace & Nurick
100 Pine Street
Post Office Box 1166
Harrisburg, Pennsylvania 17108
Att'n: W. Jeffry Jamouneau, Esquire

If to Hoffman:

Amtech Systems, Inc.
131 South Clark Drive
Tempe, AZ 85281
Att'n: J.S. Whang, President

with a copy to:

Squire, Sanders & Dempsey
40 N. Central Avenue
Suite 2700
Phoenix, AZ 85004
Att'n: Christopher D. Johnson, Esquire

13. Toxic Materials.

(a) As used in this Sublease,

(i) The term "Hazardous Material[s]" means any oil, flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials including, without limitation, any substances that pose a

hazard to the Premises or to persons on or about the Premises and any substances defined as or included in the definition of "hazardous substance," "hazardous waste," "hazardous material," "toxic substance," "extremely hazardous waste," "restricted hazardous waste" or words of similar import, now

or subsequently regulated in any way under applicable federal, state or local laws or regulations, including without limitation, petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCB's, urea formaldehyde foam insulation, transformers or other equipment containing dielectric fluid, levels of polychlorinated biphenyls, or radon gas, and similar compounds, and including any different products and materials which are subsequently found have adverse effects on the environment or the health and safety of persons.

(ii) The term "Environmental Law[s]" means any one or all of the following: the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. ss.ss. 9601 et seq.); the Resource Conservation and Recovery Act as amended (42 U.S.C. ss.ss. 300f et seq); the Clean Water Act as amended (33 U.S.C. ss.ss. 1251 et seq.); the Clean Air Act as amended (42 U.S.C. ss.ss. 7401 et seq.) the Toxic Substance Control Act as amended (15 U.S.C. ss.ss. 136 et seq.) the Solid Waste Disposal Act as Amended (42 U.S.C. ss.ss. 3251 et seq.) the Hazardous Materials Transportation Act (49 U.S.C. ss.ss. 1801 et seq.); the regulations promulgated under any of the foregoing: and all other laws, regulations, ordinances, standards, policies, and guidelines now in effect or hereinafter enacted by any governmental entity (whether local, state or federal) having jurisdiction or regulatory authority over the Premises or over activities conducted therein and which deal with the regulation or protection of human health, industrial hygiene or the environment, including the soil, subsurface soil, ambient air, groundwater, surface water, and land use.

(iii) The term "Environmental Activity[ies]" means any generation, manufacture, production, pumping,, bringing upon, use, storage, treatment, release, discharge, escaping, emitting, leaching, disposal or transportation of Hazardous Materials.

(b) Hoffman shall protect, indemnify, defend (with counsel satisfactory to Krieger) and hold harmless Krieger, his heirs, representatives, employees, agents, lenders, and ground lessees, if any, and their respective successors and assigns for, from and against any and all losses, damages, claims, costs, expenses, penalties, response costs, fines and liabilities of any kind (including, without limitation, the cost of any investigation, remediation and cleanup, and reasonable attorneys' fees) which are determined to be attributable to (i) any Environmental Activity on the Premises undertaken or committed by Hoffman or Hoffman's agents or caused by the negligence of such persons during the Term of this Sublease. This indemnity shall survive the termination of this Sublease. Hoffman shall have no liability or obligation arising out of any violation of any Environmental Law or contamination or pollution of, or from, the Premises caused by (i) conduct or conditions occurring prior to, or after, Hoffman's occupancy of the Premises or (ii) Krieger's or Krieger's agents use of, or acts or omissions on, the Premises.

(c) Krieger shall protect, indemnify, defend (with counsel satisfactory to Hoffman) and hold harmless Hoffman and its directors, officers, partners, employees, agents, lenders, and ground lessees, if any, and their respective successor and assigns for, from and against any and all losses, damages, claims, costs, expenses, penalties, response costs, fines and liabilities of any kind (including, without limitation, the cost of any investigation, remediation and cleanup, and reasonable attorneys' fees) which are determined to be attributable to (i) any Environmental Activity on the Premises undertaken or committed by Hoffman or Hoffman's agents or caused by the negligence of such persons at any time prior to, during or after the Term of this Sublease. The indemnity shall survive the termination of this Sublease. Krieger shall have no liability or obligation arising out of any violation of any Environmental Law or contamination or pollution of, or from, the Premises caused by (i) conduct or conditions occurring during Hoffman's occupancy of the Premises, or (ii) Hoffman's or Hoffman's agents use of, or acts or omissions on, the Premises.

14. Krieger's Representations and Warranties. Krieger represents, warrants and covenants to and with Hoffman that Krieger has the full right and power to execute and perform this Sublease and to grant the estate defined

herein and Hoffman, on payment of the rent and performance of the covenants and agreements hereof, shall peaceably and quietly have, hold and enjoy the Premises and all rights, easements, appurtenances and privileges belonging or in any way appertaining thereto without molestation or hindrance of any person claiming by, through or under Krieger, subject, however, to the terms of this Sublease.

15. Miscellaneous.

(a) This Sublease Agreement constitutes the entire agreement between the parties hereto as to the sublease of the Premises and supersedes all prior discussions, understandings or agreements between the parties hereto. No modification, amendment, change or addition to this Sublease Agreement shall be binding on the parties unless reduced to writing and signed by their authorized representatives.

(b) Except as herein otherwise specified, this Sublease Agreement shall legally benefit and bind the parties hereto and their respective successors and assigns. Hoffman may not record this Sublease Agreement without the prior written consent of Krieger.

(c) This Sublease Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to choice-of-law provisions, and jurisdiction and venue for all disputes hereunder shall lie only in the Court of Common Pleas for Cumberland County, Pennsylvania and/or in the United States District Court for the Middle District of Pennsylvania.

(d) If any term or provision or portion thereof of this Sublease Agreement, or application thereof to any person or circumstance, be held invalid, the remainder of said term or provision and/or of this Sublease Agreement shall not be affected thereby; and, to this end, the parties hereto agree that the terms and provisions of this Sublease Agreement are severable.

(e) This Sublease Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Sublease Agreement to be duly executed by their duly authorized representatives.

ATTEST:

Krieger:
JOHN R. KRIEGER

- ----------

John R. Krieger

ATTEST:

Hoffman:
P.R. HOFFMAN MACHINE PRODUCTS, INC.,
an Arizona corporation

By

- ----------

J.S. Whang, its President

EXHIBIT "A"

[LEASE AGREEMENT]

[GRAPHIC OMITTED]

Amtech Systems, Inc. Acquires Manufacturer

Tempe, AZ -- July 2, 1997 -- AMTECH SYSTEMS, INC. (NASDAQ:ASYS) ("Amtech") today announced that it has acquired substantially all of the assets, and assumed certain of the related liabilities (the "Acquisition"), of P.R. Hoffman Machine Products Corporation ("P.R. Hoffman"). In connection with the Acquisition, Amtech paid cash, issued unregistered shares of its common stock, assumed certain liabilities and has agreed to issue additional consideration subject to the future profits of P.R. Hoffman.

P.R. Hoffman, headquartered in Carlisle, Pennsylvania, specializes in developing, manufacturing, and marketing double sided precision lapping and polishing machines for semiconductor silicon wafers and related products, including carriers, templates, and replacement parts. P.R. Hoffman services both the national and international high tech silicon wafer manufacturing markets. For the years ended December 31, 1996 and 1995, P.R. Hoffman had sales of $6.6 million and $4.9 million, respectively. Net income generated during the years ended December 31, 1996 and 1995 was $458,215 and $160,938, respectively.

Mr. J.S. Whang, President and CEO of Amtech, stated that, "in keeping with our growth strategy, the acquisition of P. R. Hoffman will complement our existing business line and expand our overall market share. We expect the addition of P.R. Hoffman will result in increased profits through the synergies created by the addition of new product lines and the sale of P.R. Hoffman's products through Amtech's existing distribution channels. We welcome John Krieger, President of P.R. Hoffman, and his team to the Amtech family."

Mr. John Krieger, President of P.R. Hoffman, added, "I believe this transaction creates exciting new opportunities. With Amtech's world-wide distribution channels and international presence, we will be able to move our existing products into new markets."

Amtech manufactures capital equipment for use in the production of semiconductors, including the Tempress(R) Systems' horizontal diffusion furnace, ATMOCAN(R), an environmentally controlled wafer processing system, IBAL, modular robotic devices which automate the process of wafer loading and unloading, and load stations, which load Tempress(R) and other brands of furnaces.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information included in this press release (as well as information included in oral statements or other written statements made or to be made by Amtech) contains statements that are forward-looking. Such forward looking information involves a number of known and unknown risks and uncertainties that could cause actual results to differ materially from those discussed or anticipated by management. Potential risks and uncertainties include, among other factors, general business conditions, competitive market conditions, success of Amtech's growth and sales strategies, and whether Amtech will be able to successfully

131 South Clark Tempe, Arizona 85121 (602) 967-5146 Fax:(602) 968-3763 (24 hr.)

integrate the operations of P.R. Hoffman. For more information, review Amtech's filings with the Securities and Exchange Commission, including, but not limited to, Amtech's annual report on Form 10-K and quarterly reports on Form 10-Q.

CONTACT: AMTECH SYSTEMS, INC.
Robert T. Hass
Chief Financial Officer
(602) 967-5146