

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2022

OR

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

For the transition period from _____ to _____

Commission File Number: 0-11412



AMTECH SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Arizona
(State or other jurisdiction of
incorporation or organization)
131 South Clark Drive, Tempe, Arizona
(Address of principal executive offices)

86-0411215
(I.R.S. Employer
Identification No.)

85288
(Zip Code)

Registrant's telephone number, including area code: 480-967-5146

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$0.01 per share

Trading Symbol(s)
ASYS

Name of each exchange on which registered
NASDAQ Global Select Market

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large Accelerated Filer
Non-Accelerated Filer

Accelerated Filer
Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At August 10, 2022, there were outstanding 13,889,303 shares of Common Stock.

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

	<u>Page</u>
Cautionary Statement Regarding Forward-Looking Statements	3
PART I. FINANCIAL INFORMATION	4
Item 1. Condensed Consolidated Financial Statements	4
Condensed Consolidated Balance Sheets June 30, 2022 (Unaudited) and September 30, 2021	4
Condensed Consolidated Statements of Operations (Unaudited) Three and Nine Months Ended June 30, 2022 and 2021	5
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited) Three and Nine Months Ended June 30, 2022 and 2021	6
Condensed Consolidated Statements of Shareholders' Equity (Unaudited) Three and Nine Months Ended June 30, 2022 and 2021	7
Condensed Consolidated Statements of Cash Flows (Unaudited) Nine Months Ended June 30, 2022 and 2021	8
Notes to Condensed Consolidated Financial Statements (Unaudited)	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Overview	18
Results of Operations	20
Liquidity and Capital Resources	23
Off-Balance Sheet Arrangements	24
Contractual Obligations	24
Critical Accounting Policies	25
Impact of Recently Issued Accounting Pronouncements	25
Item 3. Quantitative and Qualitative Disclosures About Market Risk	25
Item 4. Controls and Procedures	26
PART II. OTHER INFORMATION	27
Item 1. Legal Proceedings	27
Item 1A. Risk Factors	27
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3. Defaults Upon Senior Securities	27
Item 4. Mine Safety Disclosures	28
Item 5. Other Information	28
Item 6. Exhibits	29
SIGNATURES	30

Cautionary Statement Regarding Forward-Looking Statements

Unless otherwise indicated, the terms “Amtech,” the “Company,” “we,” “us” and “our” refer to Amtech Systems, Inc. together with its subsidiaries.

Our discussion and analysis in this Quarterly Report on Form 10-Q (“Quarterly Report”), our Annual Report on Form 10-K for the fiscal year ended September 30, 2021 (the “2021 Form 10-K”), our other reports that we file with the Securities and Exchange Commission (the “SEC”), our press releases and in public statements of our officers and corporate spokespersons contain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995. Forward-looking statements give our or our officers’ current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current events. You can also identify forward-looking statements by discussions of strategy, plans or intentions of management. We have tried, wherever possible, to identify such statements by using words such as “may,” “plan,” “anticipate,” “seek,” “will,” “expect,” “intend,” “estimate,” “believe,” “continue,” “predict,” “potential,” “project,” “should,” “would,” “could,” “likely,” “future,” “target,” “forecast,” “goal,” “observe,” and “strategy” or the negative thereof or variations thereon or similar terminology relating to the uncertainty of future events or outcomes. Any expectations based on these forward-looking statements are subject to risks and uncertainties and other important factors. Some factors that could cause actual results to differ materially from those anticipated include, among others, future economic conditions, including changes in the markets in which we operate; changes in demand for our services and products; our revenue and operating performance; difficulties in successfully executing our growth initiatives; difficulties in executing on our strategic efforts with respect to our material and substrate business segment; the effects of competition in the markets in which we operate, including the adverse impact of competitive product announcements or new entrants into our markets and transfers of resources by competitors into our markets; the cyclical nature of the semiconductor industry; pricing and gross profit pressures; control of costs and expenses; risks associated with new technologies and the impact on our business; legislative, regulatory, and competitive developments in markets in which we operate; possible future claims, litigation or enforcement actions and the results of any such claim, litigation, or enforcement action; business interruptions, including those related to the COVID-19 pandemic and the cybersecurity incident that occurred in April 2021; the potential impacts of the COVID-19 pandemic, including ongoing logistical and supply chain challenges, the recent Chinese government mandated shutdown in Shanghai, any future Chinese government mandated shutdowns in Shanghai, and the impact of any future pandemic on our business operations, financial results and financial position; the severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic and of businesses’ and governments’ responses to the pandemic on our operations and personnel; risks of future cybersecurity incidents; and other circumstances and risks identified in this Quarterly Report or referenced from time to time in our filings with the SEC. The occurrence of the events described, and the achievement of expected results, depend on many events, some or all of which are not predictable or within our control. These and many other factors could affect Amtech’s future operating results and financial condition and could cause actual results to differ materially from expectations based on forward-looking statements made in this document or elsewhere by Amtech or on its behalf.

You should not place undue reliance on these forward-looking statements. We cannot guarantee that any forward-looking statement will be realized, although we believe that the expectations reflected in the forward-looking statements are reasonable as of the date of this Quarterly Report. Achievement of future results is subject to events out of our control, risks, uncertainties and potentially inaccurate assumptions. The 2021 Form 10-K listed various important factors that could affect Amtech’s future operating results and financial condition and could cause actual results to differ materially from historical results and expectations based on forward-looking statements made in this document or elsewhere by Amtech or on its behalf. These factors can be found under the heading “Item 1A. Risk Factors” in our 2021 Form 10-K and investors should refer to them as well as the additional risk factors identified in this Quarterly Report. Because it is not possible to predict or identify all such factors, any such list cannot be considered a complete set of all potential risks or uncertainties.

The Company undertakes no obligation to update or publicly revise any forward-looking statement whether as a result of new information, future developments or otherwise. All subsequent written or oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this paragraph. You are advised, however, to consult any further disclosures we make on related subjects in our subsequently filed Form 10-Q and Form 8-K reports and our other filings with the SEC. As noted above, we provide a cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business under “Item 1A. Risk Factors” of our 2021 Form 10-K. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand it is not possible to predict or identify all such factors.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

AMTECH SYSTEMS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except share data)

Assets	June 30, 2022 (Unaudited)	September 30, 2021
Current Assets		
Cash and cash equivalents	\$ 47,689	\$ 32,836
Restricted cash	524	—
Accounts receivable (less allowance for doubtful accounts of \$172 and \$188 at June 30, 2022, and September 30, 2021, respectively)	20,779	22,502
Inventories	27,457	22,075
Income taxes receivable	52	1,046
Other current assets	3,978	2,407
Total current assets	100,479	80,866
Property, Plant and Equipment - Net	5,863	14,083
Right-of-Use Assets - Net	11,019	8,646
Intangible Assets - Net	783	858
Goodwill	11,168	11,168
Deferred Income Taxes - Net	560	631
Other Assets	834	661
Total Assets	\$ 130,706	\$ 116,913
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 9,831	\$ 8,229
Accrued compensation and related taxes	3,812	2,881
Accrued warranty expense	827	545
Other accrued liabilities	1,206	903
Current maturities of long-term debt	104	396
Current portion of long-term lease liability	1,806	531
Contract liabilities	5,888	1,624
Total current liabilities	23,474	15,109
Long-Term Debt	230	4,402
Long-Term Lease Liability	9,321	8,389
Income Taxes Payable	2,996	3,277
Other Long-Term Liabilities	62	102
Total Liabilities	36,083	31,279
Commitments and Contingencies (Note 10)		
Shareholders' Equity		
Preferred stock; 100,000,000 shares authorized; none issued	—	—
Common stock; \$0.01 par value; 100,000,000 shares authorized; shares issued and outstanding: 13,889,259 and 14,304,492 at June 30, 2022 and September 30, 2021, respectively	139	143
Additional paid-in capital	123,693	126,380
Accumulated other comprehensive (loss) income	(563)	14
Retained deficit	(28,646)	(40,903)
Total Shareholders' Equity	94,623	85,634
Total Liabilities and Shareholders' Equity	\$ 130,706	\$ 116,913

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

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Revenues, net	\$ 19,964	\$ 23,100	\$ 73,983	\$ 60,865
Cost of sales	14,064	13,021	47,025	35,546
Gross profit	5,900	10,079	26,958	25,319
Selling, general and administrative	7,157	7,281	21,008	18,182
Research, development and engineering	1,646	1,523	5,018	4,637
Gain on sale of fixed assets	(12,465)	—	(12,465)	—
Severance expense	—	71	—	71
Operating income	9,562	1,204	13,397	2,429
Interest income (expense) and other, net	680	(155)	627	(337)
Income before income tax provision	10,242	1,049	14,024	2,092
Income tax provision	20	680	840	1,250
Net income	\$ 10,222	\$ 369	\$ 13,184	\$ 842
Income Per Share:				
Net income per basic share	\$ 0.74	\$ 0.03	\$ 0.94	\$ 0.06
Net income per diluted share	\$ 0.73	\$ 0.03	\$ 0.93	\$ 0.06
Weighted average shares outstanding:				
Basic	13,889	14,176	14,042	14,163
Diluted	14,026	14,373	14,220	14,292

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

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(in thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$ 10,222	\$ 369	\$ 13,184	\$ 842
Foreign currency translation adjustment	(916)	(616)	(577)	(246)
Comprehensive income (loss)	<u>\$ 9,306</u>	<u>\$ (247)</u>	<u>\$ 12,607</u>	<u>\$ 596</u>

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

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)
(in thousands)

	Common Stock		Treasury Stock		Additional Paid- In Capital	Accumulated Other	Retained Deficit	Total Shareholders' Equity
	Shares	Par Value	Shares	Cost		Comprehensive Income (Loss)		
Balance at September 30, 2020	14,063	\$ 141	—	\$ —	\$ 124,435	\$ (646)	\$ (42,411)	\$ 81,519
Net income	—	—	—	—	—	—	719	719
Translation adjustment	—	—	—	—	—	595	—	595
Stock compensation expense	—	—	—	—	65	—	—	65
Stock options exercised	28	—	—	—	135	—	—	135
Balance at December 31, 2020	14,091	141	—	—	124,635	(51)	(41,692)	83,033
Net loss	—	—	—	—	—	—	(246)	(246)
Translation adjustment	—	—	—	—	—	(225)	—	(225)
Stock compensation expense	—	—	—	—	84	—	—	84
Stock options exercised	131	1	—	—	794	—	—	795
Balance at March 31, 2021	14,222	142	—	—	125,513	(276)	(41,938)	83,441
Net income	—	—	—	—	—	—	369	369
Translation adjustment	—	—	—	—	—	(616)	—	(616)
Stock compensation expense	—	—	—	—	128	—	—	128
Stock options exercised	31	1	—	—	217	—	—	218
Balance at June 30, 2021	<u>14,253</u>	<u>\$ 143</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 125,858</u>	<u>\$ (892)</u>	<u>\$ (41,569)</u>	<u>\$ 83,540</u>
Balance at September 30, 2021	14,304	\$ 143	—	\$ —	\$ 126,380	\$ 14	\$ (40,903)	\$ 85,634
Net income	—	—	—	—	—	—	997	997
Translation adjustment	—	—	—	—	—	237	—	237
Stock compensation expense	—	—	—	—	103	—	—	103
Repurchase of treasury stock	—	—	(291)	(2,713)	—	—	—	(2,713)
Retirement of treasury stock	(291)	(3)	291	2,713	(2,122)	—	(588)	—
Stock options exercised	12	—	—	—	69	—	—	69
Balance at December 31, 2021	14,025	140	—	—	124,430	251	(40,494)	84,327
Net income	—	—	—	—	—	—	1,965	1,965
Translation adjustment	—	—	—	—	—	102	—	102
Stock compensation expense	—	—	—	—	137	—	—	137
Repurchase of treasury stock	—	—	(143)	(1,402)	—	—	—	(1,402)
Retirement of treasury stock	(143)	(1)	143	1,402	(1,062)	—	(339)	—
Stock options exercised	5	—	—	—	29	—	—	29
Balance at March 31, 2022	13,887	139	—	—	123,534	353	(38,868)	85,158
Net income	—	—	—	—	—	—	10,222	10,222
Translation adjustment	—	—	—	—	—	(916)	—	(916)
Stock compensation expense	—	—	—	—	146	—	—	146
Stock options exercised	3	—	—	—	13	—	—	13
Balance at June 30, 2022	<u>13,890</u>	<u>\$ 139</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 123,693</u>	<u>\$ (563)</u>	<u>\$ (28,646)</u>	<u>\$ 94,623</u>

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

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended June 30,	
	2022	2021
Operating Activities		
Net income	\$ 13,184	\$ 842
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,330	1,038
Write-down of inventory	235	278
Non-cash stock compensation expense	386	277
Gain on sale of property, plant and equipment	(12,465)	—
Provision for allowance for doubtful accounts	10	16
Other, net	—	8
Changes in operating assets and liabilities:		
Accounts receivable	1,714	(9,385)
Inventories	(5,617)	(3,328)
Other assets	(1,298)	(324)
Accounts payable	1,603	5,815
Accrued income taxes	713	536
Accrued and other liabilities	1,031	809
Contract liabilities	4,264	646
Net cash provided by (used in) operating activities	5,090	(2,772)
Investing Activities		
Purchases of property, plant and equipment	(325)	(790)
Proceeds from the sale of property, plant and equipment	19,908	—
Acquisition, net of cash and cash equivalents acquired	—	(5,082)
Net cash provided by (used in) investing activities	19,583	(5,872)
Financing Activities		
Proceeds from the exercise of stock options	111	1,148
Repurchase of common stock	(4,115)	—
Payments on long-term debt	(4,851)	(284)
Net cash (used in) provided by financing activities	(8,855)	864
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	(441)	(250)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	15,377	(8,030)
Cash and Cash Equivalents, Beginning of Period	32,836	45,070
Cash, Cash Equivalents and Restricted Cash, End of Period	<u>\$ 48,213</u>	<u>\$ 37,040</u>
Supplemental Cash Flow Information:		
Income tax payments, net	\$ 30	\$ 991
Interest paid	\$ 166	\$ 166

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

AMTECH SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED JUNE 30, 2022 AND 2021
(UNAUDITED)

1. Basis of Presentation and Significant Accounting Policies

Nature of Operations and Basis of Presentation – Amtech Systems, Inc. (the “Company,” “Amtech,” “we,” “our” or “us”) is a leading, global manufacturer of capital equipment, including thermal processing and wafer polishing, and related consumables used in fabricating semiconductor devices, such as silicon carbide (“SiC”) and silicon power devices, analog and discrete devices, electronic assemblies and light-emitting diodes (“LEDs”). We sell these products to semiconductor device and module manufacturers worldwide, particularly in Asia, North America and Europe.

We serve niche markets in industries that are experiencing technological advances, and which historically have been very cyclical. Therefore, future profitability and growth depend on our ability to develop or acquire and market profitable new products and on our ability to adapt to cyclical trends.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”), and consequently do not include all disclosures normally required by accounting principles generally accepted in the United States of America (“GAAP”). In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments necessary, all of which are of a normal and recurring nature, to present fairly our financial position, results of operations and cash flows. Certain information and note disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC. The condensed consolidated balance sheet at September 30, 2021, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

Our fiscal year is from October 1 to September 30. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years ending or ended September 30, and the associated quarters, months, and periods of those fiscal years.

The consolidated results of operations for the three and nine months ended June 30, 2022, are not necessarily indicative of the results to be expected for the full fiscal year.

In March 2020, the outbreak of COVID-19 was recognized as a pandemic by the World Health Organization, and the outbreak became increasingly widespread, including in all of the markets in which we operate. We continue to monitor the impact of COVID-19 on all aspects of our business. We are a company operating in a critical infrastructure industry, as defined by the U.S. Department of Homeland Security. Consistent with federal guidelines and with foreign government, state and local orders to date, we have continued to operate across our footprint throughout the COVID-19 pandemic. Following the onset of COVID-19 and its negative effects on our business, most prominently reflected in our second, third and fourth quarter fiscal 2020 results, global economic conditions improved during fiscal 2021, resulting in increased demand for our products and services, which led to our earnings for fiscal 2021 substantially exceeding our fiscal 2020 results. There remain many unknowns and we continue to monitor the expected trends and related demand for our products and services and have and will continue to adjust our operations accordingly.

On March 28, 2022, the Chinese government issued a mandatory shutdown in Shanghai, the location of one of our manufacturing facilities. The factory was allowed to partially reopen in May 2022 and was fully reopened on June 1, 2022. Upon reopening on June 1, 2022, the factory was able to operate at near full capacity for the entire month of June. We estimate it will take at least two quarters to make up the shipments missed during the third quarter of fiscal 2022 as we work through our production, supply chain and logistics backlog. Additionally, given the uncertainty

surrounding the COVID-19 pandemic and the emergence of variations thereof, there can be no assurance that we will be allowed to remain open on a consistent basis.

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contract Liabilities – Contract liabilities are reflected in current liabilities on the Condensed Consolidated Balance Sheets as all performance obligations are expected to be satisfied within the next 12 months. Contract liabilities relate to payments invoiced or received in advance of completion of performance obligations under a contract. Contract liabilities are recognized as revenue upon the fulfillment of performance obligations. Contract liabilities consist of customer deposits as of June 30, 2022 and September 30, 2021. Of the \$1.6 million contract liabilities recorded at September 30, 2021, \$0 and \$1.6 million was recorded as revenue for the three and nine months ended June 30, 2022, respectively.

Shipping Expense – Shipping and handling fees associated with outbound freight are expensed as incurred and included in selling, general and administrative expenses. Shipping expense was \$0.3 million and \$0.1 million for the three months ended June 30, 2022 and 2021, respectively, and \$2.1 million and \$0.4 million for the nine months ended June 30, 2022 and 2021, respectively.

Debt – The recorded amounts of these financial instruments, including long-term debt and current maturities of long-term debt, had an interest rate of 4.11%. Due to the relatively short-term nature of the debt, we believe that the carrying value approximated fair value. We paid this debt in full on June 23, 2022 upon the closing of the sale of our Massachusetts manufacturing facility (see Note 2).

Concentrations of Credit Risk – Our customers consist of semiconductor manufacturers worldwide, as well as the lapping and polishing marketplace. Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and trade accounts receivable. Credit risk is managed by performing ongoing credit evaluations of the customers' financial condition, by requiring significant deposits where appropriate, and by actively monitoring collections. Letters of credit are required of certain customers depending on the size of the order, type of customer or its creditworthiness, and country of domicile.

As of June 30, 2022, two Semiconductor segment customers individually represented 17% and 10% of accounts receivable. As of September 30, 2021, one Semiconductor segment customer individually represented 14% of accounts receivable.

We maintain our cash and cash equivalents in multiple financial institutions. Balances in the United States, which account for approximately 85% and 83% of total cash balances as of June 30, 2022 and September 30, 2021, respectively, are primarily invested in U.S. Treasuries or are in financial institutions insured by the Federal Deposit Insurance Corporation. The remainder of our cash is maintained with financial institutions with reputable credit in China, the United Kingdom and Malaysia. We maintain cash in bank accounts in amounts which at times may exceed federally insured limits. We have not experienced any losses on such accounts.

Refer to Note 12 to Condensed Consolidated Financial Statements for information regarding major customers, foreign sales and revenue in other countries subject to fluctuation in foreign currency exchange rates.

Impact of Recently Issued Accounting Pronouncements

There were no new accounting pronouncements issued or effective as of June 30, 2022 that had or are expected to have a material impact on our consolidated financial statements.

Correction of Immaterial Misstatements

During the preparation of the condensed consolidated financial statements for the period ended June 30, 2022, the Company identified certain immaterial misstatements related to the classification of sales discounts to distributors within our semiconductor reportable segment. The Company previously presented these sales discounts as part of selling, general and administrative expenses instead of as a reduction of revenues in its unaudited condensed consolidated statements of operations for the three-month period ended December 31, 2021, and the three and six-month periods ended March 31, 2022, which resulted in overstatements of revenue and selling, general and administrative expenses for those periods.

In accordance with Staff Accounting Bulletin No. 99, "Materiality," the Company evaluated the misstatements and determined that the related impact was not material to the Company's financial statements for any interim period. Accordingly, the Company revised the unaudited condensed consolidated statements of operations for the periods ended December 31, 2021 and March 31, 2022, including the related notes presented herein, as applicable. The misstatements did not impact operating income or net income in the condensed consolidated statements of operations, or the condensed consolidated balance sheets or the condensed consolidated statements of cash flows for any of those periods.

A summary of the corrections to previously reported condensed consolidated statements of operations is as follows:

	As Reported	Six Months Ended March 31, 2022		As Corrected
		Adjustment		
Revenues, net	\$ 55,908	\$ (1,889)	\$	\$ 54,019
Gross profit	\$ 22,947	\$ (1,889)	\$	\$ 21,058
Selling, general and administrative	\$ 15,740	\$ (1,889)	\$	\$ 13,851

	As Reported	Three Months Ended March 31, 2022		As Corrected
		Adjustment		
Revenues, net	\$ 28,579	\$ (1,023)	\$	\$ 27,556
Gross profit	\$ 12,183	\$ (1,023)	\$	\$ 11,160
Selling, general and administrative	\$ 7,788	\$ (1,023)	\$	\$ 6,765

	As Reported	Three Months Ended December 31, 2021		As Corrected
		Adjustment		
Revenues, net	\$ 27,329	\$ (866)	\$	\$ 26,463
Gross profit	\$ 10,764	\$ (866)	\$	\$ 9,898
Selling, general and administrative	\$ 7,952	\$ (866)	\$	\$ 7,086

2. Sale and Leaseback of Real Estate

On June 23, 2022, our subsidiary, BTU International, Inc. ("BTU"), completed the sale and leaseback of BTU's building in Billerica, Massachusetts (the "Property"). The sale price was \$20.6 million, of which \$0.7 million was deducted at closing for commission and other closing expenses. Simultaneously with the closing, BTU entered into a two-year leaseback of the Property. The lease terms include annual base rent of \$1.5 million in an absolute triple net lease. In connection with the sale, BTU recognized a pretax gain on sale of \$12.5 million. This sale-leaseback transaction resulted in a net cash inflow of approximately \$14.9 million, after repayment of the existing mortgage and settlement of related sale expenses.

3. Acquisition

On March 3, 2021, we acquired 100% of the issued and outstanding capital stock of Intersurface Dynamics, Inc. (“Intersurface Dynamics”), a Connecticut-based manufacturer of substrate process chemicals used in various manufacturing processes, including semiconductors, silicon and compound semiconductor wafers, and optics, for a cash purchase price of \$5.3 million. The total fair value of net assets acquired was approximately \$0.7 million, including \$0.4 million of identifiable intangible assets consisting of customer relationships and brand name, which are amortized using the straight-line method over their estimated useful lives of ten and three years, respectively. Goodwill acquired approximated \$4.5 million, which was recorded in our Material and Substrate segment. Intersurface Dynamics' results of operations are included in our Material and Substrate segment from the date of acquisition. Our historical results would not have been materially affected by the acquisition of Intersurface Dynamics.

4. Cybersecurity Incident

On April 12, 2021, we detected a data incident in which attackers acquired data and disabled some of the technology systems used by one of our subsidiaries. Upon learning of the incident, we immediately engaged external counsel and retained a team of third-party forensic, incident response, and security professionals to investigate and determine the full scope of this incident. We also notified law enforcement officials and confirmed that the incident is covered by our insurance. We completed the investigation of the data incident with assistance from our outside professionals, and indications were that the unauthorized third-party gained access to certain personal information relating to employees and their beneficiaries for some of our operations. There was no indication of any misuse of this information.

Despite this disruption, production continued in our facilities. Our previously disabled subsidiary network is now back up and running securely. Working alongside our security professionals, we were able to bring our subsidiary’s systems online with enhanced security controls. We have deployed an advanced next generation anti-virus and endpoint detection and response tool, as well as Managed Detection & Response services. We remain committed to protecting the security of the personal information entrusted to us and providing high-quality products and service to our customers.

We recorded approximately \$1.1 million of expense related to this incident, which was included in selling, general and administrative expenses, during the third quarter of 2021. The expense was primarily related to third-party service providers, including security professionals as well as legal and response teams. We may make additional investments in the future to further strengthen our cybersecurity. We filed an insurance claim during the fourth quarter of 2021 related to the incident. During the second quarter of 2022, we signed a final settlement agreement with our insurer resulting in total reimbursement of approximately \$0.6 million, which included \$0.4 million received during the quarter ended December 31, 2021 and \$0.2 million received during the quarter ended March 31, 2022. No portion of the reimbursement remains outstanding as of June 30, 2022.

5. Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed similarly to basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding if potentially dilutive common shares had been issued. In the case of a net loss, diluted earnings per share is calculated in the same manner as basic EPS.

For the three and nine months ended June 30, 2022, options for 204,000 and 176,000 weighted average shares, respectively, were excluded from the diluted EPS calculations because they were anti-dilutive. For the three and nine months ended June 30, 2021, options for 25,000 and 103,000 weighted average shares, respectively, were excluded from the diluted EPS calculations because they were anti-dilutive. These shares could become dilutive in the future.

A reconciliation of the components of the basic and diluted EPS calculations follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net income	\$ 10,222	\$ 369	\$ 13,184	\$ 842
Denominator:				
Weighted-average shares used to compute basic EPS	13,889	14,176	14,042	14,163
Common stock equivalents (1)	137	197	178	129
Weighted-average shares used to compute diluted EPS	14,026	14,373	14,220	14,292
Income per share:				
Net income per basic share	\$ 0.74	\$ 0.03	\$ 0.94	\$ 0.06
Net income per diluted share	\$ 0.73	\$ 0.03	\$ 0.93	\$ 0.06

(1)The number of common stock equivalents is calculated using the treasury method and the average market price during the period.

6. Inventories

The components of inventories are as follows, in thousands:

	June 30, 2022	September 30, 2021
Purchased parts and raw materials	\$ 20,486	\$ 16,260
Work-in-process	6,673	4,865
Finished goods	4,797	5,055
	31,956	26,180
Excess and obsolete reserves	(4,499)	(4,105)
Inventories	\$ 27,457	\$ 22,075

7. Leases

The following table provides information about the financial statement classification of our lease balances reported within the Condensed Consolidated Balance Sheets, in thousands:

	June 30, 2022	September 30, 2021
Assets		
Right-of-use assets - operating	\$ 11,019	\$ 8,646
Right-of-use assets - finance	152	174
Total right-of-use assets	\$ 11,171	\$ 8,820
Liabilities		
Current		
Operating lease liability	\$ 1,806	\$ 470
Finance lease liability	68	61
Total current portion of long-term lease liability	1,874	531
Long-term		
Operating lease liability	9,321	8,279
Finance lease liability	80	110
Total long-term lease liability	9,401	8,389
Total lease liability	\$ 11,275	\$ 8,920

The following table provides information about the financial statement classification of our lease expenses reported in the Condensed Consolidated Statements of Operations, in thousands:

Lease cost	Classification	Three Months Ended June 30,		Nine Months Ended June 30,	
		2022	2021	2022	2021
Operating lease cost	Cost of sales	\$ 292	\$ 196	\$ 687	\$ 340
Operating lease cost	Selling, general and administrative	41	86	211	170
Operating lease cost	Research, development and engineering	10	—	10	—
Finance lease cost	Cost of sales	1	1	3	4
Finance lease cost	Selling, general and administrative	18	2	53	6
Short-term lease cost	Cost of sales	—	107	—	183
Total lease cost		\$ 362	\$ 392	\$ 964	\$ 703

Future minimum lease payments under non-cancelable leases as of June 30, 2022, are as follows, in thousands:

	Operating Leases	Finance Leases	Total
Remainder of 2022	\$ 517	\$ 18	\$ 535
2023	2,567	72	2,639
2024	2,167	52	2,219
2025	1,006	6	1,012
2026	889	6	895
Thereafter	8,751	1	8,752
Total lease payments	15,897	155	16,052
Less: Interest	4,770	7	4,777
Present value of lease liabilities	\$ 11,127	\$ 148	\$ 11,275

Operating lease payments include \$6.3 million related to optional lease extension periods for multiple leases that are not yet exercisable but are reasonably certain of being exercised.

The following table provides information about the remaining lease terms and discount rates applied:

	June 30, 2022
Weighted average remaining lease term	
Operating leases	12.89 years
Finance leases	2.45 years
Weighted average discount rate	
Operating leases	4.17 %
Finance leases	4.17 %

8. Income Taxes

Our effective tax rate is generally higher than the statutory rate due to the geographic mix of profit among the foreign and domestic jurisdictions in which we operate. For the three months ended June 30, 2022 and 2021, we recorded income tax expense of \$20,000 and \$0.7 million, respectively. For the nine months ended June 30, 2022 and 2021, we recorded income tax expense of \$0.8 million and \$1.3 million, respectively. Tax expense for the nine months ended June 30, 2021 includes a benefit of approximately \$0.3 million related to the reversal of previously recorded uncertain tax positions. The quarterly income tax provision is calculated using an estimated annual effective tax rate, based upon expected annual income, permanent items, statutory rates and planned tax strategies in the various jurisdictions in which we operate. However, losses in certain jurisdictions and discrete items are excluded from the determination of the estimated annual effective tax rate.

GAAP requires that a valuation allowance be established when it is “more likely than not” that all or a portion of deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including a company’s performance, the market environment in which the company operates and the length of carryback and carryforward periods. According to those principles, it is difficult to conclude that a valuation

allowance is not needed when the negative evidence includes cumulative losses in recent years. Based on the considerations of all available evidence, we have concluded that we will maintain a full valuation allowance for all net deferred tax assets related to the carryforwards of U.S. net operating losses and foreign tax credits. We will continue to monitor our cumulative income and loss positions in the U.S. and foreign jurisdictions to determine whether full valuation allowances on net deferred tax assets are appropriate. We expect to pay minimal U.S. federal cash taxes for the foreseeable future as a result of our U.S. net operating losses that are carried forward.

At June 30, 2022 and September 30, 2021, the total amount of unrecognized tax benefits was approximately \$1.0 million and \$0.9 million, respectively. As of June 30, 2022 and September 30, 2021, we had an accrual for potential interest and penalties of approximately \$0.7 million and \$0.6 million, respectively, classified with income taxes payable long-term.

9. Equity and Stock-Based Compensation

Stock-based compensation expense was immaterial in all periods presented. Stock-based compensation expense is included in selling, general and administrative expenses.

The following table summarizes our stock option activity during the nine months ended June 30, 2022:

	Options	Weighted Average Exercise Price
Outstanding at beginning of period	608,269	\$ 6.48
Granted	135,500	12.80
Exercised	(19,580)	5.67
Forfeited	(26,953)	7.08
Outstanding at end of period	<u>697,236</u>	<u>\$ 7.71</u>
Exercisable at end of period	<u>464,738</u>	<u>\$ 6.66</u>
Weighted average fair value of options granted during the period	<u>\$ 6.39</u>	

The fair value of options was estimated at the applicable grant date using the Black-Scholes option pricing model with the following assumptions:

	Three Months Ended June 30, 2022	Nine Months Ended June 30, 2022
Risk free interest rate	3 %	2 %
Expected term	5 years	5 years
Dividend rate	— %	— %
Volatility	57 %	57 %

2022 Stock Repurchase Plan

On February 10, 2022, our Board of Directors (the "Board") approved a new stock repurchase program, pursuant to which we may repurchase up to \$5 million of our outstanding Common Stock over a one-year period, commencing on February 16, 2022. Repurchases under the program will be made in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in compliance with the rules and regulations of the SEC; however, we have no obligation to repurchase shares and the timing, actual number, and value of shares to be repurchased is subject to management's discretion and will depend on our stock price and other market conditions. We may, in the sole discretion of the Board, terminate the repurchase program at any time while it is in effect. Repurchased shares may be retired or kept in treasury for further issuance. During the quarter ended March 31, 2022, we repurchased 143,430 shares of our Common Stock on the open market at a total cost of approximately \$1.4 million (an average price of \$9.78 per share). All repurchased shares have been retired. There were no repurchases during the quarter ended June 30, 2022, and \$3.6 million remains available for repurchases.

On February 9, 2021, the Board approved a stock repurchase program, pursuant to which we may repurchase up to \$4 million of our outstanding Common Stock over a one-year period, commencing on February 16, 2021. Repurchases under the program were to be made in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in compliance with the rules and regulations of the SEC; however, we had no obligation to repurchase shares and the timing, actual number, and value of shares to be repurchased was subject to management's discretion and depended on our stock price and other market conditions. We could have, in the sole discretion of the Board, terminated the repurchase program at any time while it was in effect. Repurchased shares were to be retired or kept in treasury for further issuance. During the quarter ended December 31, 2021, we repurchased 291,383 shares of our Common Stock on the open market at a total cost of approximately \$2.7 million (an average price of \$9.31 per share). All repurchased shares have been retired. The term of this repurchase program expired during the quarter ended March 31, 2022.

10. Commitments and Contingencies

Purchase Obligations – As of June 30, 2022, we had unrecorded purchase obligations in the amount of \$24.4 million. These purchase obligations consist of outstanding purchase orders for goods and services. While the amount represents purchase agreements, the actual amounts to be paid may be less in the event that any agreements are renegotiated, canceled or terminated.

Legal Proceedings and Other Claims – From time to time, we are a party to claims and actions for matters arising out of our business operations. We regularly evaluate the status of the legal proceedings and other claims in which we are involved to assess whether a loss is probable or there is a reasonable possibility that a loss, or an additional loss, may have been incurred and determine if accruals are appropriate. If accruals are not appropriate, we further evaluate each legal proceeding to assess whether an estimate of possible loss or range of possible loss can be made for disclosure. Although the outcome of claims and litigation is inherently unpredictable, we believe that we have adequate provisions for any probable and estimable losses. It is possible, nevertheless, that our consolidated financial position, results of operations or liquidity could be materially and adversely affected in any particular period by the resolution of a claim or legal proceeding. Legal expenses related to defense, negotiations, settlements, rulings and advice of outside legal counsel are expensed as incurred.

Employment Contracts – We have employment contracts and change in control agreements with, and severance plans covering, certain officers and management employees under which severance payments would become payable in the event of specified terminations without cause or terminations under certain circumstances after a change in control. If severance payments under the current employment contracts or severance plans were to become payable, the severance payments would generally range from twelve to twenty-four months of salary.

11. Reportable Segment Information

Our two reportable segments are as follows:

Semiconductor – We design, manufacture, sell and service thermal processing equipment and related controls for use by leading semiconductor manufacturers, and in electronics, automotive and other industries.

Material and Substrate – We produce consumables and machinery for lapping (fine abrading) and polishing of materials, such as sapphire substrates, optical components, silicon wafers, numerous types of crystal materials, ceramics and metal components.

Information concerning our reportable segments is as follows, in thousands:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Net Revenues:				
Semiconductor	\$ 15,135	\$ 19,501	\$ 61,484	\$ 52,195
Material and Substrate	4,829	3,599	12,499	8,670
	<u>\$ 19,964</u>	<u>\$ 23,100</u>	<u>\$ 73,983</u>	<u>\$ 60,865</u>
Operating income (loss):				
Semiconductor	\$ 10,521	\$ 2,114	\$ 16,246	\$ 5,976
Material and Substrate	1,156	333	1,991	14
Non-segment related	(2,115)	(1,243)	(4,840)	(3,561)
	<u>\$ 9,562</u>	<u>\$ 1,204</u>	<u>\$ 13,397</u>	<u>\$ 2,429</u>

	June 30, 2022	September 30, 2021
Identifiable Assets:		
Semiconductor	\$ 74,165	\$ 70,631
Material and Substrate	21,286	19,541
Non-segment related*	35,255	26,741
	<u>\$ 130,706</u>	<u>\$ 116,913</u>

* Non-segment related assets include cash, property, and other assets.

Goodwill and other long-lived assets

We review our long-lived assets, including goodwill, for impairment at least annually in our fourth quarter or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Additional information on impairment testing of long-lived assets, intangible assets and goodwill can be found in Notes 1 and 10 of our Annual Report on Form 10-K for the year ended September 30, 2021.

12. Major Customers and Foreign Sales

During the nine months ended June 30, 2022, two Semiconductor segment customers individually represented 17% and 10% of our net revenues. During the nine months ended June 30, 2021, two Semiconductor segment customers individually represented 17% and 14% of our net revenues.

Our net revenues were from customers in the following geographic regions:

	Nine Months Ended June 30,	
	2022	2021
United States	24 %	22 %
Other	7 %	3 %
Total North America	31 %	25 %
China	19 %	33 %
Malaysia	8 %	4 %
Taiwan	13 %	17 %
Other	6 %	9 %
Total Asia	46 %	63 %
Germany	5 %	4 %
Austria	11 %	1 %
Other	7 %	7 %
Total Europe	23 %	12 %
	<u>100 %</u>	<u>100 %</u>

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our "Condensed Consolidated Financial Statements" in Item 1 of this Quarterly Report on Form 10-Q ("Quarterly Report") and our consolidated financial statements and related notes included in "Item 8. Financial Statements and Supplementary Data" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021 (the "2021 Form 10-K").

Overview

We are a leading, global manufacturer of capital equipment, including thermal processing and wafer polishing, and related consumables used in fabricating semiconductor devices, such as silicon carbide ("SiC") and silicon power devices, analog and discrete devices, electronic assemblies and light-emitting diodes ("LEDs"). We sell these products to semiconductor device and module manufacturers worldwide, particularly in Asia, North America and Europe.

We operate in two reportable segments, based primarily on the industry they serve: (i) Semiconductor and (ii) Material and Substrate. In our Semiconductor segment, we supply thermal processing equipment, including solder reflow ovens, horizontal diffusion furnaces and custom high-temp belt furnaces for use by semiconductor, electronics and electro/mechanical assembly manufacturers. Our semiconductor customers are primarily manufacturers of integrated circuits and optoelectronic sensors and discrete components used in analog, power and radio frequency. In our Material and Substrate segment, we produce substrate consumables, chemicals and machinery for lapping (fine abrading) and polishing of materials, such as silicon wafers for semiconductor products, sapphire wafers for LED applications, and compound substrates, like silicon carbide wafers, for power device applications.

The semiconductor industry is cyclical, but not seasonal, and historically has experienced fluctuations. Our revenue is impacted by these broad industry trends.

Strategy

We continue to focus on our plans to profitably grow our business and have developed a strategic growth plan and a capital allocation plan that we believe will support our growth objectives. Our power semiconductor strategic growth plan leverages our experience, products and capabilities in pursuit of growth, profitability and sustainability. Our core focus areas are:

- Emerging opportunities in the SiC industry – We believe we are well-positioned to take part in this significant growth area, specifically as it relates to silicon carbide wafer capacity expansion. We are working closely with our customers to understand their SiC growth plans, needs and opportunities. We are investing in our capacity, next generation product development, and in our people. During 2021, we completed the acquisition of Intersurface Dynamics, Inc. ("Intersurface Dynamics"), which added numerous coolants and chemical products to our existing consumable and machine product lines. We believe these investments will help fuel our growth in the emerging growth SiC industry.
- 300mm Horizontal Thermal Reactor – We have a highly successful and proven 300mm horizontal diffusion solution used for power semiconductor device manufacturing applications. We have a strong foundation with the leading 300mm power chip manufacturer, and, from 2020 through the current quarter, we have received 23 system orders from top-tier customers. We believe we have a strong opportunity to continue expanding our customer base and grow revenue with our 300mm solution.
- As the largest revenue contributor to our organization, we expect our subsidiary, BTU International, Inc. ("BTU"), will continue to track semiconductor industry growth cycles for our advanced semi-packaging and surface-mount technology products, in addition to specialized custom belt furnaces used in automotive and other specialized industrial applications. We believe that our investments in product innovation will provide BTU with opportunities to grow further, especially in high growth applications of consumer and industrial electronics, Internet of Things, electric vehicles and 5G communications.

We anticipate that future investments will be required to achieve our revenue growth targets, including investments in research and development as well as capital expenditures, which also includes investments in management information systems and capacity expansions at existing manufacturing facilities. In June 2022, we completed the sale of the real property where our manufacturing facility in Billerica, Massachusetts is located. In connection with this sale, we entered into a two-year leaseback of the facility. This sale-leaseback transaction resulted in a net cash inflow of approximately \$14.9 million, after repayment of the existing mortgage and settlement of related sale expenses. During the two-year leaseback period, we will conduct a search for a new manufacturing facility more in line with the needs of our Semiconductor product lines. In the fourth quarter of 2021, we completed the move of our Shanghai facility to a new location. This new location increases our capacity and allows us to streamline our manufacturing processes, thus reducing our lead times. In addition, we are evaluating our management information systems and needs in order to allow for greater efficiencies and to ensure our infrastructure can support our future growth plans. As a capital equipment manufacturer, we will continue to invest in our business to fuel our future growth.

In addition to investments in our organic growth, another key aspect of our capital allocation policy is our plan to grow through acquisitions. We have the expertise and track record to identify strong acquisition targets in the semi and SiC growth environments and to execute transactions and integrations to provide for value creating, profitable growth in both the short-term and long-term. On March 3, 2021, we acquired Intersurface Dynamics, a Connecticut-based manufacturer of substrate process chemicals used in various manufacturing processes, including semiconductors, silicon and compound semiconductor wafers, and optics. As of the date of the filing of this Quarterly Report, we do not have an agreement to acquire any acquisition target.

COVID-19 Update

On March 28, 2022, the Chinese government issued a mandatory shutdown in Shanghai, the location of one of our manufacturing facilities. The factory was allowed to partially reopen in May 2022 and fully reopened on June 1, 2022. After the reopening on June 1, 2022, the factory was able to operate near full capacity for the entire month of June. We estimate it will take at least two quarters to make up the shipments missed during the third quarter of fiscal 2022 as we work through our production, supply chain and logistics backlog. Given the uncertainty surrounding the COVID-19 pandemic, there can be no assurance that our Shanghai facility will be allowed to remain open on a consistent basis.

Cybersecurity Incident

On April 12, 2021, we detected a data incident in which attackers acquired data and disabled some of the technology systems used by one of our subsidiaries. Upon learning of the incident, we immediately engaged external counsel and retained a team of third-party forensic, incident response, and security professionals to investigate and determine the full scope of this incident. We also notified law enforcement officials and confirmed that the incident is covered by our insurance. We have completed the investigation of the data incident with assistance from our outside professionals, and indications were that the unauthorized third-party gained access to certain personal information relating to employees and their beneficiaries for some of our operations. There was no indication of any misuse of this information.

Despite this disruption, production continued in our facilities. Our previously disabled subsidiary network is now back up and running securely. Working alongside our security professionals, we were able to bring our subsidiary's systems online with enhanced security controls. We have deployed an advanced next generation anti-virus and endpoint detection and response tool, as well as Managed Detection & Response services. We remain committed to protecting the security of the personal information entrusted to us and providing high-quality products and service to our customers.

We recorded approximately \$1.1 million of expense related to this incident, which is included in selling, general and administrative expenses, during the third quarter of fiscal 2021. The expense is primarily related to third-party service providers, including security professionals as well as legal and response teams. We may make additional investments in the future to further strengthen our cybersecurity. We filed an insurance claim during the fourth quarter of fiscal 2021 related to the incident. During the second quarter of 2022, we signed a final settlement agreement with our insurer resulting in total reimbursement of approximately \$0.6 million, which included \$0.4 million received

during the quarter ended December 31, 2021 and \$0.2 million received during the quarter ended March 31, 2022. No portion of the reimbursement remains outstanding as of June 30, 2022.

Segment Reporting Changes

Upon the acquisition of Intersurface Dynamics in the second quarter of 2021, we evaluated our organizational structure and concluded that we have two reportable segments following the acquisition. Our Material and Substrate segment includes our former SiC/LED segment in addition to Intersurface Dynamics from the date of acquisition.

Results of Operations

The following table sets forth certain operational data as a percentage of net revenue for the periods indicated:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Net revenue	100 %	100 %	100 %	100 %
Cost of sales	70 %	56 %	64 %	58 %
Gross margin	30 %	44 %	36 %	42 %
Selling, general and administrative	36 %	31 %	28 %	30 %
Research, development and engineering	8 %	7 %	7 %	8 %
Gain on sale of fixed assets	(62)%	—%	(17)%	—%
Severance expense	—%	—%	—%	—%
Operating income	48 %	6 %	18 %	4 %
Interest income (expense) and other, net	3 %	(1)%	1 %	(1)%
Income before income taxes	51 %	5 %	19 %	3 %
Income tax provision	—%	3 %	1 %	2 %
Net income	51 %	2 %	18 %	1 %

Net Revenue

Net revenue consists of revenue recognized upon shipment or installation of equipment. Spare parts sales are recognized upon shipment and service revenue is recognized upon completion of the service activity, which is generally ratable over the term of the service contract. Since the majority of our revenue is generated from large system sales, revenue, gross profit and operating income can be significantly impacted by the timing of system shipments and system acceptances.

Our net revenue by reportable segment was as follows (dollars in thousands):

Segment	Three Months Ended June 30,				Nine Months Ended June 30,			
	2022	2021	Change	% Change	2022	2021	Change	% Change
Semiconductor	\$ 15,135	\$ 19,501	\$ (4,366)	(22)%	\$ 61,484	\$ 52,195	\$ 9,289	18%
Material and Substrate	4,829	3,599	1,230	34%	12,499	8,670	3,829	44%
Total net revenue	\$ 19,964	\$ 23,100	\$ (3,136)	(14)%	\$ 73,983	\$ 60,865	\$ 13,118	22%

Total net revenue for the three months ended June 30, 2022 and 2021 was \$20.0 million and \$23.1 million, respectively, a decrease of approximately \$3.1 million or 14%. Our Semiconductor results for the third quarter of fiscal 2022 reflect the closure of our Shanghai manufacturing facility, which partially reopened in mid-May and fully reopened on June 1, 2022. The decrease in production from the Shanghai facility was partially offset by increased equipment shipments from our Billerica, Massachusetts facility. Material and Substrate revenue increased due to increased shipments of consumables resulting from capacity expansion and production increases by our customers.

Total net revenue for the nine months ended June 30, 2022 and 2021 was \$74.0 million and \$60.9 million, respectively, an increase of approximately \$13.1 million or 22%. Revenue from the Semiconductor segment increased \$9.3 million compared to the prior year period. This increase is primarily attributable to higher shipments across all

our semi platforms during the 2022 period resulting from increased semiconductor demand. Revenue from our Material and Substrate segment increased \$3.8 million due primarily to higher consumables sales in the 2022 period resulting from capacity expansion and production increases by our customers.

Orders and Backlog

New orders booked in the three and nine months ended June 30, 2022 and 2021 were as follows (dollars in thousands):

Segment	Three Months Ended June 30,				Nine Months Ended June 30,			
	2022	2021	Change	% Change	2022	2021	Change	% Change
Semiconductor	\$ 24,144	\$ 26,607	\$ (2,463)	(9) %	\$ 79,992	\$ 71,741	\$ 8,251	12 %
Material and Substrate	6,001	4,254	1,747	41 %	15,485	9,515	5,970	63 %
Total new orders	<u>\$ 30,145</u>	<u>\$ 30,861</u>	<u>\$ (716)</u>	(2) %	<u>\$ 95,477</u>	<u>\$ 81,256</u>	<u>\$ 14,221</u>	18 %

Our backlog as of June 30, 2022 and 2021 was as follows (dollars in thousands):

Segment	June 30,			
	2022	2021	Change	% Change
Semiconductor	\$ 58,344	\$ 32,388	\$ 25,956	80 %
Material and Substrate	4,387	1,907	2,480	130 %
Total backlog	<u>\$ 62,731</u>	<u>\$ 34,295</u>	<u>\$ 28,436</u>	83 %

As of June 30, 2022, four Semiconductor segment customers individually accounted for 19%, 15%, 12% and 12% of our backlog. No other customer accounted for more than 10% of our backlog as of June 30, 2022. The orders included in our backlog are generally credit approved customer purchase orders believed to be firm and are generally expected to ship within the next twelve months. Because our orders are typically subject to cancellation or delay by the customer, our backlog at any particular point in time is not necessarily representative of actual sales for future periods, nor is backlog any assurance that we will realize profit from completing these orders.

Gross Profit and Gross Margin

Gross profit is the difference between net revenue and cost of goods sold. Cost of goods sold consists of purchased material, labor and overhead to manufacture equipment and spare parts and the cost of service and support to customers for installation, warranty and paid service calls. Gross margin is gross profit as a percent of net revenue. Our gross profit and gross margin by business segment were as follows (dollars in thousands):

Segment	Three Months Ended June 30,				Nine Months Ended June 30,					
	2022	Gross Margin	2021	Gross Margin	Change	2022	Gross Margin	2021	Gross Margin	Change
Semiconductor	\$ 3,590	24 %	\$ 8,599	44 %	\$ (5,009)	\$ 21,507	35 %	\$ 22,604	43 %	\$ (1,097)
Material and Substrate	2,310	48 %	1,480	41 %	830	5,451	44 %	2,715	31 %	2,736
Total gross profit	<u>\$ 5,900</u>	30 %	<u>\$ 10,079</u>	44 %	<u>\$ (4,179)</u>	<u>\$ 26,958</u>	36 %	<u>\$ 25,319</u>	42 %	<u>\$ 1,639</u>

Gross profit for the three months ended June 30, 2022 and 2021 was \$5.9 million (30% of net revenue) and \$10.1 million (44% of net revenue), respectively, a decrease of \$4.2 million. Our gross margins can be affected by capacity utilization and the type and volume of machines and consumables sold each quarter. Gross margin on products from our Semiconductor segment decreased compared to the three months ended June 30, 2021, due to the above-mentioned closure of our Shanghai manufacturing facility. This closure resulted in decreased utilization during the period as we continued to pay our employees while ceasing production entirely for the first eight weeks of the third quarter of fiscal 2022. Gross margin on products from our Material and Substrate segment increased compared to the three months ended June 30, 2021, due to higher consumables sales, which have higher margins than our equipment, and increased capacity utilization. We are experiencing increased material costs across all of our segments and expect this trend to continue through at least the end of fiscal 2022. In response to such increased costs, we continually review our pricing plans and supplier agreements, with the objective of passing these increased costs to

our customers where possible; however, we continue to experience pricing pressure from our customers. Additionally, we have experienced rising labor costs across our divisions, and we expect this trend to continue, as the labor markets in which we operate remain competitive.

Gross profit for the nine months ended June 30, 2022 and 2021 was \$27.0 million (36% of net revenue) and \$25.3 million (42% of net revenue), respectively, an increase of \$1.6 million. Gross margin on products from our Semiconductor segment decreased compared to the nine months ended June 30, 2021, due primarily to lower shipments from our Shanghai facility due to the government shutdown. Gross margin on products from our Material and Substrate segment increased compared to the nine months ended June 30, 2021, due primarily to improved capacity utilization resulting from higher consumable sales slightly offset by increased material costs.

Selling, General and Administrative

Selling, general and administrative expenses (“SG&A”) consists of the cost of employees, consultants and contractors, facility costs, sales commissions, shipping costs, promotional marketing expenses, legal and accounting expenses and bad debt expense.

SG&A expenses for the three months ended June 30, 2022 and 2021 were \$7.2 million and \$7.3 million, respectively. SG&A decreased slightly compared to the prior year quarter due primarily to a reduction in commissions due to lower sales in the fiscal 2022 period partially offset by an increase in employee-related expenses.

SG&A expenses for the nine months ended June 30, 2022 and 2021 were \$21.0 million and \$18.2 million, respectively. SG&A increased compared to the prior year period due primarily to increases in freight of approximately \$1.8 million, driven by higher revenues and increased shipping rates, and \$1.5 million of additional employee-related expenses.

Research, Development and Engineering

Research, development and engineering (“RD&E”) expenses consist of the cost of employees, consultants and contractors who design, engineer and develop new products and processes as well as materials and supplies used in producing prototypes. RD&E expenses may vary from period to period depending on the engineering projects in process. Expenses related to engineers working on strategic projects or sustaining engineering projects are recorded in RD&E. However, from time to time we add functionality to our products or develop new products during engineering and manufacturing to fulfill specifications in a customer’s order, in which case the cost of development, along with other costs of the order, are charged to cost of goods sold. Occasionally, we receive reimbursements through governmental research and development grants which are netted against these expenses when certain conditions have been met.

RD&E expense, net of grants earned, for the three months ended June 30, 2022 and 2021 were \$1.6 million and \$1.5 million, respectively, and \$5.0 million and \$4.6 million in the nine months ended June 30, 2022 and 2021. The increase during the nine-month period is due to the timing of purchases related to specific strategic-development projects at our Semiconductor segment. Grants earned are immaterial in all periods presented.

Severance Expenses

There was no severance expense recorded in the three and nine months ended June 30, 2022. We recorded severance expense of \$71,000 in the three and nine months ended June 30, 2021. These one-time charges were the result of staff reductions at our Massachusetts operations as we evaluated staffing across our Semiconductor operations.

Income Taxes

Our effective tax rate is generally higher than the statutory rate due to the geographic mix of profit among the foreign and domestic jurisdictions in which we operate. For the three months ended June 30, 2022 and 2021, we recorded income tax expense of \$20,000 and \$0.7 million, respectively. For the nine months ended June 30, 2022 and 2021, we recorded income tax expense of \$0.8 million and \$1.3 million, respectively. Tax expense for the nine months ended June 30, 2021, includes a benefit of approximately \$0.3 million related to the reversal of previously recorded uncertain tax positions. The quarterly income tax provision is calculated using an estimated annual effective tax rate, based upon expected annual income, permanent items, statutory rates and planned tax strategies in the various jurisdictions in which we operate. However, losses in certain jurisdictions and discrete items are excluded from the determination of the estimated annual effective tax rate.

Generally accepted accounting principles of the United States ("GAAP") require that a valuation allowance be established when it is "more likely than not" that all or a portion of deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including a company's performance, the market environment in which the company operates and the length of carryback and carryforward periods. According to those principles, it is difficult to conclude that a valuation allowance is not needed when the negative evidence includes cumulative losses in recent years. Based on the consideration of all available evidence, we have concluded that we will maintain a full valuation allowance for all net deferred tax assets related to the carryforwards of U.S. net operating losses and foreign tax credits. We will continue to monitor our cumulative income and loss positions in the U.S. and foreign jurisdictions to determine whether full valuation allowances on net deferred tax assets are appropriate. We expect to pay minimal U.S. federal cash taxes for the foreseeable future as a result of our U.S. net operating losses that are carried forward.

Our future effective income tax rate depends on various factors, such as the amount of income (loss) in each tax jurisdiction, tax regulations governing each region, non-tax deductible expenses incurred as a percent of pre-tax income and the effectiveness of our tax planning strategies.

Liquidity and Capital Resources

The following table sets forth for the periods presented certain consolidated cash flow information (in thousands):

	Nine Months Ended June 30,	
	2022	2021
Net cash provided by (used in) operating activities	\$ 5,090	\$ (2,772)
Net cash provided by (used in) investing activities	19,583	(5,872)
Net cash (used in) provided by financing activities	(8,855)	864
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(441)	(250)
Net increase (decrease) in cash, cash equivalents and restricted cash	15,377	(8,030)
Cash and cash equivalents, beginning of period	32,836	45,070
Cash, cash equivalents and restricted cash, end of period	<u>\$ 48,213</u>	<u>\$ 37,040</u>

Cash and Cash Flow

The increase in cash and cash equivalents from September 30, 2021 of \$15.4 million was primarily due to the sale of the property in Massachusetts. We maintain a portion of our cash and cash equivalents in Renminbis, a Chinese currency, at our operations in China; therefore, changes in the exchange rates have an impact on our cash balances.

Our working capital was \$77.0 million as of June 30, 2022 and \$65.8 million as of September 30, 2021. The increase in working capital occurred primarily due to increases in cash from the sale of the Billerica property as well as increases in inventory balances and related accounts payable in preparation to meet our shipment schedules for the next four quarters. Our ratio of current assets to current liabilities was 4.3:1 as of June 30, 2022, and 5.4:1 as of September 30, 2021.

During periods of weakening demand, we typically generate cash from operating activities. Conversely, we are more likely to use operating cash flows for working capital requirements during periods of higher growth. The success of our growth strategy is dependent upon the availability of additional capital resources on terms satisfactory to management. Our sources of capital in the past have included the sale of equity securities, which includes common stock sold in private transactions and public offerings, long-term debt and customer deposits. There can be no assurance that we can raise such additional capital resources when needed or on satisfactory terms. We believe that our principal sources of liquidity discussed above are sufficient to support operations for at least the next twelve months. We have never paid dividends on our common stock.

Cash Flows from Operating Activities

Cash provided by our operating activities was approximately \$5.1 million for the nine months ended June 30, 2022, compared to \$2.8 million of cash used in operating activities for the nine months ended June 30, 2021. During the nine months ended June 30, 2022, we received several large customer deposits, primarily related to orders of our horizontal diffusion and high temp furnaces, which are expected to ship over the next two quarters. During the 2022 period, our accounts receivable collections exceeded new accounts receivable, primarily due to the shutdown of our Shanghai facility. During the nine months ended June 30, 2021, we increased our inventory balances in preparation for shipments scheduled for the fourth quarter of fiscal 2021 and the first quarter of fiscal 2022. Additionally, our accounts receivable increased during this period as most of our shipments occurred late in the third quarter and our customers generally have payment terms of 60-90 days.

Cash Flows from Investing Activities

For the nine months ended June 30, 2022, cash provided by investing activities was \$19.6 million, compared to \$5.9 million of cash used in investing activities for the nine months ended June 30, 2021. The fiscal 2022 amount consists of \$19.9 million in proceeds from the sale of our real property in Billerica, Massachusetts as well as \$0.3 million of capital expenditures. The fiscal 2021 amount includes \$5.1 million net cash paid for the acquisition of Intersurface Dynamics in addition to \$0.8 million of cash used for capital expenditures. We expect capital expenditures to increase throughout fiscal 2022 as we make targeted investments in our IT systems.

Cash Flows from Financing Activities

For the nine months ended June 30, 2022, \$8.9 million of cash used in financing activities was comprised of \$4.1 million of cash used for the repurchase of common stock and payments on long-term debt of \$4.9 million, partially offset by \$0.1 million of proceeds received from the exercise of stock options. Payments in long-term debt include the full repayment of the \$4.5 million mortgage balance on the real property in Billerica, Massachusetts. For the nine months ended June 30, 2021, \$0.9 million of cash provided by financing activities was comprised of approximately \$1.1 million of proceeds received from the exercise of stock options, partially offset by payments on long-term debt of \$0.3 million.

Off-Balance Sheet Arrangements

As of June 30, 2022, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K promulgated by the SEC that have or are reasonably likely to have a current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations

Unrecorded purchase obligations were \$24.4 million as of June 30, 2022, compared to \$17.0 million as of September 30, 2021, an increase of \$7.4 million. This increase is primarily attributable to investments made for

inventory required to fulfill increased orders for upcoming shipments as well as strategic inventory purchases of long-lead time items.

Other than the repayment of the mortgage on the Billerica, Massachusetts property and the increase in purchase obligations, there were no other material changes to the contractual obligations included in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2021 Form 10-K.

Critical Accounting Policies

"Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report discusses our condensed consolidated financial statements that have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the condensed consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, income taxes, inventory valuation and inventory purchase commitments, and indefinite-lived assets. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. The results of these estimates and judgments form the basis for making conclusions about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

A critical accounting policy is one that is both important to the presentation of our financial position and results of operations, and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. These uncertainties are discussed in Part I, Item 1A of our 2021 Form 10-K. We believe our critical accounting policies relate to the more significant judgments and estimates used in the preparation of our consolidated financial statements.

We believe the critical accounting policies discussed in the section entitled "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in our 2021 Form 10-K represent the most significant judgments and estimates used in the preparation of our consolidated financial statements. There have been no significant changes in our critical accounting policies during the nine months ended June 30, 2022.

Impact of Recently Issued Accounting Pronouncements

For discussion of the impact of recently issued accounting pronouncements, see "Part I, Item 1. Financial Information" under "Impact of Recently Issued Accounting Pronouncements."

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and, therefore, are not required to provide the information requested by this Item.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), has carried out an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2022, pursuant to Exchange Act Rules 13a-15(e) and 15(d)-15(e). Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, our CEO and CFO have concluded that as of such date, our disclosure controls and procedures in place were effective.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third fiscal quarter to which this report relates that materially affected, or are reasonably likely to materially affect, the internal control over financial reporting of the Company.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For discussion of legal proceedings, see Note 10 to our condensed consolidated financial statements under “Part I, Item 1. Financial Information” under “Commitments and Contingencies” of this Quarterly Report.

Item 1A. Risk Factors

We refer you to documents filed by us with the SEC, specifically “Item 1A. Risk Factors” in our 2021 Form 10-K, which identifies important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled “Cautionary Statements Regarding Forward-Looking Statements” immediately preceding “Item 1. Condensed Consolidated Financial Statements” of this Quarterly Report. This Quarterly Report, including the accompanying condensed consolidated financial statements and related notes, should be read in conjunction with such risks and other factors for a full understanding of our operations and financial condition. The risks described in our 2021 Form 10-K and any described herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. Except as set forth below, there have been no material changes to the risk factors previously disclosed in our 2021 Form 10-K.

The extended closure of our Shanghai manufacturing facility as a result of the Chinese government’s mandatory shutdown of Shanghai may have an adverse impact on our operations, including among others, our ability to manufacture products from that location and meet customer demand and other contractual requirements, and may have an adverse impact on our business, financial condition and results of operations.

On March 28, 2022, the Chinese government issued a mandatory shutdown in Shanghai, the location of one of our manufacturing facilities. The factory was allowed to partially reopen in May 2022 and fully reopened on June 1, 2022. After the reopening on June 1, 2022, the factory was able to operate at near full capacity for the entire month of June. We estimate it will take at least two quarters to make up the shipments missed during the third quarter of fiscal 2022 as we work through our production, supply chain and logistics backlog. Additionally, there can be no assurance that we will be allowed to remain open on a consistent basis. If additional shutdowns occur in the future or if we are unable to establish manufacturing alternatives, our business, financial condition and results of operations may be adversely impacted.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

On February 10, 2022, the Board approved a stock repurchase program, pursuant to which the Company may repurchase up to \$5 million of its outstanding Common Stock over a one-year period, commencing on February 16, 2022. Repurchases under the program will be made in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in compliance with the rules and regulations of the Securities and Exchange Commission; however, the Company has no obligation to repurchase shares and the timing, actual number, and value of shares to be repurchased is subject to management’s discretion and will depend on the Company’s stock price and other market conditions. The Company may, in the sole discretion of the Board, terminate the repurchase program at any time while it is in effect. Repurchased shares may be retired or kept in treasury for further issuance.

During the three months ended June 30, 2022, we did not repurchase any of our equity securities nor did we sell any equity securities that were not registered under the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT NO.	EXHIBIT DESCRIPTION	FORM	INCORPORATED BY REFERENCE			FILED HEREWITH
			FILE NO.	EXHIBIT NO.	FILING DATE	
10.1 ^{†*}	Purchase and Sale Agreement dated April 15, 2022, between BTU International, Inc. and Rhino Capital Advisors LLC					X
10.2	First Amendment to Purchase Agreement dated June 22, 2022, between BTU International, Inc. and MCP III 23 Esquire LLC					X
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as Amended					X
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as Amended					X
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.PRE	Inline Taxonomy Presentation Linkbase Document					X
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Label Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

[†] Certain confidential information contained in this agreement has been omitted because it (i) is not material and (ii) would be competitively harmful if publicly disclosed.

* Exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K and will be furnished on a supplemental basis to the Securities and Exchange Commission upon request.

SIGNATURES

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

AMTECH SYSTEMS, INC.

By /s/ Lisa D. Gibbs
Lisa D. Gibbs
Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

Dated: August 15, 2022

Certain material (indicated by three asterisks in brackets [***]) has been omitted from this document because it is both (1) not material and (2) would be competitively harmful if publicly disclosed

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (“Agreement”), dated as of April 15, 2022 (the “Effective Date”) is between BTU INTERNATIONAL, INC., a Delaware corporation, with an address of 23 Esquire road, Billerica, MA (“Seller”) and RHINO CAPITAL ADVISORS LLC, a Massachusetts limited liability company, with an address of 33A Commercial Wharf, Boston, MA 02110, or its nominee (hereinafter “Buyer”).

In consideration of the mutual undertakings and covenants herein contained, Seller and Buyer hereby covenant and agree as follows:

ARTICLE I. SALE OF LAND

1.1 Agreement to Buy and to Sell. Subject to the terms and conditions set forth in this Agreement, Seller agrees to sell, transfer and convey to Buyer, and Buyer agrees to purchase and accept from Seller, at the price and upon the terms and conditions set forth in this Agreement, the following real and personal property (collectively, the “Property”):

1.1.1 All that certain land (“Land”) and the 137,881 square feet of space (the “Building”) and all other improvements (“Improvements”) located thereon, in Billerica, Massachusetts, commonly known and numbered as 23 Esquire Road, Billerica, Massachusetts, as more particularly described in the deed recorded on May 11, 1976 at Book 2194, Page 104 with the Middlesex North Registry of Deeds, and on Exhibit A attached hereto, together with all privileges, rights, covenants, easements and other appurtenances belonging to the Land, and all right, title and interest (if any) of Seller in and to any streets, curbing, sidewalks, walkways, alleys, passages, and other rights-of-way or appurtenances included in, adjacent to or used in connection with the Land (the Land, the Building and the Improvements being hereinafter collectively referred to as the “Real Property”);

1.1.2 All fixtures, equipment, furniture, furnishings, and appliances attached to the Improvements, or otherwise owned by Seller and located within the Real Property and used exclusively in connection with the operation and maintenance of the Real Property (but specifically excluding any furniture, trade fixtures, equipment and appliances used in connection with Seller’s or Compass’s business located on the Real Property, including, without limitation, those items listed on Exhibit B-1, attached hereto) (the “Tangible Personalty”) with such Tangible Personalty to exclude those items listed on Exhibit B-2 attached hereto;

1.1.3 All of Seller’s right, title and interest, if any, in all intangible assets of any nature relating to the Land, the Improvements, and the Tangible Personalty, including without limitation, all of Seller’s right, title and interest in all (i) warranties and guaranties relating to the Improvements or Tangible Personalty, if any, (ii) all entitlements, permits, and approvals, and (iii) all plans, specifications and construction documents, in each case only to the extent that Seller may legally transfer the same, to the extent in Seller’s possession or control (the “Intangible Personalty”). For absence of doubt, the parties will work together in good faith to determine and agree as to whether the existing environmental insurance policy issued on March 6, 2015 related

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to the Property (the "Insurance Policy") will be modified to name the Buyer, its Lender or any assigns as "named insureds" at closing or otherwise, all subject to any approvals or consents required by the insurer under such policy. For purposes of this Section 1.1.3, the Insurance Policy is excluded from the Intangible Personalty.

ARTICLE II. PURCHASE PRICE

2.1 Purchase Price. The purchase price for the Property (the "Purchase Price") is Twenty-One Million Five Hundred Thousand and 00/100 Dollars (\$21,500,000.00), to be paid by Buyer to Seller, subject to the terms and conditions hereinafter set forth.

2.2 Deposit. On the first business day following execution of this Agreement, Buyer shall deliver to Stewart Title Guaranty Company, Attn: David G. Baghdady, David.Baghdady@stewart.com and (203) 612-9248 ("Escrow Agent"), in immediately available funds, to be held in escrow and delivered in accordance with this Agreement, a refundable cash deposit in the amount of Five Hundred Thousand and 00/100 Dollars (\$500,000.00) (the "Deposit"). The Deposit shall be non-refundable to Buyer except in the event of a Seller default under Section 10.3 of this Agreement or as otherwise specifically provided elsewhere in this Agreement. The Deposit shall be held by the Escrow Agent in a non-interest-bearing account.

2.3 Payment at Closing. At the Closing (defined below), Buyer shall pay the balance of the Purchase Price by wire transfer pursuant to written instructions provided by Seller, and the Deposit shall be applied against the Purchase Price.

2.4 Payment of Monies. All monies payable under this Agreement at the time of the Closing, unless otherwise specified, shall be paid by wire transfer of immediately available funds.

2.4.1 Escrow Terms. (a) If for any reason the Closing does not occur and either party makes a written demand upon Escrow Agent for delivery of the Deposit, Escrow Agent shall give written notice to the other party of such demand. If Escrow Agent does not receive a written objection from the other party to the proposed payment within three (3) days after the giving of such notice, Escrow Agent is hereby authorized to make such delivery or payment. If Escrow Agent does receive such written objection within such three (3) day period, or if for any other reason Escrow Agent in good faith shall elect not to make such payment, Escrow Agent shall continue to hold the Deposit until it shall have received joint written instructions from the parties to this Agreement or an order from a court of competent jurisdiction but after the expiration of any appeal period provided there has been no filing of an appeal. Escrow Agent shall in addition have the right at any time to tender the Deposit to the clerk of a proper Massachusetts court. Escrow Agent shall give written notice of such court deposit to Seller and Buyer. Upon such deposit Escrow Agent shall be relieved and discharged of all further obligations and responsibilities hereunder.

(b) The parties acknowledge that Escrow Agent is acting solely as a stakeholder at their request and for their convenience, that Escrow Agent shall not be deemed to be the agent of either of the parties, and that Escrow Agent shall not be liable to either of the parties for any act or

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omission on its part unless taken or suffered in bad faith, in willful disregard of this Agreement or involving negligence. Seller and Buyer shall jointly and severally indemnify and hold Escrow Agent harmless from and against all costs, claims and expenses, including reasonable attorneys' fees, incurred in connection with the performance of Escrow Agent's duties hereunder, except with respect to actions or omissions taken or suffered by Escrow Agent in bad faith, in willful disregard of this Agreement or involving negligence on the part of Escrow Agent.

(c) Escrow Agent has acknowledged agreement to these provisions by signing in the place indicated on the signature page of this Agreement.

(d) Escrow Agent is hereby designated as the "real estate reporting person" for purposes of Section 6045 of Title 26 of the United States Code and Treasury Regulation 1.6045-4 and any instructions or settlement statement prepared by Escrow Agent shall so provide. Upon the consummation of the transaction contemplated by this Agreement, Escrow Agent shall file a Form 1099 information return and send the statement to Seller as required under the aforementioned statute and regulation. Seller and Buyer shall promptly furnish their federal tax identification numbers to Escrow Agent and shall otherwise reasonably cooperate with Escrow Agent in connection with Escrow Agent's duties as real estate reporting person.

ARTICLE III.
BUYER'S DUE DILIGENCE REVIEW

3.1 Title. Buyer acknowledges that it has received a title commitment with a commitment date of January 4, 2022, file No. 2022RHINOESQUIRE ("Existing Title Commitment") issued by Continental Law Group LLC as title agent for Stewart Title Guaranty Company (the "Title Company"). Within ten (10) Business Days following the Effective Date, Buyer shall obtain an updated title commitment ("Updated Title Commitment") from the Title Company with such conditions and at such rates as are standard within the title insurance industry for a similar property in Middlesex County, Massachusetts.

3.2 Survey. Buyer acknowledges that it has employed Allen & Major Associates, Inc., as surveyor, and has received a draft ALTA survey ("Survey") performed on the property. Within ten (10) Business Days following the Effective Date, Buyer may, at Buyer's sole expense, request an updated Survey. 3.3 Title Examination.

3.3.1 Permitted Title Exceptions. The title to the Property shall be free from all encumbrances, except:

- (a) provision of existing building and zoning laws;
 - (b) the standard exceptions as are found in an ALTA Owner's Policy of Title Insurance;
 - (c) real estate taxes for the then current fiscal year as are not due and payable on or before the Closing;
-

Certain material (indicated by three asterisks in brackets [***]) has been omitted from this document because it is both (1) not material and (2) would be competitively harmful if publicly disclosed

(d) any liens for municipal betterments or special assessments assessed after the Closing; and

(e) those Schedule B, Part I exceptions numbered five (5) through fourteen (14), inclusive, contained in the Loan Policy of Title Insurance issued by Commonwealth Land Title Insurance Company on March 31, 2006 a copy of which has been delivered to Buyer prior to the Effective Date.

The encumbrances referenced in clauses (a) through (e) above, other than any Monetary Liens (hereinafter defined) shall be collectively referred to herein as the “Permitted Title Exceptions”. As used herein, the term “Monetary Liens” shall mean any mortgage, deed of trust, financing statement, mechanics’ or materialmens’ lien or other lien securing the payment of money. The amount of any past due unpaid taxes, assessments, water charges and sewer charges which Seller is obligated to pay and discharge, with the interest and penalties thereon at the time of the Closing, may at the option of Seller be paid out of the balance of the Purchase Price at the Closing, provided official bills therefor with interest and penalties thereon figured to said date are furnished by Seller at the Closing in form and substance satisfactory to Buyer’s counsel and the Title Company if Seller elects to pay such items prior to Closing, and Seller shall produce paid receipts satisfactory to Title Company and Buyer’s counsel at the Closing. Any outstanding Monetary Liens shall be paid in full at the Closing by closing counsel for the Title Company from Seller’s proceeds pursuant to written payoff letter(s) reasonably acceptable to Title Company, and discharges for said Monetary Liens may be procured within a reasonable time after the delivery of the Deed in accordance with Massachusetts conveyancing practices. The existence of any such taxes or charges shall not be deemed objections to title if Seller shall comply with the foregoing requirements.

3.3.2 Within five (5) days following Buyer’s receipt of both the Updated Title Commitment obtained pursuant to Section 3.1 and any update of the Survey obtained by Buyer pursuant to Section 3.2 (if obtained), Buyer shall have the right to object to any new title or survey matters (for absence of doubt, “new” title or survey matters shall mean those which first appear in the Updated Title Commitment or the updated Survey and were not set forth in the Existing Title Commitment or the existing Survey) and which are not Permitted Title Exceptions, by giving notice thereof (a “Title Defect Notice”) to Seller. Seller and Buyer acknowledge that any such Title Defect Notice will supplement the Buyer’s original Title Defect Notice dated February 14, 2022 and attached hereto as Exhibit X (the “Original Title Defect Notice”). Any such title exceptions or survey matters shall be referred to herein as a “Title Objection”. Any matter not objected to by Buyer in writing within the applicable required time frame shall be deemed waived by Buyer and shall be deemed to be a Permitted Title Exception. Notwithstanding anything to the contrary in this Agreement, Seller shall be obligated, on or before the Closing to discharge and remove of record at its expense all Monetary Liens. Seller shall be allowed until Closing to cure any Title Objection not constituting Monetary Liens but will be under no obligation to do so. Within five (5) days of receipt of Buyer’s Title Defect Notice, Seller shall advise Buyer in writing if Seller elects to remove or cause to be removed any Title Objections not constituting Monetary Liens at its expense on or before the Closing. Seller’s response will supplement the Seller’s response to the Original Title Defect Notice submitted on February 18, 2022 and attached hereto as Exhibit Y. If Seller’s written response indicates that Seller will not remove or cause to be

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removed some or all of the Title Objections not constituting Monetary Liens as described in Buyer's Title Defect Notice, or if Seller fails to respond to timely respond to the Title Defect Notice, Buyer may (A) terminate this Agreement by written notice to Seller and Escrow Agent within five (5) days of receipt of such notice, the Deposit shall be immediately returned to Buyer, and the parties shall have no further rights or obligations hereunder; or (B) waive such Title Objections, in which event such Title Objections shall be deemed Permitted Title Exceptions and the Closing shall occur as herein provided without any reduction of or credit against the Purchase Price. If Seller fails to timely respond to Buyer's Title Defect Notice, Seller shall be deemed to have elected to not remove or cause to be removed any Title Objection not constituting Monetary Liens at its expense on or before the Closing. If Seller, after due and diligent efforts, is unable to remove any Title Objection it has committed to remove prior to the Closing, Buyer may, at its sole discretion, elect either to (x) terminate this Agreement by notice to Seller, in which event this Agreement shall terminate and the Deposit shall be paid to Buyer and, thereafter, the parties shall have no further rights or obligations hereunder, (y) waive such Title Objections, in which event such Title Objections shall be deemed Permitted Title Exceptions and the Closing shall occur as herein provided without any reduction of or credit against the Purchase Price or (z) extend the Closing (not to exceed thirty (30) calendar days) in order to provide Seller additional time in which to attempt to remove any such Title Objections. The provisions of the preceding sentence shall not be construed or interpreted so as to permit Seller to avoid removing any Monetary Lien and/or any unpaid taxes, assessments, water charges and sewer charges which Seller is obligated to pay and discharge, with the interest and penalties thereon which, pursuant to the terms of this Agreement, are required to be removed by Seller prior to or concurrently with the Closing.

3.3.3 If on the Closing Date, as the same may be extended pursuant to the terms hereof, there are any Monetary Liens that Seller is required to remove or Title Objections that Seller has committed to remove as provided herein, Seller shall remove the same at the Closing to the reasonable satisfaction of Buyer. If the Closing occurs, Seller may use the proceeds of the Purchase Price to remove Monetary Liens and/or Title Objections provided that any lien release excepting discharges of mortgages from institutional lenders securing an outstanding monetary balance is recorded at the time of Closing.

3.4 Buyer's Due Diligence Review. Buyer hereby confirms and acknowledges that prior to the Effective Date it has had an opportunity to review all documents, records and other information relating to the Property delivered to Buyer which were in Seller's possession and delivered to Buyer. Buyer further confirms and acknowledges that its employees, agents, consultants, attorneys, prospective investors, lenders and other advisors working on Buyer's behalf have had an opportunity to inspect, examine, test, appraise, and survey the Property as Buyer deemed necessary or desirable, including, but not limited to, investigations of the physical and environmental condition thereof and to determine the status of the Real Property. Further, Buyer was afforded the right to assess the physical condition of the Property and conduct non-invasive physical or environmental inspections of the Property at Buyer's sole expense, including environmental inspections necessary to complete a so-called "Phase 1" Environmental Site Assessment. Based upon the foregoing inspection, investigations, and due diligence, Buyer hereby accepts the physical and environmental condition of the Property.

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3.4.1 Except as otherwise expressly provided in Article 4, below, or in the Deed or any other documents executed and delivered by Seller in connection with the transaction contemplated by this Agreement, Seller disclaims the making of any covenants, representations, or warranties, express or implied, regarding the Property or matters affecting the Property, including, without limitation, the value of the Property, the income to be derived from the Property, the physical condition of the Real Property, title to or the boundaries of the Real Property, pest control matters, soil condition, hazardous waste, toxic substance or other environmental matters, compliance with building, health, safety, land use and zoning laws, regulations and orders, structural and other engineering characteristics, traffic patterns, the rentable square footage of the Property, and any other matters which may be or could have been the subject of Buyer's due diligence review, investigations, or inspections. Buyer, moreover, acknowledges and agrees that (a) Seller did not develop or construct the Property; (b) Buyer is a sophisticated investor, knowledgeable and experienced in the financial and business risks attendant to an investment in real property and capable of evaluating the merits and risks of entering into this Agreement and purchasing the Property; (c) Buyer has entered into this Agreement with the intention of making and relying upon its own (or its experts') reviews, investigations, and inspections of the physical, environmental, economic and legal condition of the Property, including, without limitation, the mechanical, electrical, HVAC and other systems, and any other documents relating to the Property, the compliance of the Property with laws and governmental regulations, the operation of the Property and all other matters which may be or could have been the subject of Buyer's due diligence review, investigations, or inspections, and at Closing Buyer shall be deemed to be on notice of all such matters; and (d) Buyer is not relying upon any covenants, representations, or warranties, other than those set forth in the Deed, the other documents executed and delivered by Seller at the Closing, and those representations specifically set forth in Section 4.1, below, made by Seller or anyone acting or claiming to act on Seller's behalf concerning the Property. Buyer acknowledges and agrees that Seller does not guaranty the enforceability of any lease or contract, or the attainment of any income or expense projection. Buyer further acknowledges that it has not received from Seller any accounting, tax, legal, architectural, engineering, property management or other advice with respect to this transaction and is relying upon the advice of its own accounting, tax, legal, architectural, engineering, property management and other advisors. Subject to the provisions of the Deed and the other documents executed and delivered by Seller in connection with the Closing, including but not limited to the Lease, Buyer shall purchase the Property in its "AS IS" condition as of the date of this Agreement, and assumes the risk that adverse physical, environmental, economic or legal conditions may not have been revealed by its reviews, investigations, and inspections. Buyer's agreement to purchase the Property "AS IS" is a material inducement to Seller to agree to sell the Property at the Purchase Price provided herein. Seller shall have no obligation to repair, improve, or modify the Property prior to the Closing Date, and no liability for any subsequently discovered defects, whether latent or patent.

3.4.2 From and after the Closing Date, except as set forth herein and in the Lease, Buyer shall assume all risks with respect to the Property, known and unknown, suspected and unsuspected. Except as set forth herein, Buyer and its agents, employees, affiliates, successors and assigns, shall be solely liable for, and shall indemnify, defend and hold harmless Seller, its agents, employees, affiliates, successors and assigns from any and all claims, demands, causes of action, and liabilities, at law or in equity, including without limitation Environmental Laws, known or unknown, suspected or unsuspected, relating to personal injury, property damage, economic loss,

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or other damages suffered by Buyer or any third party on or after the Closing Date arising out of the physical, environmental, economic, legal or other condition of the Property (collectively referred to hereinafter as “Claims”), even if the proximate or legal cause of such Claims relate to a condition, known or unknown to Buyer, which was in existence prior to the Closing Date, except for [***]. Subject to the representations and warranties contained in this Agreement, the Deed and the other documents executed and delivered by Seller in connection with the Closing, effective as of the Closing Date, Buyer and its agents, employees, affiliates, successors, and assigns, knowingly and intentionally releases Seller and its agents, employees, affiliates, successors, and assigns, from any and all such Claims, known or unknown, suspected or unsuspected. Except as otherwise set forth herein, Buyer’s agreements herein to assume all risks with respect to the Property, and release and indemnify Seller with respect to all actual or potential Claims, are a material inducement to Seller to agree to sell the Property at the Purchase Price provided herein. [***]

3.4.3 Except as otherwise set forth in the Agreement, Buyer expressly assumes, at Closing, all liabilities under Environmental Laws with respect to the Property and, excepting instances of fraud, intentional misconduct or intentional misrepresentation(s), releases and indemnifies Seller from same. The term “Environmental Laws” means any federal, state or local law (including common law), code, ordinance, governmental order, and regulation: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient or indoor air, soil, soil-gas, surface water or groundwater, or subsurface strata) or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Substances. The term “Environmental Legal Requirement” includes the following (including their implementing regulations and any state analogs): CERCLA, the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq., the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq., the Toxic Substances Control Act of 1976, 15 U.S.C. §§ 2601 et seq., the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq., the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq., and the Occupational Safety and Health Act of 1970, 29 U.S.C. §§ 651 et seq., all as amended, and all other comparable federal, state or local environmental, conservation or protection laws, rules or regulations. All statements of fact or disclosures, if any, made in this Agreement or in connection with this Agreement, do not constitute warranties or representations of any nature. The term “Hazardous Substances” means any: (a) material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Legal Requirement or any of the foregoing to which Liability or standards of conduct may be imposed, or which requires or may require investigation under any applicable Environmental Legal Requirements, and (b) petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos or asbestos-containing materials in any form, lead or lead-containing materials, urea formaldehyde foam insulation, per- or poly-fluoro alkyl substances and polychlorinated biphenyls. The foregoing provisions 3.4.1, 3.4.2 and 3.4.3 shall survive Closing and shall not be deemed merged into any instrument of conveyance delivered at Closing.

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3.5 Negotiation of BTU Lease. During the period between the Effective Date and the Closing Date, Buyer, as landlord, and Seller, as tenant, shall negotiate and agree upon a commercially reasonable final form of lease for the Property which lease shall be based upon market “absolute triple net” lease terms for a term of two (2) years at a base rent of One Million Five Hundred Thousand and 00/100 Dollars (\$1,500,000.00) per year (the “BTU Lease”). The BTU Lease shall contain a provision whereby Buyer consents to (i) the termination of the Compass Lease (the “Existing Lease Termination”) as of the date of Closing, and (ii) a commercially reasonable sublease between Seller, as Sublessor, and Compass, as Sublessee (the “Sublease”).

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

4.1 Effective Date of Representations. Seller represents that the following matters are true and correct as of the signing of this Agreement with respect to the Property and shall be true and correct as of the Closing Date. Notwithstanding the foregoing, if Seller provides Buyer with written notice that a representation or warranty contained in this Article IV is not true at Closing, Seller’s representations shall be deemed modified to the extent of such disclosure.

4.2 Existence. Seller is a duly organized, validly existing corporation under the laws of Delaware duly authorized to conduct business in the Commonwealth of Massachusetts.

4.3 Ability to Perform. Seller has full right, power and authority to execute, deliver and consummate the transaction contemplated under this Agreement including, without limitation, conveying a fee simple interest in the Property to Buyer without obtaining any further consents or approvals from, or the taking of any other actions with respect to, any third parties. The person signing this Agreement on behalf of Seller is authorized to do so.

4.4 No Impediments. There are no threatened or pending actions, suits, arbitration, unsatisfied orders or judgments, government investigations or proceedings by or affecting Seller or the Property, which affect title to the Property or which question the validity or enforceability of this Agreement, or of any action taken by Seller under this Agreement, in any court or before any governmental authority, domestic or foreign.

4.5 No Conflict. The execution, delivery and performance of this Agreement by Seller does not and will not conflict with or result in a breach of or default under the organizational documents of Seller, and does not and will not result in a breach of any condition or provision of, or constitute a default under, or result in the acceleration, creation or imposition of any lien, charge or encumbrance upon the Property by reason of the terms of any contract, lease, mortgage, lien, agreement, indenture, instrument, decree or judgment to which the Seller is a party or which is binding upon Seller or which affects the Property and, in each case, will not be extinguished in connection with the Closing.

4.6 Lease; Tenants. There are no leases, licenses or other rental agreements or occupancy agreements (written or verbal) which grant any possessory interest in the Property or

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that otherwise give rights with regard to the use of the Property, except for that certain Lease Agreement by and between Seller and Compass Packaging Solutions, Inc. (“Compass”) dated January 31, 2016, as amended by that Lease Addendum dated April 12, 2016, copies of which have been provided to Buyer prior to the Effective Date (the “Compass Lease”). The Compass Lease shall be terminated effective as of the Closing Date. Except for the Sublease and the BTU Lease to be executed at Closing, Seller shall not enter any rental or lease agreements for possession of any portion of the Property which grants possession either prior to or subsequent to Closing. The copy of the Compass Lease delivered by Seller to Buyer is a complete and accurate copy of the only written lease affecting the Property.

4.6.1 Seller has not delivered or received any written notice of termination or default under the Compass Lease, and to Seller’s knowledge there are no existing or uncured defaults. Compass has not asserted any defense, set-off, or counterclaim with respect to its tenancy or its obligation to pay rent, additional rent, and other charges pursuant to its lease. No tenant improvement work remains to be performed by the landlord under the Compass Lease, no tenant improvement allowance or portion thereof remains to be paid by the landlord under the Compass Lease, and there are no other monetary or nonmonetary concessions or inducements to be paid, credited or performed by the landlord under the Compass Lease.

4.6.2 Seller has not received any notice (whether written or oral) from Compass terminating the Compass Lease or advising Seller of Compass’s intention or desire to vacate its premises prior to the end of its current term or otherwise. Notwithstanding the foregoing, the parties acknowledge that the Compass Lease shall be terminated effective as of the Closing Date.

4.6.3 The Compass Lease is in full force and effect and has not been amended, terminated, renewed or extended in accordance with the terms of such lease. Notwithstanding the foregoing, the parties acknowledge that the Compass Lease shall be terminated effective as of the Closing Date.

4.6.4 As of the Closing, Seller has not pledged or otherwise hypothecated its interest as landlord under the Compass Lease, which pledge or hypothecation remains outstanding.

4.6.5 Compass is in possession of its premises.

4.7 Contracts. Exhibit E lists all outstanding service contracts, construction contracts, maintenance contracts, leasing commission contracts, management contracts, or any other contract made by Seller with respect to the Property.

4.8 Condemnation/Government Taking; Assessments. Seller has not received any written notice of pending or contemplated condemnation, eminent domain, government taking or annexation actions affecting the Property. To Seller’s knowledge, no assessments for public improvements have been made against the Property which are unpaid, including, without limitation, those for construction of sewer or water lines, streets, sidewalks, curbs or public transportation facilities (including railroad lines and railroad stations). Seller has not received any written notice of any proposed increase in the assessed valuation of the Property.

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4.9 Bankruptcy. Seller has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy, admitted in writing its inability to pay its debts as they come due or made an offer of settlement, extension or composition to its creditors generally. Seller has received no written notice of (a) the filing of an involuntary petition by Seller's creditors, (b) the appointment of a receiver to take possession of all, or substantially all, of Seller's assets, or (c) the attachment or other judicial seizure of all, or substantially all, of Seller's assets.

4.10 Compliance with Law. To Seller's knowledge, there exist no violations of any laws, rules and regulations relating and/or applicable to the ownership, use and operation of the Property as it is now operated, and/or other licenses or permits, including those relating to Hazardous Substances, which matter remains uncured.

4.11 No Right to Purchase. Except for the right of first offer set forth in the Compass Lease, which is more particularly set forth on Exhibit F attached hereto (the "Compass ROFO"), there exists no option, right of first refusal, or right of first offer relating to the Property. Compass has waived its rights under Compass ROFO, which waiver is attached hereto as Exhibit F-1 and which waiver has been extended pursuant to the Extension Letter attached hereto as Exhibit F-2.

4.12 Ownership of Fixtures. Seller owns all fixtures, appliances and equipment included in the sale of the Property, with full and complete ownership thereof being transferred to Buyer. To Seller's knowledge, there are no conditional sales or retail installment sales agreements applicable to any fixtures or personal property conveyed hereunder, which will be binding upon the Buyer subsequent to the Closing.

4.13 No Insurance Notice. Seller has not received any written notice from any insurance company or inspection or rating bureau setting forth any requirements as a condition to the continuation of any insurance coverage on or with respect to the Property or the continuation of such insurance coverage at the existing premium rates.

4.14 Liens. To Seller's knowledge, there are no sums due and owing for work and/or materials commissioned by Seller with respect to the Property and related improvements which could form the basis of a mechanic's lien pertaining to the Property and/or related improvements; there are no tax and/or water and sewer liens.

4.15 Actions Prior to Closing. That Seller will not take any action which will cause any of the foregoing representations and warranties to become untrue between the date hereof and the Closing Date.

4.16 Environmental Studies. Seller has made available to Buyer all material environmental site assessments relating to the Property which are in Seller's possession. Seller has not received written notice from any governmental authority regarding the presence or alleged presence of any Hazardous Substances on the Property that has not been resolved.

4.17 Litigation. Seller has not been threatened with or received notice of any legal action, suit or proceeding against the Seller affecting the Property before or by any federal or state court, commission, regulatory body, or administrative agency, domestic or foreign, which would,

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if determined adversely to Seller, materially and adversely affect the use or the value of the Property.

4.18 No Septic. The Property does not contain and is not serviced by a septic system.

4.19 No Options. Other than the Compass ROFO, Seller has not entered into any other contract or agreement (whether written or oral) to sell, assign, lease or otherwise transfer the Property or any part thereof, which is currently in effect, and there exists no outstanding option, right of first refusal, or right of first offer relating to the Property. Seller shall indemnify and hold harmless Buyer from and against all claims, actions, proceedings, losses and liabilities and expenses arising from or related to Compass ROFO, which indemnification for survive for a period of one (1) year following Closing.

4.19 Survival of Representations and Warranties. Seller's representations, warranties and agreements set forth in this Agreement shall survive the Closing or termination of this Agreement for a period of one (1) year. Seller acknowledges and agrees that Buyer is relying on the accuracy of the foregoing representations and warranties in entering into this Agreement and any inaccuracy in Seller's representations and warranties and/or Seller's failure to notify Buyer prior to the Closing Date of any inaccuracies therein shall be deemed a default by Seller under this Agreement

ARTICLE V.
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as follows:

5.1 Effective Date of Representations. Buyer represents that the following matters are true and correct as of the signing of this Agreement with respect to the Property and shall be true and correct as of the date of the Closing.

5.2 Existence. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts.

5.3 Authority. Buyer has full power to execute, deliver and carry out the terms and provisions of this Agreement and has taken all necessary action to authorize the execution, delivery and performance of this Agreement. The person signing this Agreement on behalf of Buyer is authorized to do so.

5.4 Bankruptcy. Buyer has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy, admitted in writing its inability to pay its debts as they come due or made an offer of settlement, extension or composition to its creditors generally. Buyer has received no written notice of (a) the filing of an involuntary petition by Buyer's creditors, (b) the appointment of a receiver to take possession of all, or substantially all, of Buyer's assets, or (c) the attachment or other judicial seizure of all, or substantially all, of Buyer's assets.

ARTICLE VI.
CLOSING CONDITIONS

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6.1 Conditions to the Buyer's Obligations to Close. The obligation of Buyer to consummate the transaction contemplated hereunder is contingent upon the following:

(a) Seller agrees to convey, and Buyer agrees to accept, full possession of the Property, subject only to the rights of Seller, as tenant under the BTU Lease, the rights of Compass under the Sublease, upon Closing and execution of the BTU Lease by good and sufficient quitclaim deed (the "Deed") running to the Buyer or Buyer's nominee, which Deed shall convey good and clear record and marketable title to the Property, insurable by a nationally recognized title insurer, free from encumbrances, except for Permitted Title Exceptions.

(b) As of the Closing Date, Seller shall have performed its obligations hereunder and all deliveries to be made on or before Closing (including, without limitation, pertaining to the Title V Inspection Requirements and delivery of the BTU Estoppel and BTU SNDA) have been tendered and the Deed shall have been duly recorded.

(c) Seller shall have removed and discharged the Monetary Liens (if any) and terminated or removed any Title Objections which Seller has agreed to remove and Buyer shall receive good, clear, record and marketable title to the Property free and clear of all liens and encumbrances other than the Permitted Title Exceptions.

(d) Subject to Seller's commencement of certain improvements and modifications to the Property described in Article IX hereof, the physical condition of the Property and the Tangible Personalty shall be substantially the same as that existing on the Effective Date, ordinary wear and tear excepted.

(e) Subject to any modifications thereof based upon Seller's disclosures between the Effective Date and the Closing Date, all of Seller's representations and warranties set forth in this Agreement shall be true and correct as of the Closing Date.

(f) There shall not have occurred between the Effective Date and the Closing Date, inclusive, destruction of or damage or loss to the Property (whether or not covered by insurance proceeds) from any cause whatsoever the cost of which to repair exceeds 10% of the Purchase Price. Seller shall promptly notify Buyer of any such damage, destruction or loss (irrespective of whether or not it exceeds such 10%), and, if applicable, Buyer shall have ten (10) Business Days after receipt of such notice in which to elect to terminate this Agreement and receive a refund of the Deposit. If Buyer in good faith estimates that the cost to repair will exceed such 10%, such estimate by Buyer shall be controlling for purposes of the foregoing, unless such estimate is manifestly unreasonable. If Buyer does not elect to terminate this Agreement within such period or is not so entitled to terminate this Agreement, then the parties shall proceed with the Closing in which case Seller shall initiate any appropriate claims for proceeds from the insurance policies covering such destruction or damage and facilitate the complete repair of such damage prior to the Closing or Buyer may elect to close prior to repair of any damage and accept from Seller an assignment of all sums recoverable on account of such insurance and Seller will pay to Buyer any deductible.

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(g) As a condition to Buyer's obligation to perform hereunder (and not as a default), that there shall not have occurred at any time or times on or before the Closing Date any taking or threatened taking of the Property or any material part thereof by condemnation, eminent domain or similar proceedings; provided, however, Buyer may elect to waive such condition in which case Seller shall assign to Buyer at Closing all of Seller's right, title and interest in and to any proceeds resulting from any such proceeding.

(h) Title to the Property is insurable for the benefit of the Buyer on a standard American Land Title Association form insurance policy currently in use by a title insurance company licensed to do business in the Commonwealth of Massachusetts, subject only to those printed exceptions to title normally included in the "jacket" to such form and to the Permitted Title Exceptions.

(i) The Property shall not be in violation of any state or municipal building or zoning laws, codes, ordinances, by-laws and the like.

(j) The parties shall have agreed upon the form of BTU Lease to be executed and delivered at Closing.

(k) Receipt of the Updated COIs (as hereinafter defined) from Seller.

(l) Receipt of the BTU Estoppel.

The Buyer shall be entitled to inspect said Property prior to the delivery of the deed in order to determine whether the condition thereof complies with the terms of this Agreement.

6.2 Conditions to the Seller's Obligations to Close. The obligation of Seller to consummate the transaction contemplated hereunder is contingent upon the following:

(a) Buyer having performed its obligations hereunder and having tendered all deliveries to be made on or before Closing, including, without limitation, delivery of the Purchase Price to the Title Company.

(b) All of Buyer's representations and warranties set forth herein shall be true and correct in all material respects.

(c) The parties shall have agreed upon the form of BTU Lease to be executed and delivered at Closing.

(d) Seller and Compass shall have agreed upon the form of termination of the Compass Lease and a new sublease between Seller and Compass, each to be executed and delivered in connection with Closing.

6.3 Outside Closing Date. Notwithstanding anything to the contrary contained in this Agreement, if, for any reason whatsoever, the Closing has not occurred on the date which is four (4) months following the Effective Date, then at any time thereafter, either party may, by notice to the other party and Escrow Agent, terminate this Agreement. In such event, the Escrow Agent

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shall immediately return the Deposit and any interest accrued thereon to Buyer and this Agreement shall terminate without further recourse to either party hereto.

6.4 Financing Contingency. Buyer's obligations under this Agreement are expressly contingent upon Buyer obtaining all necessary financing approvals and commitments from its lender(s) (collectively, the "Loan Approval") on or before 5:00 p.m. Eastern time on Friday, April 22, 2022 (the "Contingency Period"). In the event Buyer does not obtain the Loan Approval within the Contingency Period, then Buyer may terminate this Agreement by delivering written notice thereof to Seller, which notice must be delivered prior to the expiration of the Contingency Period and in such event, the Earnest Money shall be returned to Buyer. The Contingency Period shall automatically terminate and expire upon Buyer's receipt of the Loan Approval. For absence of doubt, if Buyer does not deliver written notice of termination of this Agreement to Seller prior to the end of the Contingency Period, then Buyer's right to terminate this Agreement shall automatically expire and the parties shall thereafter proceed to Closing in accordance with this Agreement.

ARTICLE VII.
OBLIGATIONS OF SELLER PRIOR TO CLOSING

Seller covenants that between the date of this Agreement and the Closing:

7.1 No Leases or Agreements. Except for the Sublease and the BTU Lease (each to be executed in conjunction with Closing), Seller shall not enter into any lease, license, occupancy agreement or other agreement (except as provided in Section 7.4.1(iv) below), or covenant relating to possession or occupancy or any right to use the Property.

7.2 Contracts. Seller shall not, without Buyer's written consent, enter into any new contract respecting the Property which shall be binding upon Buyer.

7.3 No Encumbrances. Seller shall not encumber the Property with any matter except such as may be approved by Buyer in its sole and absolute discretion.

7.4 Operation of Property.

7.4.1 Seller will (i) continue to operate, manage and maintain the Property through the Closing Date in accordance with the Seller's present practice, subject to ordinary wear and tear, (ii) not make any alterations or additions to the Property without first obtaining Buyer's written approval, except as may be required by law or as may reasonably be required for the prudent repair and maintenance of the Property, (iii) not cancel, amend or modify in any respect any certificate, license, approval or permit held by or on behalf of Seller with respect to the Property, and (iv) not enter into any new contract for maintenance or otherwise relating to the Property except for renewals on a short-term basis (cancellable upon forty-five (45) days' notice) only for any existing contracts coming due.

7.4.2 Seller will maintain until the Closing Date general commercial liability and fire and extended coverage insurance on the Property which is at least equivalent in all material respects to the insurance policies covering the Property as of the signing of this Agreement copies

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of certificates of such insurance covering the Property. All risk of loss shall remain with the Seller until the Closing.

7.4.3 Seller agrees not to transfer or remove any Tangible Personalty from the Property as of the signing of this Agreement except for repair or replacement thereof. Any items of Tangible Personalty which may be so repaired or replaced shall be promptly installed prior to Closing and shall be of substantially similar quality to the item of Tangible Personalty being replaced.

7.5 Notice. Seller shall, within five (5) business days of Seller's discovery, give Buyer reasonably detailed notice of: (1) any fire, flood or other materially adverse change with respect to the Property which Seller obtains knowledge; (2) any actual or proposed condemnation (or proceeding in lieu thereof); (3) any written notice received by Seller claiming that the Property or use and operation thereof fails to comply with applicable legal requirements; and (4) any written notice received by Seller concerning any pending or threatened litigation or administrative proceeding affecting the Property.

ARTICLE VIII. THE CLOSING

8.1 Closing. Except as otherwise provided in this Agreement, the consummation of the transactions contemplated by this Agreement (the "Closing") shall take place at 10:00 A.M. on the date that is sixty (60) days following the expiration of the Contingency Period (the "Closing Date"). The Closing shall take place as an escrow closing by Seller's delivery of the items under Sections 8.2 and 8.4 hereof to the Escrow Agent, Buyer's lender's counsel, or other mutually agreeable third party, on or in advance of the Closing. At the Closing, Buyer and Seller shall perform their respective obligations as set forth in Sections 8.2, 8.3 and 8.4 hereof, the performance of such obligations being concurrent conditions. In addition, Buyer and Seller shall execute such transfer statements and returns, closing statements, acknowledge and other ministerial instruments and take such further actions as may be reasonably necessary to complete the transactions contemplated by this Agreement. The recordation and filing of documents and instruments with registries of deeds and other government offices, and the transfer of the Purchase Price to Seller, shall be attended to by the Title Company pursuant to instructions provided jointly by Buyer and Seller or any other means reasonably satisfactory to Buyer and Seller.

8.1.1 Buyer Extension Right. Buyer shall have the right to extend the Closing for an additional fifteen (15) day period by providing written notice to Seller no later three (3) days prior to the Closing Date and delivering to Escrow Agent immediately available funds in the amount of Two Hundred Thousand and 00/100 Dollars (\$200,000.00) to be added to the Deposit.

8.1.2 Seller Extension Right. Seller shall have the right to extend the Closing for an additional fifteen (15) days by giving Buyer written notice thereof at least three (3) days prior to the Closing Date, so long as such extension does not result in the expiration of Buyer's financing commitment.

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8.2 Seller's Closing Deliveries. At the Closing, Seller shall deliver the following to Buyer:

(a) The Deed in recordable form properly executed by Seller conveying good and clear record and marketable title to the Real Property to Buyer in fee simple, subject to the Permitted Title Exceptions and in form acceptable to the Title Company.

(b) Such affidavits and indemnities as the Title Company may reasonably require in order to omit from its title insurance policy all exceptions for parties in possession (subject, however, to the BTU Lease and the Sublease), municipal liens (other than real estate taxes which are not yet due and payable) and mechanic's liens, and such evidence as Title Company may reasonably require as to the authority of the person, or persons, executing documents on behalf of Seller and a certificate of good standing for Seller.

(c) A certificate executed by Seller to the effect that all of the representations and warranties set forth in Article IV (subject to any modifications thereof based upon Seller's disclosures between the Effective Date and the Closing Date) are true and correct as of the Closing Date.

(d) Evidence reasonably acceptable to Buyer and Title Company as to the due authorization of the delivery of the Deed, including an executed and certified copy of the authorization of Seller's Board of Directors, shareholders, or manager(s), and other documents required by this Agreement to be executed by Seller.

(e) An affidavit duly executed by Seller stating that Seller is not a "foreign person" as defined in the Federal Foreign Investment in Real Property Tax Act of 1980 and the 1984 Tax Reform Act.

(f) A closing statement duly executed by Seller describing the sources and uses of funds in connection with the Closing.

(g) An assignment and assumption agreement, in the form attached hereto as Exhibit G, together with originals, or copies if originals are not available, of the items named therein, duly executed by Seller, which agreement will provide (A) Seller's assignment of, and Buyer's assumption of Tangible Personalty and Intangible Personalty; and (B) no representations and warranties from Seller other than as expressly set forth in this Agreement.

(h) A subordination, non-disturbance and attornment agreement, executed by Seller as tenant under the BTU Lease, in a commercially reasonable form provided by Buyer or Buyer's mortgagee (the "BTU SNDA").

(i) Tenant Estoppel. A tenant estoppel, executed by BTU, in a commercially reasonable form provided by Buyer, certifying (i) that the BTU Lease is unmodified and in full force and effect; (ii) the date upon which BTU began paying rent and the dates to which the rent and other charges have been paid; (iii) that BTU is not in default under any provision of the BTU Lease; (iv) BTU is in occupancy and paying rent on a current basis with no rental offsets or claims; (v) that there has been no prepayment of rent other than that provided for in the BTU Lease; (vi) that there

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are no actions, whether voluntary or otherwise, pending against BTU under the bankruptcy laws of the United States or any state thereof; (vii) BTU is not entitled to any outstanding option, right of first refusal, or right of first offer relating to the Property; and (viii) such other commercially reasonable matters as may be reasonably required by Buyer or Buyer's mortgagee (the "BTU Estoppel"). If requested by Buyer's mortgagee, Seller shall use commercially reasonable efforts to obtain and deliver estoppels executed by Compass, in a commercially reasonable form provided by Buyer's mortgagee, certifying (i) the termination of the Compass Lease, (ii) the existence and terms of the Sublease, (iii) with respect to Compass, the waiver of the Compass ROFO and (iii) such other commercially reasonable matters as may be reasonably requested by Buyer or Buyer's mortgagee.

(i) SNDA. A subordination, non-disturbance and attornment agreement, executed by BTU, in a commercially reasonable form provided by Buyer or Buyer's mortgagee (the "BTU SNDA").

(j) Tenant Insurance Certificates. Seller shall reasonably cooperate with Buyer and Buyer's mortgagee to obtain from Seller updated certificates of insurance (the "Updated COIs"), naming Buyer and Buyer's mortgagee as additional insureds and loss payee, respectively, and otherwise in a form reasonably satisfactory to Buyer and Buyer's mortgagee.

(j) The following items, to the extent in Seller's possession: (i) a copy of any keys for all doors and spaces which may be locked (whether occupied or not); (ii) all original plans and specifications, alarm/keypad codes and passwords and other materials reasonably necessary to the continuity of operation of the Property; and (iii) the originals of any contracts and the licenses and permits.

(k) Existing Lease Terminations. Termination agreements terminating the Compass Lease, executed by Seller and Compass, being effective not later than the Closing Date, in commercially reasonable forms provided by Buyer and satisfactory to Buyer, Buyer's mortgagee and the Title Company.

(l) A bill of sale, in substantially the form attached hereto as Exhibit H, for all Tangible and Intangible Property which shall be conveyed free from all encumbrances.

(m) Originals or copies of all plans, permits, governmental approvals, land use, material environmental and building permits in Seller's possession or control and originals or copies of all certificates of occupancy, licenses, variances and the like relating to the Property in Seller's possession or control.

(n) Seller shall execute and deliver simultaneously with the delivery of the deed, and when required shall on oath swear to the truth of the matters therein set forth, such documents as may reasonably be required by Buyer's lender, Buyer's counsel, or Buyer's lender's counsel, or the title insurance company insuring the Property for Buyer, including without limiting the generality of the foregoing, certifications, or affidavits with respect to: (a) that there are no persons or parties in possession of the Property other than Seller and Compass; (b) that there are no facts or conditions which may give rise to mechanic's or materialmen's liens; (c) an affidavit pursuant to Section 1445 of the Internal Revenue Code; (d) urea formaldehyde foam insulation ("UFFI")

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Disclosure Affidavit stating that to the best of Seller's knowledge there is none; and (f) 1099 reporting form.

(o) A counterpart of the BTU Lease, executed by Seller and effective as of the Closing Date.

(p) Such documents, certificates or the like, whether signed by Seller or Compass, reasonably required by Buyer's mortgagee or the Title Company to supplement, modify or confirm Compass's waiver of the Compass ROFO.

8.3 Possession. At the time of Closing, Seller shall deliver to Buyer full possession of the Property, free of tenants and occupants, subject to the Sublease and the BTU Lease, and the terms and conditions of Section 8.1 above.

8.4 Buyer's Closing Deliveries. At the Closing, Buyer shall:

(a) Deliver the Purchase Price to Escrow Agent, as adjusted as provided for in this Agreement.

(b) Deliver any other documents required by this Agreement to be executed or delivered by Buyer.

(c) Provide evidence reasonably acceptable to Seller as to the due authorization of the delivery of the documents required by this Agreement to be executed by Buyer.

(d) Countersign the closing statement describing the sources and uses of funds in connection with the Closing.

(e) Deliver a certificate to the effect that all representations and warranties of Buyer herein remain true and correct as of the Closing Date.

(f) Deliver a counterpart copy of the BTU Lease executed by Buyer and effective as of the Closing Date.

(g) Deliver counterpart copies of the BTU SNDA, in each case executed by Buyer and Buyer's lender.

8.5 Expenses. Buyer shall pay all costs and expenses associated with (i) its due diligence review, (ii) its own counsel fees, (iii) any amounts charged by parties providing debt or equity financing to Buyer or by counsel to such parties, (iv) all owner's and lender's title insurance premiums and costs, (v) any survey costs, (vi) one-half the fees and costs due Escrow Agent for its services, if any; (vii) all recording and filing fees in connection with the recording of the Deed and other recording/fees customarily paid by buyers in the Billerica, Massachusetts area; and (viii) and such other closing costs as are customarily paid by a buyer in the jurisdiction where the Property is located. Seller shall pay (i) its own counsel fees, (ii) excise or deed stamp taxes payable upon recordation of the Deed, (iii) brokerage fees owed to the Broker pursuant to Section 11.1, (iv) one-half the fees and costs due Escrow Agent for its services, if any, (v) the costs of releasing

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all liens (including without limitation, Monetary Liens), judgments, and other encumbrances to be released and recorded at the time of Closing, and (vi) such other closing costs as are customarily paid by a seller in the jurisdiction where the Property is located. Any other closing costs not specifically designated as the responsibility of either party shall be paid by Seller and Buyer according to the usual and customary practice in Billerica, Massachusetts.

ARTICLE IX.
PERMITTED IMPROVEMENTS TO PROPERTY PRIOR TO CLOSING

Buyer hereby consents to Seller's commencement of certain modifications and improvements to the Property between the Effective Date and Closing, which modifications and improvements will be completed at Seller's sole cost and expense, and will include: (a) the creation of a new customer-facing lab and showroom space within the portion of the Property occupied by Seller; and (b) installation of a new overhead crane within Bay 3 of the Property. Seller will be solely responsible for obtaining all permits and approvals necessary in connection with such construction, will promptly pay all costs related to such construction, and shall be responsible for obtaining mechanic's and materialmen's lien waivers from its general contractor documenting payment and upon request will deliver the same to Buyer or the Escrow Agent.

ARTICLE X.
FAILURE TO PERFORM

10.1 Buyer's Default. If the Closing does not occur because of Buyer's failure to fulfill its obligations under Section 8.4 of this Agreement, then: (i) this Agreement shall terminate; (ii) the Deposit shall be paid to and retained by Seller as liquidated damages and Seller's sole and exclusive remedy; and (iii) except as otherwise expressly provided herein, Seller and Buyer shall have no further obligations to each other. BUYER AND SELLER ACKNOWLEDGE THAT THE DAMAGES TO SELLER IN THE EVENT OF A DEFAULT BY BUYER UNDER THIS AGREEMENT WOULD BE DIFFICULT OR IMPOSSIBLE TO DETERMINE, THAT THE AMOUNT OF THE DEPOSIT REPRESENTS THE PARTIES' BEST AND MOST ACCURATE ESTIMATE OF THE DAMAGES THAT WOULD BE SUFFERED BY SELLER IF THE CLOSING SHOULD FAIL TO OCCUR AND THAT SUCH ESTIMATE IS REASONABLE UNDER THE CIRCUMSTANCES EXISTING AS OF THE DATE OF THIS AGREEMENT AND UNDER THE CIRCUMSTANCES THAT SELLER AND BUYER REASONABLY ANTICIPATE WOULD EXIST AT THE TIME OF SUCH BREACH. BUYER AND SELLER AGREE THAT SELLER'S RIGHT TO RETAIN THE DEPOSIT SHALL BE SELLER'S SOLE AND EXCLUSIVE RECOURSE AND REMEDY, AT LAW AND IN EQUITY, FOR BUYER'S FAILURE TO PURCHASE THE PROPERTY IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT.

10.2 Use of Money to Clear Title. To enable the Seller to make conveyance as herein provided, the Seller may, at the time of Closing, use the Purchase Price or any portion thereof to clear the title of any or all encumbrances or interests, provided that all instruments so procured are recorded simultaneously with the delivery of the Deed, or are delivered thereafter in accordance with local conveyancing practice with respect to the recording of a mortgage discharge from an institutional lender securing an outstanding monetary obligation.

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10.3 Default by Seller. If Seller defaults in its obligation to sell the Property to Buyer in accordance with the terms of this Agreement, then Buyer may, as its only and exclusive remedies at law or in equity: (i) terminate this Agreement by giving written notice thereof to Seller and Escrow Agent, in which event the Deposit shall promptly be returned to Buyer and Seller shall reimburse Buyer for reasonable costs and expenses incurred by Buyer (including attorneys' fees) in connection with this Agreement; or (ii) waive such default and consummate the purchase in accordance with the terms of this Agreement.

ARTICLE X
BROKERAGE

10.4 Brokerage Fees. Seller and Buyer mutually represent and warrant that they have not dealt with any brokers in connection with this purchase and sale other than JLL (the "Broker") and that neither Seller nor Buyer knows of any broker other than Broker who has claimed or may have the right to claim a commission in connection with this purchase and sale. Seller shall be responsible for the payment of all brokerage or finder's fees in connection with this transaction due to the Broker upon the execution, delivery and recording of the Deed and not otherwise. Seller and Buyer shall indemnify and defend each other against any costs, claims or expenses, including attorneys' fees, arising out of the breach on their respective parts of any representations, warranties or agreements contained in this Section 11.1. The representations and obligations under this Section shall survive the Closing or, if the Closing does not occur, the termination of this Agreement.

ARTICLE XI.
NOTICES

11.1 Effective Notices. All notices under this Agreement shall be given in writing and shall be delivered personally, or by overnight mail by a nationally recognized courier which provides evidence of receipt, addressed as set forth below or as Seller or Buyer shall otherwise have given notice as herein provided. Notices shall be effective on the date received. All notices shall be sent as follows:

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If to Seller: BTU International, Inc.
23 Esquire Road
North Billerica, MA 01862
Attn: Rob DiMatteo
[***]

Amtech Systems, Inc.
131 South Clark Drive
Tempe, AZ 85281
Attn: Lisa Gibbs
[***]

With a copy (which shall not constitute notice) to: With a copy to:
Faegre Drinker Biddle & Reath LLP
1144 15th Street Suite 3400
Denver, CO 80202
Attn: Gretchen Miller Busch

If to Buyer: Rhino Capital Advisors LLC

33A Commercial Wharf

Boston, MA 02110

Attn: Michael E. Olson, Manager

With a copy (which shall not constitute notice) to: Continental Law Group
75 State Street, Suite 100
Boston, MA 02109
Attn: Erik Lien, Esq.

ARTICLE XII.
MISCELLANEOUS PROVISIONS

12.1 Assignment. Buyer may not assign its rights under this Agreement without the consent of Seller, provided, however that, one time only, without Seller’s express written consent, but upon notice to Seller, Buyer may freely assign this Agreement or any of its rights hereunder to a designated affiliated (through common ownership) entity as its nominee. Any such assignment of this Agreement by Buyer shall not relieve the named Buyer of its obligations under this Agreement and shall not be effective until the date of the Closing

12.2 1031 Exchange. Either party may structure the acquisition of the Property as a forward or reverse like-kind exchange under Internal Revenue Code Section 1031 at such party’s sole cost and expense. The other party shall reasonably cooperate therewith, provided that the

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other party shall incur no material costs, expenses or liabilities in connection with such exchange and the other party shall not be required to take title to or contract for purchase of any other property. If a party uses a qualified intermediary or an exchange accommodation titleholder to effectuate the exchange, any assignment of the rights or obligations of such party hereunder shall not relieve, release or absolve such party of its obligations to the other party.

12.3 Drafts. This Agreement shall not be binding or effective until properly executed and delivered by both Seller and Buyer.

12.4 Further Assurances. Each party agrees that it will without further consideration execute and deliver such other documents and take such other action, whether prior or subsequent to Closing, as may be reasonably requested by the other party to consummate more effectively the purposes or subject matter of this Agreement; provided, however, that if such request is subsequent to Closing, such party's reasonable costs shall be paid by the requesting party. The provisions of this Section shall survive Closing.

12.5 Counterparts. This Agreement or any such amendment or waiver may be executed in several counterparts, each of which shall be considered a duplicate original and the same instrument. This Agreement may also be executed and delivered by facsimile or PDF (portable document form) transmission, and such execution and delivery shall be valid and enforceable with the same force as if an original hereto had been executed and delivered by such party.

12.6 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall nonetheless remain in full force and effect.

12.7 Liability. No member, officer, director, shareholder, trustee, or beneficiary of a corporation, limited liability company or trust, if any, under which the Seller or Buyer acts in executing this Agreement shall be personally liable for any obligation, express or implied, hereunder.

12.8 Performance on Business Days. In the event the date on which performance or payment of any obligation of a party required hereunder is other than a Saturday, Sunday or any other day on which banking institutions in the Commonwealth of Massachusetts are authorized by law or executive action to close (a "Business Day"), the time for payment or performance shall automatically be extended to the first Business Day following such date.

12.9 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

Certain material (indicated by three asterisks in brackets [***]) has been omitted from this document because it is both (1) not material and (2) would be competitively harmful if publicly disclosed

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SELLER:

BTU INTERNATIONAL INC.
a Delaware corporation

By: /s/ Lisa Gibbs
Name: Lisa Gibbs
Its: CFO & Director

BUYER:

RHINO CAPITAL ADVISORS LLC
a Massachusetts limited liability company

By: /s/ Michael Olson
Michael E. Olson, Manager

ESCROW AGENT:

STEWART TITLE GUARANTY COMPANY

By: /s/ David G. Bagdhady
Name: David G. Bagdhady
Title: Sr. Mgr

[Signature Page to Purchase and Sale Agreement]

**FIRST AMENDMENT
TO
PURCHASE AGREEMENT**

This FIRST AMENDMENT TO PURCHASE AGREEMENT (“**Amendment**”) is made as of June 22, 2022 (“**Amendment Date**”) by and between BTU INTERNATIONAL, INC., a Delaware corporation (“**Seller**”) and MCP III 23 ESQUIRE LLC, a Delaware limited liability company (“**Buyer**”).

RECITALS

A.Seller and Rhino Capital Advisors LLC, a Massachusetts limited liability company, are parties to that certain Purchase Agreement dated as of April 15, 2022 (the “**Purchase Agreement**”) regarding the sale and purchase of certain real property located in Billerica, Massachusetts.

B.Rhino Capital Advisors, LLC assigned the Purchase Agreement to Buyer pursuant to that Assignment of Purchase and Sale Agreement, dated June 22, 2022.

C.Seller and Buyer wish to amend the terms of the Purchase Agreement as set forth below.

NOW, THEREFORE, in consideration of the foregoing recitals which are incorporated herein, and the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1.Definitions. All capitalized terms used herein and not otherwise defined have the meanings assigned in the Purchase Agreement.

2.Amendment to Purchase Agreement. Seller and Buyer hereby amend the Purchase Agreement as follows:

a.Article II. Purchase Price.

i.Purchase Price. Section 2.1 is hereby deleted in its entirety and replaced with the following: “The purchase price for the Property (the “Purchase Price”) is Twenty Million Six Hundred Thousand and 00/100 Dollars (\$20,600,000.00), to be paid by Buyer to Seller, subject to the terms and conditions hereinafter set forth.”

3.Miscellaneous.

a.This Amendment, together with the Purchase Agreement, sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements.

b.As modified by this Amendment, the provisions, conditions and terms of the Purchase Agreement remain unchanged and in full force and effect.

c. In the case of any inconsistency between the provisions of the Purchase Agreement and this Amendment, the provisions of this Amendment shall govern and control.

d. Each signatory of this Amendment represents hereby that he or she has the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting.

e. This Amendment may be executed in counterparts and shall constitute an agreement binding on all parties notwithstanding that all parties are not signatories to the original or the same counterpart provided that all parties are furnished a copy or copies thereof reflecting the signature of all parties. Electronic (PDF) signatures shall be accepted by the parties as and with the same force and effect of originals for all purposes.

[Remainder of blank; signature page follows]

**SIGNATURE PAGE
TO
FIRST AMENDMENT TO PURCHASE AGREEMENT**

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Amendment Date.

SELLER:

BTU INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Lisa D. Gibbs
Name: Lisa D. Gibbs
Title: CFO

BUYER:

MCP III ESQUIRE LLC,
a Delaware limited liability company

By: /s/ Michael Olson
Name: Michael Olson
Title: Authorized Signer

AMTECH SYSTEMS, INC. AND ITS SUBSIDIARIES
CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Michael Whang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amtech Systems, Inc. (the "registrant"),
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Michael Whang
 Michael Whang
 Chief Executive Officer
 Amtech Systems, Inc.

Date: August 15, 2022

AMTECH SYSTEMS, INC. AND ITS SUBSIDIARIES
CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Lisa D. Gibbs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amtech Systems, Inc. (the "registrant"),
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Lisa D. Gibbs
 Lisa D. Gibbs
 Vice President and Chief Financial Officer
 Amtech Systems, Inc.

Date: August 15, 2022

AMTECH SYSTEMS, INC. AND ITS SUBSIDIARIES

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Amtech Systems, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Whang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By /s/ Michael Whang
 Michael Whang
 Chief Executive Officer
 Amtech Systems, Inc.

Date: August 15, 2022

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

AMTECH SYSTEMS, INC. AND ITS SUBSIDIARIES

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Amtech Systems, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lisa D. Gibbs, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. sections 1350, as adopted pursuant to sections 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By /s/ Lisa D. Gibbs
 Lisa D. Gibbs
 Vice President and Chief Financial Officer
 Amtech Systems, Inc.

Date: August 15, 2022

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.
