

AMTECH SYSTEMS, INC.  
131 SOUTH CLARK DRIVE  
TEMPE, ARIZONA 85281

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 18, 2007**

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To Our Shareholders:

The 2007 Annual Meeting of Shareholders of AMTECH SYSTEMS, INC., an Arizona corporation (the "Company"), will be held at the Hilton Phoenix Airport Hotel, 2435 South 47<sup>th</sup> Street, Phoenix, Arizona, on Friday, May 18, 2007, at 10:00 a.m., Arizona time, for the following purposes:

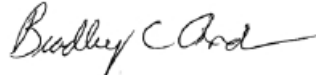
1. To elect five (5) directors to serve for one-year terms or until their successors are elected and qualified;
2. To approve the Company's 2007 Employee Stock Incentive Plan (the "2007 Plan"); and
3. To transact such other business as may properly come before the meeting or its adjournment.

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

The Board of Directors has fixed the close of business on March 20, 2007 as the record date (the "Record Date") for the determination of shareholders who hold the Company's common stock who are entitled to notice of, and to vote at, the Annual Meeting or any postponement or adjournment thereof. Shareholders are reminded that their shares of the Company's common stock can be voted at the annual meeting only if they are present at the Annual Meeting in person or by valid proxy. A copy of the Company's 2006 Annual Report, which includes our audited financial statements, was mailed with this Notice and Proxy Statement to all shareholders of record on the Record Date.

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

By Order of the Board of Directors:



Bradley C. Anderson, Secretary

Tempe, Arizona  
April 24, 2007

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

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**PROXY STATEMENT**

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The Board of Directors of Amtech Systems, Inc., an Arizona corporation (the "Company"), is soliciting proxies to be used at the 2007 Annual Meeting of Shareholders of the Company to be held on Friday May 18, 2007, at 10:00 a.m., Arizona time, and any adjournment or postponement thereof (the "Annual Meeting"). A copy of the Notice of the Meeting accompanies this Proxy Statement. This Proxy Statement and the accompanying form of proxy will be mailed to all shareholders entitled to vote at the Annual Meeting beginning April 24, 2007.

**Who Can Vote**

Shareholders of record as of the close of business on March 20, 2007 (the "Record Date"), may vote at the Annual Meeting and at any and all adjournments or postponements of the meeting. On the Record Date, 6,496,042 shares of the Company's common stock, \$.01 par value ("Common Stock") were issued and outstanding.

**What Constitutes a Quorum**

The presence, in person or by proxy, of the holders of a majority of the voting power of the outstanding shares of Common Stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker non-votes are included in the number of shares present at the meeting for purposes of determining a quorum. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

**How to Attend the Meeting**

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

#### **How to Vote**

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

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

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

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

Except as set forth below with respect to the ability to cumulate votes for directors, the holders of Common Stock will be entitled to one vote per share of Common Stock.

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

If a quorum is present, the five nominees who receive a plurality of the votes cast at the Annual Meeting will be elected. Broker non-votes and votes that are withheld will have no effect on the results of the vote for the election of directors. With respect to the approval of the 2007 Plan, the affirmative vote of a majority of votes cast by holders of Common Stock represented and entitled to vote at the Annual Meeting is required for approval. Broker non-votes and abstentions will not be counted as votes cast and will have no effect on the result of the vote for the approval of the 2007 Plan.

#### **Changing Your Vote**

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

- By delivering to our offices, to the attention of our Corporate Secretary prior to the vote at the Annual Meeting, a written instrument of revocation bearing a date later than that of the proxy.
- By duly executing and delivering to our offices, to the attention of our Corporate Secretary prior to the vote at the Annual Meeting, a proxy for the same shares bearing a later date.
- By voting by ballot at the Annual Meeting, provided that the shareholder notifies our Corporate Secretary at the Annual Meeting of his or her intention to vote in person at any time prior to the voting of the proxy.

#### **How Votes are Counted**

Inspectors of election will be appointed for the Annual Meeting. The inspectors of election will determine whether or not a quorum is present and will tabulate votes cast by proxy or in person at the Annual Meeting. If you have returned valid proxy instructions or attend the Annual Meeting in person, your Common Stock will be counted for the purpose of determining whether there is a quorum. Abstentions and broker non-votes will be included in the determination of the number of shares represented for a quorum.

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

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

#### **Annual Report**

The Company's Annual Report to Shareholders for the fiscal year ended September 30, 2006 (the "Annual Report") has been mailed concurrently with the mailing of the Notice of Annual Meeting and Proxy Statement to all shareholders entitled to notice of, and to vote at, the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement, and is not considered proxy-soliciting material.

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

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### **PROPOSAL NO. 1 --- ELECTION OF DIRECTORS**

#### **Number of Directors to be Elected**

Our Board of Directors currently consists of five members. Each director elected will hold office for one year or until his successor is elected and qualified. If any director resigns, or otherwise is unable to complete his term in office, our Board may elect another director for the remainder of the resigning director's term.

#### **Vote Required**

The five nominees receiving the highest number of votes cast at the Annual Meeting will be elected. There is cumulative voting in the election of directors. This means that each holder of Common Stock present at the Annual Meeting, either in person or by proxy, will have an aggregate number of votes in the election of directors equal to five (the number of persons nominated for election as directors) multiplied by the number of shares of Common Stock held by such shareholder on the Record Date. The resulting aggregate number of votes may be cast by the shareholder for the election of any single nominee, or the shareholder may distribute such votes among any number or all of the nominees.

#### Nominees of the Board

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

Jong S. Whang  
 Michael Garnreiter  
 Alfred W. Giese  
 Brian L. Hoekstra  
 Robert F. King

Each of these nominees currently serves on our Board of Directors, and has agreed to be named in this Proxy Statement and to serve if elected. See below for information regarding each of the nominees.

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

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

#### Information Concerning Directors and Executive Officers

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

Name	Age	Position with the Company
Jong S. Whang	61	President, Chief Executive Officer and Director
Bradley C. Anderson	45	Vice President – Finance, Chief Financial Officer, Treasurer and Secretary
Robert T. Hass	57	Chief Accounting Officer
Michael Garnreiter	55	Director
Alfred W. Giese	69	Director
Brian L. Hoekstra	47	Director
Robert F. King	73	Director

**Jong S. Whang** has been President, Chief Executive Officer and a Director of the Company since its inception in 1981, and was one of its founders. Mr. Whang’s responsibilities include the sales effort for the Company’s semiconductor equipment business and the development of new products and business opportunities in that industry. He has 33 years of experience in the semiconductor industry, including time spent in both processing and manufacturing of equipment components and systems. From 1973 until 1979, he was employed by Siltronics, Inc., initially as a technician working with chemical vapor deposition, and later as manager of the quartz fabrication plant with responsibility of providing technical marketing support. From 1979 until 1981, he was employed by U.S. Quartz, Inc. as manufacturing manager. In 1981, he left U.S. Quartz to form the Company.

**Bradley C. Anderson** joined the Company as Vice President-Finance, Chief Financial Officer, Treasurer and Secretary in April 2006. Prior to joining the Company, Mr. Anderson spent several years in a consulting role implementing the internal control requirements of the Sarbanes-Oxley Act for a broad range of publicly held companies. From 1996 to 2002, Mr. Anderson served as Vice President-Finance and then as Chief Financial Officer of Zila, Inc., an international provider of healthcare technology and products. Mr. Anderson began his career with Deloitte (formerly Deloitte & Touche) where he worked for over 11 years. He graduated from Brigham Young University with a B.S. in Accounting. Mr. Anderson is a Certified Public Accountant.

**Robert T. Hass** has been the Chief Accounting Officer and Assistant Secretary of the Company since April 2006. Prior to that, he served as the Company’s Vice President – Finance, Chief Financial Officer, Treasurer and Secretary from June 1992 to April 2006, and as Director of the Company from February 1996 to March 2006. From 1991 until May, 1992, he operated a financial consulting practice. From 1985 to 1991, Mr. Hass was Director of Accounting Services and then Controller for Lifeshares Group, Inc., and from 1988 to 1991 was Controller and Chief Accounting Officer of some of Lifeshares’ subsidiaries. From 1984 to 1985, he was Vice President – Finance and Treasurer of The Victorio Company. From 1977 to 1984, he served in various capacities including Vice President, Chief Financial Officer and Treasurer of Altamil Corporation, then a public diversified manufacturing company. From 1972 to 1977, he was an auditor with Ernst & Ernst, now known as Ernst & Young. Mr. Hass has a Bachelor of Science degree in accounting from Indiana University, and is a Certified Public Accountant.

**Michael Garnreiter** has been a Director of the Company since February 19, 2007. He is currently a managing member of Rising Sun Restaurant Group LLC. Mr. Garnreiter serves on the boards of directors of Taser International, a manufacturer of non-lethal protection devices, and Knight Transportation Company, a nationwide truckload transportation company. From 2002 to 2006, Mr. Garnreiter was CFO of Main Street Restaurant Group, a publicly traded restaurant operating company, and from 1976 to 2002, he was a senior audit partner of Arthur Andersen LLP. He graduated from California State University Long Beach with a B.S. in Accounting and Business Administration. Mr. Garnreiter is a Certified Public Accountant.

**Alfred W. Giese** has been a Director of the Company since April 13, 2007. He is acting President and General Manager of Sea Fare Foods Corp. Mr. Giese is Founder and Senior Partner of IBC, International Business Consultants, a firm in which he was active from 2001 to 2006 with an emphasis on sales and marketing for Aviza Technology Corporation, a semiconductor equipment manufacturer. He also assembled and managed a sales and marketing team for Epion Corporation, a high-technology equipment company which was acquired by TEL (Tokyo Electron Ltd.). From 1998 to 2001, he was the Vice President, Sales for Silicon Valley Group (SVG) with responsibility for both Asia and Europe. From 1988 to 1998, Mr. Giese held positions of Vice President of Sales with Thermco Systems, Corp. and SVG, both semiconductor equipment companies.

Prior to 1998, he held various sales positions for Thermco. For several years during that time, he served on the Board of Directors of Thermco's joint venture company in Japan. Mr. Giese has a degree in international business from the Industriehochschule in Essen, Germany.

**Brian L. Hoekstra** has been a Director of the Company since February 19, 2007. He is Founder, President & CEO of Applied Photonics, Inc., a leading laser solutions provider for the flat panel display industry. Mr. Hoekstra has more than 25 years of professional experience including corporate management, strategic planning and business development, as well as extensive technical expertise that includes lasers, optics and electronic materials. He was previously V.P. of Technology at Accudyne Corporation and Project Scientist on the U.S. Display Consortium (USDC) sponsored laser glass separation project. He was also Founder and deputy Director of a NASA Commercial Center focused on Electronic and Optical Materials Processing in Space. Mr. Hoekstra is a graduate of the U.S. Air Force Academy and was a pilot with the 64<sup>th</sup> Flying Training Wing. He qualified for the manned space flight program in 1988.

4

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**Robert F. King** has been a Director of the Company since May 2003. Since 1989, Mr. King has been President of King Associates, which provides consulting services to equipment companies serving the semiconductor and flat panel display industries. He currently serves on the advisory board of a privately-held company, which provides equipment to the flat panel display industry. From 1968 to 1988, Mr. King was employed at Varian Associates, where he served in various marketing positions, including Vice President of Marketing for the Semiconductor Equipment Division. Mr. King also served on the Board of Directors of Varian's joint venture semiconductor equipment companies located in Korea and Japan.

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

Information concerning our Board of Directors and the three committees maintained by our Board is set forth below. A majority of the Board of Directors, as well as the Company's Board committees, consist of Directors who are not employees of the Company and who are "independent" within the meaning of the listing standards of the NASDAQ Stock Market. Currently, the Company's independent directors include Michael Garnreiter, Alfred W. Giese, Brian L. Hoekstra and Robert F. King.

Our Board of Directors held four (4) meetings during the 2006 fiscal year. No director attended less than 75% of all Board meetings while he served as such director, or less than 75% of all committee meetings on which he served as a committee member. Our Board has the authority under the Company's Bylaws to increase or decrease the size of our Board and fill vacancies, and the directors chosen to fill such vacancies will hold office until the Company's next annual meeting or until their successors are elected and qualified.

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

**Audit** – Michael Garnreiter (Chairman), Brian L. Hoekstra and Robert F. King;

**Compensation and Option** – Robert F. King (Chairman), Alfred W. Giese and Michael Garnreiter;

**Nominating and Governance** – Michael Garnreiter (Chairman), Brian L. Hoekstra and Robert F. King

The Audit Committee held five (5) meetings during the 2006 fiscal year. The Audit Committee is responsible for maintaining communication between the Board of Directors, the independent auditors and members of financial management with respect to the Company's financial affairs in general, including financial statements and audits, the adequacy and effectiveness of the internal accounting controls and systems and the retention and termination of the independent auditors. The Audit Committee also develops and recommends corporate governance guidelines to the Board and provides oversight with respect to corporate governance and ethical conduct. A copy of the charter of the Audit Committee is attached as Exhibit A to the Company's Proxy Statement filed with the Securities and Exchange Commission ("SEC") on June 15, 2005.

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

The Compensation and Option Committee held two (2) meetings during the 2006 fiscal year. The Compensation and Option Committee makes recommendations concerning officer compensation, employee benefit programs and retirement plans.

The Nominating and Governance Committee held one (1) meeting during the 2006 fiscal year. The Nominating and Governance Committee identifies and approves individuals qualified to serve as members of our Board and also evaluates the Board's performance. In evaluating a prospective nominee, the Nominating Committee takes several factors into consideration, including such individual's integrity, business skills, experience and

5

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judgment. The Nominating Committee also reviews whether a prospective nominee will meet the Company's independence standards and any other director or committee membership requirements imposed by law, regulation or stock exchange rules. The Nominating and Governance Committee approved the nomination of the candidates reflected in Proposal 1. The Nominating and Governance Committee will consider, but is not required to approve, director nominations made by shareholders for any annual meeting of the Company, provided, a written recommendation is received by the Company no later than the date shareholder proposals must be submitted for consideration prior to such annual meeting. A copy of the charter of the Nominating and Governance Committee is attached as Exhibit B to the Company's Proxy Statement filed with the SEC on June 15, 2005.

#### **Directors' Compensation**

Directors who are full-time employees of the Company receive no additional compensation for serving as directors. Non-employee directors receive an annual retainer of \$8,000, fees of \$1,250 per Board meeting and Audit Committee meeting attended in person, \$750 per Board meeting and Audit Committee meeting attended telephonically, \$750 per Compensation and Option Committee or Nominating and Governance Committee meeting attended in person, and \$500 per Compensation and Option Committee or Nominating Committee meeting attended telephonically. In addition, under the Company's Non-Employee Directors Stock Option Plan, each non-employee director currently receives a grant of options to purchase 6,000 shares of Common Stock, or such other number of shares as may be determined by the Board, when first elected or appointed to the Board, and 5,000 shares of Common Stock, or such other number of shares as maybe determined by the Board, upon each re-election to the Board at the Company's Annual Meeting of Shareholders. The exercise price of the options is set at the fair market value of Common Stock on the date of grant. Each option has a term of ten years and is exercisable in three equal installments commencing on the first anniversary of the date of grant and continuing for the two successive anniversaries thereafter. In the event of disability (as defined in the plan) or death of an outside director, all options remain exercisable for a period of 30 days following the date such person ceased to be a director, or such other date as may be determined by the Board, but only to the extent such options were exercisable on the date the director ceased to be a director. Furthermore, the director serving as the Chairman of the Audit Committee receives an annual retainer of \$14,000. The director serving as the Chairman of the Compensation and Option Committee as well as the director serving as the Chairman of the Nominating and Governance Committee receives an annual retainer of \$2,500.

## Compensation Committee Interlocks and Insider Participation

The Compensation and Option Committee is presently comprised of Messrs. Robert F. King, Alfred W. Giese and Michael Gamreiter who are not officers or employees of the Company.

## EXECUTIVE COMPENSATION

The following table sets forth information regarding annual and long-term compensation for services rendered to the Company during the fiscal years ended September 30, 2006, 2005 and 2004 by the Company's Chief Executive Officer and the other most highly compensated executive officers of the Company who received annual compensation exceeding \$100,000 during such periods (collectively, the "Named Executive Officers").

6

### SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation (1)			Long-Term Compensation			
		Salary (2)	Bonus (3)(4)	Other Annual Compensation	Awards		Payouts	
					Restricted Stock Awards	Securities Underlying Options/SARs	Long-term Incentive Plans	All Other Compensation
Jong S. Whang	2006	\$ 175,361	\$ 100,000	-	-	-	-	-
President and Chief Executive Officer	2005	\$ 150,722	\$ 18,555	-	-	-	-	-
	2004	\$ 150,722	\$ -	-	-	-	-	-
Bradley C. Anderson	2006	\$ 75,015	\$ 16,000	-	-	10,000	-	-
Chief Financial Officer								
Robert T. Hass	2006	\$ 116,885	\$ -	-	-	-	-	-
Chief Accounting Officer	2005	\$ 102,000	\$ -	-	-	-	-	-
	2004	\$ 102,000	\$ 57,461	-	-	-	-	-

- Messrs. Whang, Anderson and Hass have not received personal benefit perquisites in excess of the lesser of \$50,000 or 10% of their aggregate salary and bonus.
- Effective March 15, 2001, Mr. Whang entered into an employment agreement with the Company. The agreement provides for an initial annual base salary of \$188,402, with annual increases of no less than 5%. Effective April 1, 2001, Mr. Whang voluntarily reduced his annual salary by 20% to \$150,722. Mr. Whang's annual salary was increased to \$200,000 effective April 1, 2006, which salary remained in effect as of September 30, 2006. Effective April 1, 2001, Mr. Hass voluntarily reduced his annual salary by 15% to \$102,000. Mr. Hass' annual salary was restored to \$120,000 effective December 2005. Mr. Anderson joined the Company on April 24, 2006 at an annual salary of \$169,600.
- See "Employment And Change In Control Arrangements" for a description of how Mr. Whang's incentive compensation is determined.
- The discretionary cash bonus granted to Mr. Hass in 2004 was in consideration for work performed in connection with the acquisition of Bruce Technologies, Inc.

### Option Grants in Last Fiscal Year

Name and Principal Position	Number of securities underlying options granted (#)	Percent of total options ganted to employees in fiscal year 2006	Exercise Price \$/Share	Expiration Date	Potential realizable value at assumed annual rates of stock price appreciation for option term	
					5%	10%
Bradley C. Anderson	10,000	46%	\$ 8.51	4/24/2016	\$ 54,000	\$ 136,000
Chief Financial Officer						

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

The following table sets forth information (on an aggregated basis) concerning exercises of stock options during fiscal 2006 by each of the Named Executive Officers, and the year-end value of unexercised options.

Name	Shares		Number of Securities Underlying		Value of Unexercised "In-The-Money" Options at Fiscal Year-End(1)	
	Acquired On Exercise (#)	Value Realized (\$)	Unexercised Options at Fiscal Year-End (#)		Exercisable	Unexercisable
			Exercisable	Unexercisable		
Jong S. Whang	44,000	312,000	150,000	--	\$ 23,000	--
Bradley C. Anderson	--	--	--	10,000	--	--
Robert T. Hass	9,000	65,000	1,000	1,000	\$ 2,000	\$2,000

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- (1) Options are “in-the-money” at the fiscal year-end if the fair market value (\$6.65 per share, based on the closing price of the Company’s Common Stock on the NASDAQ Stock Market on September 30, 2006) of the underlying securities exceeds the exercise or base price of the option on such date. The dollar values in the last two columns of the table are the amounts by which the sum of the fair market values of the in-the-money options exceed the sum of their exercise prices.

## EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

### Employment Agreement with Chief Executive Officer

On April 13, 2007, the Company entered into a new Employment Agreement (the “Employment Agreement”) with Jong S. Whang, the Company’s Chief Executive Officer. Below is a summary of the terms and conditions of the Employment Agreement.

#### *Term*

The Employment Agreement provides for an “Employment Period” commencing on the date of the Employment Agreement and continuing for an initial term of three years. Thereafter, the Employment Period will continue for successive one-year terms unless either the Company or Mr. Whang provides written notice of termination of the Employment Period at least 120 days prior to the end of any given term. If Mr. Whang remains in the full time employ of the Company beyond the Employment Period without any written agreement, the Employment Agreement will be deemed to continue on a month to month basis and either party will have the right to terminate the Employment Agreement at the end of any ensuing calendar month with written notice of at least 30 days.

#### *Base Salary*

Pursuant to the Employment Agreement, Mr. Whang will receive an initial base salary of \$250,000 per annum (the “Base Salary”). The Base Salary will be reviewed on an annual basis by the Compensation and Option Committee of the Company’s Board of Directors (the “Compensation Committee”) and can be increased, but not decreased, at the discretion of the Compensation Committee.

#### *Incentive Compensation*

Mr. Whang is also entitled to an annual cash bonus for each fiscal year that will be determined in accordance with an annual bonus plan adopted by the Compensation Committee. The annual bonus plan may not be less favorable to Mr. Whang than the bonus plan for fiscal 2007 that was adopted by the Compensation Committee on December 8, 2006. The terms of Mr. Whang’s 2007 bonus plan are described below in more detail under the section “Other Agreements and Compensatory Arrangements.”

#### *Stock Options*

Pursuant to the Employment Agreement, any currently outstanding options held by Mr. Whang will remain in full force and effect in accordance with the Company’s stock option plans and applicable stock option agreements. Mr. Whang will also be issued an annual grant of stock options by the Compensation Committee within 90 days after the end of each fiscal year during the Employment Period. All of the options granted to Mr. Whang will be “Incentive Stock Options” within the meaning of the Internal Revenue Code of 1986, or if they do not qualify as Incentive Stock Options, they will be non-qualified stock options. The amount and terms of the grants will be determined by the Compensation Committee, but may not be any less favorable to Mr. Whang than the terms of the options previously granted to Mr. Whang on December 8, 2006. The terms of the options granted to Mr. Whang on December 8, 2006 are described below in more detail under the section “Other Agreements and Compensatory Arrangements.”

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#### *Benefits*

Mr. Whang will be entitled to participate in the benefit plans offered to executive officers of the Company; however, he may elect to receive from the Company cash in lieu of participating in such plans. The Company will provide Mr. Whang with an annual automobile allowance of not less than \$12,000, a life insurance policy in the face amount of \$250,000 and such other benefits as the Company may deem appropriate from time to time.

#### *Termination*

Mr. Whang’s employment is “at will” and either the Company or Mr. Whang can terminate the Employment Agreement at any time, with or without “cause” or “good reason” (as those terms are defined in the Employment Agreement), upon 30 days written notice. The Employment Agreement can also be terminated by the Company due to the disability of Mr. Whang after at least 30 days’ written notice by the Company of its intention to terminate his employment.

#### *Severance*

If the Company terminates the employment of Mr. Whang against his will and without cause (including by giving notice of termination of the Employment Agreement as described above), or if Mr. Whang terminates his employment for good reason, Mr. Whang is entitled to receive salary, incentive compensation and vacation accrued through the date of termination, plus (i) an amount equal to two years of Mr. Whang’s Base Salary in effect on the date of termination; (ii) a pro-rata portion of the amount of incentive compensation he would earn for the fiscal year in which the termination occurs if the results of operations of the Company for such fiscal year were annualized; and (iii) full vesting of all outstanding stock options held by Mr. Whang.

If Mr. Whang voluntarily terminates his employment other than for good reason, if the Company terminates Mr. Whang’s employment for cause, or if Mr. Whang’s employment is terminated due to his death or disability, Mr. Whang will be entitled to receive salary and accrued vacation through the date of termination only. However, in the event Mr. Whang’s employment is terminated due to his death or disability, he will also be entitled to receive (i) a pro-rata portion of the amount of incentive compensation he would earn for the fiscal year in which the termination occurs if the results of operations of the Company for such fiscal year were annualized, and (ii) full vesting of all outstanding stock options held by him.

#### *Noncompetition*

Mr. Whang agreed that during the term of the Employment Agreement he would not engage in certain activities in which he would be competing with the Company or its subsidiaries. He also agreed that for a period of two years after the end of the term of the Employment Agreement he would not engage in certain activities in which he would be competing with the Company or its subsidiaries and he would not own, directly or indirectly, more than a 5% interest in entities which compete with the Company or its subsidiaries.

In the event that Mr. Whang's employment with the Company is terminated either (i) by the Company for any reason other than for cause during a "pending change in control" (as that term is defined in the Employment Agreement) of the Company or within one year following the occurrence of a "change in control" (as that term is defined in the Employment Agreement), or (ii) by Mr. Whang for good reason within one year following the occurrence of a change in control of the Company, then Mr. Whang will be entitled to receive within 10 days of the date of termination of his employment, in lieu of the severance payment otherwise payable, (i) an amount equal to three years of his Base Salary in effect on the date of termination of his employment, (ii) the maximum amount of the incentive compensation which he could earn for the fiscal year in which the termination occurs, and (iii) full vesting of all outstanding stock options he holds.

#### Other Agreements and Compensatory Arrangements

On December 8, 2006, the Compensation Committee approved the following compensation arrangements for J.S. Whang, President and Chief Executive Officer, Bradley C. Anderson, Vice President and Chief Financial Officer, and Robert T. Hass, Chief Accounting Officer: (i) salaries of \$250,000, \$180,000 and \$120,000, effective December 1, 2006, for Messrs. Whang, Anderson and Hass, respectively; (ii) bonuses for fiscal 2006 of \$100,000, \$16,000, and \$10,000 for Mr. Whang, Mr. Anderson, and Mr. Hass, respectively; and (iii) incentive stock options to purchase 30,000, 10,000 and 5,000 shares for Mr. Whang, Mr. Anderson and Mr. Hass, respectively. Each of the options granted to the named individuals has an exercise price of \$6.90 (the closing price of Amtech's common stock on December 8, 2006). The options expire ten years from the date of grant, and vest 25% per year on the first through fourth anniversaries of the grant date.

The Compensation Committee also approved a bonus plan for fiscal 2007 in which Mr. Whang, Mr. Anderson and Mr. Hass are eligible to participate. Under the bonus plan, participants can earn a target bonus equal to a specified percentage of their base salary by achieving 100% of pre-defined performance objectives. The participant's bonus calculation is based upon achieving performance objectives established in each of the following categories: (i) bookings; (ii) revenue; (iii) gross margin; and (iv) operating profit. Objectives established for participants in these categories may be either at the corporate level, the operating division level or both. In addition, individual performance objectives may be established for certain participants. In order to be eligible for a bonus with respect to any of the above performance categories, the participant must achieve not less than 80% (90% in the case of gross margin) of the applicable performance objective. At these minimum levels, 20% of the bonus for the category is eligible for payment. The bonus calculation percentage with respect to any performance category increases by 4% (8% with respect to gross margin) for each 1% improvement in performance over the minimum level up to 100%, and by 1% for each 1% improvement in performance over 100%, up to a maximum of 150% of the participant's target bonus.

Mr. Whang's target bonus for fiscal 2007 is 60% of his base salary, or \$150,000; Mr. Anderson's target bonus is 50% of base salary, or \$90,000; and Mr. Hass' target bonus is 25% of base salary, or \$30,000. With respect to Mr. Whang and Mr. Anderson, their bonus is calculated solely upon the basis of performance objectives at the corporate level. With respect to Mr. Hass, 60% of his bonus calculation is calculated based on corporate level objectives and 40% is based on individual objectives. If fiscal 2007 performance was equivalent to 80% (90% with respect to gross margin) of performance objectives in all corporate performance categories, Mr. Whang's bonus calculation would be \$30,000, Mr. Anderson's bonus calculation would be \$18,000, and Mr. Hass' bonus calculation would be \$6,000 (assuming that he also meets his individual objectives). If fiscal 2007 performance was 150% of performance objectives in all corporate performance categories, Mr. Whang's bonus calculation would be \$225,000, Mr. Anderson's bonus calculation would be \$135,000, and Mr. Hass' bonus calculation would be \$45,000 (again assuming that he also meets his individual objectives).

Notwithstanding the calculation of any bonus amount under the fiscal 2007 bonus plan, (i) no bonuses will be payable based on achievement of corporate level objectives if consolidated operating profit is less than 3% of revenues; (ii) no bonuses will be payable based on achievement of divisional level objectives if division operating profit (before corporate expense allocation) is less than 5% of revenues; and (iii) all bonus payments remain subject to the discretionary approval of the Committee.

In 1992, the Company also entered into a severance agreement with Robert T. Hass, now its Chief Accounting Officer, which provides for a minimum severance of 90 days under terms similar to those described above for Mr. Whang. Mr. Hass is entitled to a lump sum severance payment equal to one year's base salary should his employment be terminated within one year following a change in control pursuant to a separate agreement entered into in 1998.

#### Certain Relationships and Related Transactions

The Company had no transactions during 2006 with any director, director nominee, executive officer, security holder known to the Company to own of record or beneficially more than 5% of the Common Stock, or any member of the immediate family of any of the foregoing persons, in which the amount involved exceeded \$60,000.

### REPORT OF COMPENSATION AND OPTION COMMITTEE

The Compensation and Option Committee of the Company's Board of Directors (the "Committee"), which is composed entirely of independent, outside directors, establishes the general compensation policies of the Company, and specific compensation for each executive officer of the Company, and administers the Company's stock option program. The Committee's objective is to make the compensation packages of the executive officers of the Company sufficient to attract and retain persons of exceptional quality, and to provide effective incentives to motivate and reward Company executives for achieving the financial and strategic goals of the Company essential to the Company's long-term success and growth in shareholder value. The Company's executive compensation package for the fiscal year ended September 20, 2006 consisted of three main components: base salary, incentive cash bonuses and stock options.

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

**Bonuses** – In addition to base salary, executives are eligible to receive a discretionary annual bonus. At the beginning of each year, the Committee and the Chief Executive Officer (the "CEO") review each individual executive's job responsibilities and goals for the upcoming year. The amount of the bonus and any performance criteria vary with the position and role of the executive within the Company. In addition, for all executives, the Committee reviews the Company's actual financial performance against its internally budgeted performance in determining year-end bonuses, if any. However, for the fiscal year ended September 30, 2006, the Committee did not set objective performance targets for executives other than the CEO and sales and marketing personnel.

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

**2006 CEO Compensation** – Pursuant to the terms of his March 15, 2001 employment agreement with the Company, Mr. Whang, the Company’s CEO, was entitled to an annual base salary of \$188,402, with annual base salary increases of at least 5% to be determined by our Board of Directors. However, effective April 1, 2001, Mr. Whang voluntarily reduced his annual base salary by 20% to \$150,722. Mr. Whang’s annual salary was increased to \$200,000 effective April 1, 2006, which salary remained in effect as of September 30, 2006. Mr. Whang’s base salary is based upon the compensation of executives in comparable positions of publicly-traded companies in the semiconductor industry, adjusted for the size of the Company (total assets and revenues).

In connection with the execution of Mr. Whang’s employment agreement in March 2001, our Board of Directors approved an incentive compensation plan for the CEO, which provided for an annual cash bonus equal to 2% of the annual earnings of the Company before taxes and extraordinary items, plus 2% of the amount by which the revenues of the Company in an applicable fiscal year exceed such revenues for the previous fiscal year. The total of such cash bonuses was limited to the lesser of 50% of Mr. Whang’s base salary for the applicable fiscal year or 10% of the Company’s earnings before taxes and extraordinary items (after deducting the sum of such bonuses). Mr. Whang earned a bonus in 2006 pursuant to this incentive plan. Mr. Whang’s March, 2001 employment agreement with the Company incorporated the incentive compensation plan described above.

RESPECTFULLY SUBMITTED,

Robert King, Chairman

11

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### AUDIT COMMITTEE REPORT

In accordance with its written charter adopted by our Board of Directors on April 16, 2005, a copy of which is attached as an exhibit to the Company’s Proxy Statement filed with the Securities and Exchange Commission (the “SEC”) on June 15, 2005, the Audit Committee is responsible for reviewing and discussing the audited financial statements with management, discussing with the Company’s auditors information relating to the auditors’ judgments about the quality of the Company’s accounting principles, recommending to our Board of Directors that the Company include the audited financial statements in its Annual Report on Form 10-K and overseeing compliance with the requirements of the SEC for disclosure of auditors’ services and activities. The Audit Committee also develops and recommends corporate governance guidelines to the Board and provides oversight with respect to corporate governance and ethical conduct.

The Board of Directors annually reviews the independence of the Audit Committee members in view of the NASD’s listing standards’ and the SEC’s definitions of independence for audit committee members. The Board has determined that each of the members of the Audit Committee meets those definitions and standards. Additionally, each member of the Audit Committee is financially literate, and one of the Audit Committee members, Michael Gamreiter, has financial management expertise as required by NASDAQ’s rules and meets the SEC’s definition of an “audit committee financial expert.”

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

The Audit Committee meets regularly with the independent accountants without management present and also meets in executive session without any others present. The Audit Committee has reviewed the Company’s consolidated financial statements for the fiscal year ended September 30, 2006, as audited by its independent auditors, Mayer Hoffman McCann P.C. (“Mayer Hoffman McCann”), and has discussed these financial statements with management. In addition, the Audit Committee has discussed with Mayer Hoffman McCann the matters required to be discussed by Statement of Auditing Standards No. 61, “Communications with Audit Committees.” Furthermore, the Audit Committee has received the written disclosures and the letter from Mayer Hoffman McCann required by the Independence Standards Board Standard No. 1, “Independence Discussions with Audit Committees,” and has discussed with Mayer Hoffman McCann its independence.

Based upon the foregoing review and discussion, the Audit Committee recommended to our Board of Directors that the audited financial statements for the fiscal year ended September 30, 2006 be included in the Company’s Annual Report on Form 10-K for filing with the SEC.

RESPECTFULLY SUBMITTED,

Robert F. King

12

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### PRE-APPROVAL POLICY

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

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

Any service to be provided by the independent auditor that has not received general pre-approval under the Policy is required to be submitted to the Audit Committee for approval prior to the commencement of a substantial portion of the engagement. Any proposed service exceeding pre-approved cost levels is also required to be submitted to the Audit Committee for specific approval. For the year ended September 30, 2006, all services rendered by the Company’s independent auditors were pre-approved by the Audit Committee pursuant to the pre-approval Policy.

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

### CODE OF ETHICS



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

#### DISCLOSURE OF AUDIT AND NON-AUDIT FEES

The following table sets forth the fees billed to us by our independent auditors during the years ended September 30, 2006 and 2005 for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements, (ii) services by our auditor that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as audit fees, (iii) services rendered in connection with tax compliance, tax advice and tax planning, and (iv) all other fees for services rendered.

	Year Ended Sept. 30, 2006	Year Ended Sept. 30, 2005
Audit Fees	\$187,500	\$243,649
Audit-Related Fees (1)	--	6,000
Tax Fees	--	--
All Other Fees	--	--
<b>Total Fees</b>	<b>\$187,500</b>	<b>\$243,649</b>

(1) Accounting and reporting advisory services related to regulatory filings and acquisition activities.

13

#### EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information, as of September 30, 2006, concerning outstanding options and rights to purchase Common Stock granted to participants in all of the Company's equity compensation plans and the number of shares of Common Stock remaining available for issuance under such equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	308,384	\$5.94	255,837
Equity compensation plans not approved by security holders	-		-
<b>Total</b>	<b>308,384</b>		<b>255,837</b>

(1) Represents the 1995 and 1998 Employee Stock Option Plans and the Non-Employee Director Stock Option Plan and any respective amendments thereto.

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

The following table sets forth certain information concerning the beneficial ownership of our Common Stock as of April 13, 2007, by (i) each director and executive officer of the Company, including the Named Executive Officers, (ii) all executive officers and directors of the Company as a group, and (iii) each person known by the Company to be the beneficial owner of more than 5% of our Common Stock. This information was determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, and is based upon the information furnished by the persons listed below. Except as otherwise indicated, each shareholder listed possesses sole voting and investment power with respect to the shares indicated as being beneficially owned.

Name and Address (1) (2)	No. of Shares of Common Stock Beneficially Held (3)	Percent of Common Stock Ownership (3)
<b>Officers and Directors:</b>		
Jong S. Whang	234,455 (4)	3.5%
Robert T. Hass	35,375 (5)	*
Bradley C. Anderson	4,333 (6)	*
Michael Garnreiter	-	*
Alfred W. Giese	-	*
Brian L. Hoekstra	-	*
Robert F. King	14,333 (7)	*
<b>Director and Officer Total</b>	<b>288,496 (8)</b>	<b>4.3%</b>

14

**5% Shareholders:**

Austin W. Marxe 527 Madison Avenue, Suite 2600 New York, NY 10022	910,000 (9)	14.0% (9)
David M. Greenhouse 527 Madison Avenue, Suite 2600 New York, NY 10022	910,000 (9)	14.0% (9)
Richard L. Scott 700 11 <sup>th</sup> Street South, Suite 101 Naples, FL 34102	515,000 (10)	7.9%
Michael A. Roth 3600 South Lake Drive St. Francis, WI 53235	420,000 (11)	6.5% (11)
Brian J. Stark 3600 South Lake Drive St. Francis, WI 53235	420,000 (11)	6.5% (11)

\* Less than 1%.

- (1) Except as otherwise noted, the address for each person listed in this table is c/o Amtech Systems, Inc., 131 South Clark Drive, Tempe, Arizona 85281.
- (2) Mr. Whang is the Company's President, CEO and a director. Mr. Hass is the Chief Accounting Officer. Mr. Anderson is the Company's Vice President-Chief Financial Officer, Treasurer and Secretary. Messrs. King, Garnreiter, Giese and Hoekstra are directors of the Company.
- (3) Based on 6,496,042 shares of Common Stock outstanding as of April 13, 2007. The share amounts and percentages shown include shares of Common Stock actually owned as of April 13, 2007, and shares of Common Stock with respect to which the person had the right to acquire beneficial ownership within 60 days of such date pursuant to options or warrants. All shares of Common Stock that the identified person had the right to acquire within 60 days of April 13, 2007, upon the exercise of options or warrants, are deemed to be outstanding when computing the percentage of the securities owned by such person, but are not deemed to be outstanding when computing the percentage of the securities owned by any other person.
- (4) Includes (i) 351 shares held jointly with Mr. Whang's spouse and (ii) 150,000 shares issuable upon exercise of options exercisable within 60 days of April 13, 2007.
- (5) Includes 26,000 shares issuable upon exercise of options exercisable within 60 days of April 13, 2007.
- (6) Includes 3,333 shares issuable upon exercise of options exercisable within 60 days of April 13, 2007.
- (7) Includes 14,333 shares issuable upon exercise of options exercisable within 60 days of April 13, 2007.
- (8) Includes 193,666 shares issuable upon exercise of options exercisable within 60 days of April 13, 2007.
- (9) Mr. Marxe and Mr. Greenhouse share voting and investment power over and beneficially own a total of 910,000 shares of Common Stock. Mr. Marxe and Mr. Greenhouse are the controlling principals of AWM Investment Company, Inc. ("AWM"), which is the general partner of MGP Advisers Limited Partnership, which is the general partner of Special Situations Fund III QP, L.P. which owns 558,700 shares of Common Stock. Mr. Marxe and Mr. Greenhouse are also members of SST Advisers, L.L.C., which is the general partner of Special Situations Technology Fund, L.P. and Special Situations Technology Fund II, L.P., which own 42,800 and 308,500 shares of Common Stock, respectively.
- (10) Mr. Scott is a controlling member of Amtech Investments, LLC, a member-managed limited liability company which owns 515,000 shares of Common Stock.
- (11) Mr. Roth and Mr. Stark share voting and investment power over and beneficially own a total of 420,000 shares of Common Stock. Mr. Roth and Mr. Stark are the Managing Members of Stark Offshore Management LLC, which acts as investment manager and has sole power to direct the management of SF Capital Partners Ltd., which directly owns 420,000.

**Compliance With Section 16(a) of the Securities Exchange Act of 1934**

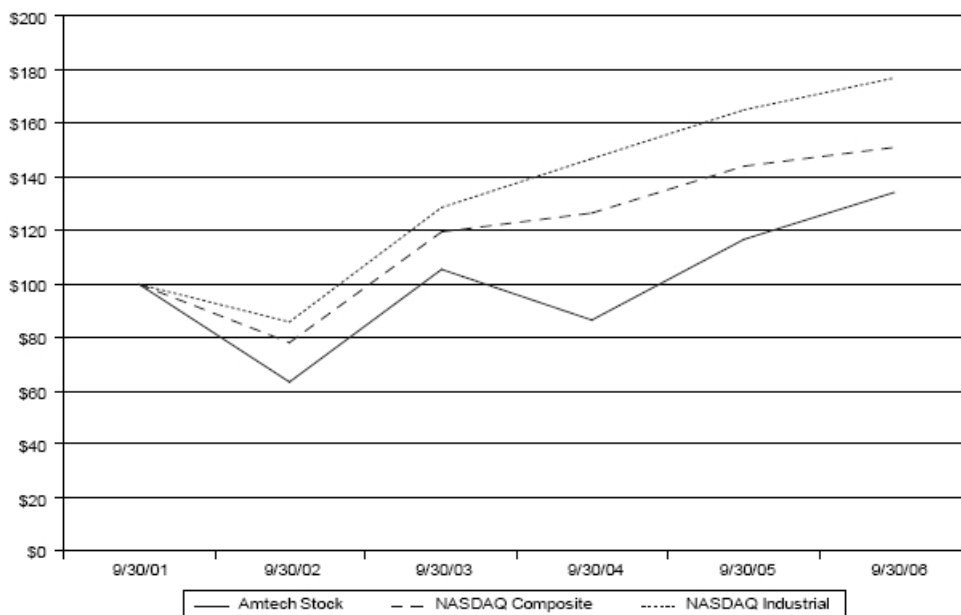
Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, as well as persons beneficially owning more than 10% of our outstanding Common Stock, to file certain reports of ownership with the SEC within specified time periods. Such officers, directors and shareholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on our review of such forms received by us during the fiscal year ended September 30, 2006, or written representations from certain reporting persons, we believe that between October 1, 2005 and September 30, 2006, all Section 16(a) filing requirements applicable to its officers, directors and 10% shareholders were complied with, except that: (i) Mr. Lawrence D. Firestone failed to timely make such required filings with respect to his appointment as a director of the Company on October 27, 2005 and with respect to an automatic option grant on the same date; and (ii) Mr. Anderson failed to timely file such required filings with respect to his employment with the Company on April 24, 2006 and with respect to the option grant on the same date.

**Comparison of Stock Performance**

The following line graph compares cumulative total shareholder return, assuming reinvestment of dividends, for: the Company's Common Stock, the NASDAQ Composite Index and the NASDAQ Industrial Index. Because the Company did not pay dividends on its Common Stock during the measurement period, the calculation of the cumulative total shareholder return on the Company's Common Stock did not include dividends. The following graph assumes that \$100 was invested on October 1, 2001.

**VALUE OVER TIME,  
ASSUMING \$100 INVESTED**



**PROPOSAL NO. 2 --- APPROVAL OF THE 2007 EMPLOYEE STOCK INCENTIVE PLAN**

At the Annual Meeting, shareholders will be asked to approve the Company's 2007 Employee Stock Incentive Plan (the "2007 Plan"), which was adopted by the Board of Directors subject to approval by the Company's shareholders. The Company's Board of Directors considers the 2007 Plan to be important to the Company's ability to appropriately compensate its officers and employees as the Company continues to grow. In this respect, the 2007 Plan will serve the objectives previously implemented under the Company's 1998 Stock Option Plan, as amended (the "1998 Plan"). Substantially all of the shares authorized under the 1998 Plan have either been issued or are subject to currently outstanding options or other awards under that plan.

**Summary of the New Plan**

The following summary of the main features of the 2007 Plan is qualified in its entirety by reference to the complete text of the 2007 Plan, which is set forth as Exhibit A to this Proxy Statement. For purposes of the discussion contained in this Proposal No. 2, a capitalized term shall have the meaning proscribed such term in the 2007 Plan except as otherwise provided.

The 2007 Plan authorizes the grant and issuance of two different types of Awards: Options ("Stock Options"), which can qualify as "incentive stock options" under the Internal Revenue Code, or as "non-qualified stock options;" and Restricted Stock, which is stock that is contingent on an employee satisfying conditions, including without limitation continued employment, passage of time or satisfaction of performance criteria.

The 2007 Plan has a number of special terms and limitations, including:

- The exercise price for Stock Options granted under the plan must at least equal the Shares' fair marketvalue at the time the Stock Option is granted;
- The 2007 Plan expressly states that Stock Options granted under it can not be "repriced," as defined inthe 2007 Plan;
- 500,000 shares, are proposed to be available for issuance under the 2007 Plan, 500,000 of whichshares may (provided that such Shares shall not include the 1998 Plan Shares) be issued pursuant to the exercise of ISOs granted under this Plan; and
- Shareholder approval is required for certain types of amendments to the 2007 Plan.

The 2007 Plan is designed to enable the Company to attract, retain and motivate its officers and other key employees, and to further align their interests with those of the shareholders of the Company, by providing for or increasing the proprietary interest of such persons in the Company.

The 2007 Plan has various provisions so that Awards under it may, but need not, qualify for an exemption from the "short swing liability" provisions of Section 16(b) of the Exchange Act pursuant to Rule 16b-3 and/or qualify as "performance based compensation" that is exempt from the \$1 million limitation on the deductibility of compensation under Section 162(m) of the Tax Code. However, shareholder approval of the class of eligible participants, the per person annual award limitations, the "Qualifying Performance Criteria" potentially associated with Awards granted under the 2007 Plan and the option price (or formula under which the price is determined) are required in order for awards under the 2007 Plan to qualify potentially as "performance based compensation" under Tax Code Section 162(m).

The Plan's per person award limitations for purposes of Section 162(m) are the following: (1) the aggregate number of Shares subject to Stock Options granted under the 2007 Plan during any calendar year to any one participant may not exceed 250,000; and (2) the aggregate number of Shares issued or issuable under all Awards other than Stock

Options granted under the 2007 Plan during any calendar year to any one participant may not exceed 250,000. In the future, if such limitations are not required under Code Section 162(m), then a change in such limitations shall not be subject to Shareholder approval.

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## Eligibility

Participants in the 2007 Plan can be any person who is an employee or prospective employee of the Company or any Subsidiary. The Compensation and Option Committee of the Board of Directors (the "Committee") has not yet determined how many individuals will ultimately participate in the 2007 Plan. While it is generally expected that the same categories of executives and employees who participate under the 1998 Plan will be eligible to participate under the 2007 Plan, Awards may from time to time be granted to employees who are not in these groups but who have otherwise distinguished themselves for their contributions to the Company or who are expected to make significant contributions to the Company.

## Administration

The 2007 Plan will be administered by the Committee, although the Board of Directors may exercise any authority of the Committee under the 2007 Plan in lieu of the Committee's exercise thereof. The Committee may designate subcommittees and may delegate certain administrative functions to others.

Subject to the express provisions of the 2007 Plan, the Committee has broad authority to administer and interpret the 2007 Plan, including, without limitation, authority to determine who is eligible to participate in the 2007 Plan and to which of such persons, and when, Awards are granted under the 2007 Plan, to determine the number of shares of Common Stock subject to Awards and the exercise or purchase price of such shares under an Award, to establish and verify the extent of satisfaction of any performance goals applicable to Awards, to prescribe and amend the terms of the agreements evidencing Awards made under the 2007 Plan, and to make all other determinations deemed necessary or advisable for the administration of the 2007 Plan.

## Stock Subject to the New Plan

The aggregate number of Shares that can be issued under the 2007 Plan may not exceed 500,000 (including pursuant to ISOs). If the outstanding Shares or other securities of the Company, or both, for which the Award is then exercisable or as to which the Award is to be settled shall at any time be changed or exchanged by declaration of a stock dividend, stock split, combination of shares, recapitalization, or reorganization, the Committee may appropriately and equitably adjust the number and kind of Shares or other securities which are subject to the Plan or subject to any Awards theretofore granted, and the exercise or settlement prices of such Awards, so as to maintain the proportionate number of Shares or other securities without changing the aggregate exercise or settlement price, provided, however, that such adjustment shall be made so as to not affect the status of any Award intended to qualify as an ISO or as "performance based compensation" under Section 162(m) of the Code. For purposes of calculating the aggregate number of Shares issued under the 2007 Plan, only the number of shares actually issued upon exercise or settlement of an Award and not delivered to or retained by the Company upon cancellation, expiration or forfeiture of an Award shall be counted.

## Awards

The 2007 Plan authorizes the grant and issuance of the following types of Awards: Stock Options and Restricted Stock.

**Stock Options.** Subject to the express provisions of the 2007 Plan and as discussed in this paragraph, the Committee has discretion to determine the vesting schedule of Stock Options, the events causing a Stock Option to expire, the number of shares subject to any Stock Option, the restrictions on transferability of a Stock Option, and such further terms and conditions, in each case not inconsistent with the 2007 Plan, as may be determined from time to time by the Committee. The 2007 Plan expressly provides that the Company can not "reprice" Stock Options. The exercise price for Stock Options may not be less than 100% of the fair market value of the Common Stock (as determined pursuant to the 2007 Plan) at the time the Stock Option is granted. The exercise price of an Stock Option may be paid through various means specified by the Committee, including in cash or check, or by a promissory note or other commitment to pay (including such a commitment by a stock broker to pay over proceeds from the sale of shares issuable under a Stock Option). Stock Options granted under the 2007 Plan may be either incentive stock options ("ISOs") qualifying under Section 422 of the Tax Code or non-qualified stock options ("NQSOs"), which are not intended to qualify as ISOs.

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**Restricted Stock.** The Committee may make awards of restricted stock to participants, which will be subject to restrictions on transferability and other restrictions as the Committee may impose, including, without limitations on the right to vote restricted stock or the right to receive dividends, if any, on the restricted stock. These awards may be subject to forfeiture upon any conditions or criteria established by the Committee, including without limitation termination of employment or upon a failure to satisfy Qualifying Performance Criteria during the applicable restriction period. In addition, in the discretion of the Compensation Committee, awards of restricted stock may be issued upon participants meeting certain Qualifying Performance Criteria.

## Qualifying Performance Criteria

Subject to shareholder approval of the 2007 Plan, the performance criteria for any Award that is intended to satisfy the requirements for "performance based compensation" under Code Section 162(m) shall be any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole, to a business unit or subsidiary, or based on comparisons of any of the performance measures relative to other companies, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee in the Award: (a) cash flow, (b) earnings per share or increases of same, (c) earnings before interest, taxes and amortization, (d) return on equity, (e) total shareholder return, (f) share price performance, (g) return on capital or investment, (h) return on assets or net assets, (i) revenue, (j) income or net income, (k) operating income or net operating income, (l) operating profit or net operating profit, (m) operating margin or profit margin, (n) return on operating revenue, (o) pre-tax or after-tax profit levels expressed in either absolute dollars, (p) revenues or revenue growth, (q) economic or cash value added, (r) results of customer satisfaction surveys, (s) other measures of performance, quality, safety, productivity or process improvement, (t) market share and (u) overhead or other expense reduction. These factors may have a minimum performance standard, a target performance standard and a maximum performance standard. The Committee shall appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year.

## Transferability of Awards and Other Provisions Applicable to Awards

Generally, Awards granted under the 2007 Plan may not be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner prior to the vesting or lapse of any and all restrictions applicable thereto.

The 2007 Plan has provisions designed so that it qualifies as an “eligible plan” under the margin provisions of Regulation U, by expressly providing that the Committee may, but is not required to, loan the amount necessary to purchase shares and/or pay taxes under any award. The 2007 Plan also provides that the Committee may, but need not, provide that the holder of an Award has a right under an Award to receive a number of shares, the amount of which is determined by reference to the value of the Award. Finally, the 2007 Plan does not limit the Company’s right to make other arrangements to provide stock options and other forms of compensation arrangements as it determines appropriate.

#### **Amendments and Termination**

The Board of Directors may amend, alter or discontinue the 2007 Plan or any agreement evidencing an Award made under the 2007 Plan, but no such amendment shall, without the approval of the shareholders of the Company:

- change the maximum number of shares of Common Stock for which Awards may be granted under this Plan;

19

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- extend the term of this Plan; or
  - change the class of persons eligible to participate in the Plan.

The Board may amend, alter or discontinue the Plan or any agreement evidencing an Award made under the Plan, but no amendment or alteration shall be made which would impair the rights of any Award holder, without such holder’s consent, under any Award theretofore granted; provided that no such consent shall be required if the Committee determines in its sole discretion and prior to the date of any change in control, recapitalization, stock dividend, stock split, reorganization, merger, consolidation or similar type transaction that such amendment or alteration either is required or advisable in order for the Company, the Plan, or any Award granted, to satisfy any law or regulation or to meet the requirements of any accounting standard.

No Award granted under the 2007 Plan shall be granted pursuant to the 2007 Plan more than 10 years after the date of the Company stockholder’s adoption of the 2007 Plan.

#### **Federal Income Tax Consequences**

The following discussion of the federal income tax consequences of the 2007 Plan is intended to be a summary of applicable federal law as currently in effect. State and local tax consequences may differ, and tax laws may be amended or interpreted differently during the term of the 2007 Plan or of Awards thereunder. Because the federal income tax rules governing Awards and related payments are complex and subject to frequent change, and they depend on the Participant’s individual circumstances, participants are advised to consult their tax advisors prior to exercise of options or other Awards or dispositions of stock acquired pursuant to Awards.

##### The Stock Options

ISOs and NQSOs are treated differently for federal income tax purposes. ISOs are intended to satisfy the requirements of Section 422 of the Code. NQSOs need not satisfy such requirements.

##### ISOs

No taxable income will result to a Participant upon the grant of an ISO. Upon the exercise of an ISO, any excess of the fair market value of the stock over the option price is a tax preference item that may result in the imposition of the alternative minimum tax in the year of exercise. However, if any of such shares are disposed of by the Participant in a disqualifying disposition (see below) in the same taxable year as the exercise, there will be no item of tax preference as to such disposed shares, although the Participant will recognize ordinary income as discussed below. In cases where the exercise of the option does produce an item of tax preference, the basis of the stock for purposes of the alternative minimum tax will include the amount of such tax preference item.

On the subsequent sale of stock acquired by the exercise of an ISO, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale and the Participant’s tax basis in the stock sold. The tax basis of stock acquired solely for cash will be equal to the amount of cash paid. If an ISO is exercised using previously acquired stock (or stock and cash) in payment, the Participant’s tax basis for the number of stock received equal to the number used in payment shall be the same as the Participant’s basis in the stock used as payment. The Participant’s aggregate tax basis in any additional stock received will be equal to the amount of cash paid (if any).

If a disposition of stock does not take place until more than two years after grant and more than one year after exercise of the option, any gain or loss realized will be treated as long-term capital gain or loss. Under such circumstances, the Company will not be entitled to a deduction for income tax purposes in connection with the exercise of the option. If a disposition occurs within two years after grant or one year after exercise of the option, the difference between the fair market value of the stock on the date of exercise and the tax basis in the stock is taxable as compensation income to the Participant and is deductible by the Company for federal income tax purposes. Any additional amount realized on the disposition will be taxed as either long-term or short-term capital gain.

If the option price of an ISO is paid by using stock that was acquired upon the exercise of an ISO (“Payment Shares”) and the Payment Shares have not been held for more than one year from exercise and two years from grant, the

20

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transfer of such Payment Shares to exercise an ISO will be treated as a “disposition” of such Payment Shares. Upon such disposition, the excess of the fair market value of the Payment Shares on the date they had originally been acquired (or, if less, the fair market value of the Payment Shares on the date of disposition) over the Participant’s tax basis in such Payment Shares is taxable as compensation income to the Participant and is deductible by the Company.

##### NQSO

In general, no taxable income will be recognized by the Participant, and no deduction will be allowed to the Company, upon the grant of a NQSO. Upon exercise of an unrestricted NQSO, a Participant will recognize ordinary income (and the Company will be entitled to a corresponding tax deduction) in an amount equal to the amount by which the fair market value of the shares on the exercise date exceeds the option exercise price. Any gain or loss realized by a Participant on disposition of such shares generally is a capital gain or loss and does not result in any tax deduction to the Company.

## Restricted Stock

A grant of restricted stock does not result in income to the Participant or a corresponding tax deduction for the Company until the shares are no longer subject to restrictions, or forfeiture, unless the Participant, elects under Section 83(b) of the Code to have the amount of income to the Participant (and deduction to the Company) determined at the date of the grant. At the time of lapse of restrictions (or a Section 83(b) election), the Participant generally will recognize ordinary income equal to the fair market value of the shares less any amount paid for them, and the Company will be entitled to a tax deduction in the same amount (subject to certain restrictions set forth below under Section 162(m) of the Code. Any dividends paid on restricted stock will be treated as compensation for federal income tax purposes, unless the Participant has made a Section 83(b) election. After the restrictions have lapsed (or a Section 83(b) election has been made), the Participant may treat appreciation subsequent to such time as capital gain (depending on the holding period for the shares). Participants receiving Restricted Stock should consult their tax advisors regarding the ability and advisability of making the Section 83(b) election, including the limitations on claiming a loss if the shares decline in value or are forfeited after receipt.

## Withholding and Other Issues for Employees

The Company generally will be entitled to withhold any required taxes in connection with the exercise or payment of an Award, and may require the participant to pay such taxes as a condition to exercise of an Award. Special rules will apply in cases where a recipient of an Award pays the exercise or purchase price of the Award or applicable withholding tax obligations under the 2007 Plan by delivering previously owned shares or by reducing the number of shares otherwise issuable pursuant to the Award. The surrender or withholding of such shares will in certain circumstances result in the recognition of income with respect to such shares or a carryover basis in the shares acquired, and may constitute a disposition for purposes of applying the ISO holding periods as discussed above.

The Committee, pursuant to the terms of the agreements or other documents pursuant to which specific Awards are made under the 2007 Plan, may agree to reimburse participants for some or all of the federal, state and local income taxes associated with the grant or exercise of an Award or the receipt of the cash or Shares from an Award, or the 20% excise tax on any "excess parachute payments" under Code Sections 280G and Code Section 4999, and may agree to reimburse the additional federal, state and local income tax from the reimbursement payments made.

## Tax Effect to Company

The Company generally will be entitled to a tax deduction in connection with an Award under the 2007 Plan in an amount equal to the compensation income (ordinary income) realized by a Participant and at the time the Participant recognizes such income (for example, the exercise of a NQSO). Special rules limit the deductibility of compensation paid to certain Covered Employees of the Company (as defined by Code Section 162(m)(3)). Under Section 162(m) of the Internal Revenue Code, the annual compensation paid to any of these Covered Employees will be deductible only to the extent that it does not exceed \$1,000,000 or if the compensation is paid solely on account of attaining one or more pre-established, objective performance goals. The 2007 Plan has been constructed such that some Awards in the Committee's discretion may qualify as "performance-based compensation" under Section

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162(m) of the Code and thus would be deductible even if the total compensation paid to the Covered Employee is in excess of \$1,000,000. However, whether an Award will qualify under Section 162(m) as "performance-based compensation" will depend on the terms, conditions and type of the Award issued the Covered Employee. For example, grants of Options or Restricted Stock often vest only according to the optionee's or Grantee's length of employment rather than pre-established performance goals. Therefore, the compensation derived from the Awards made to Covered Employees may not be deductible by the Company to the extent the Covered Employee's total compensation exceeds \$1 million.

## **Vote Required**

Assuming a quorum is present at the Annual Meeting, the affirmative vote of a majority of votes cast by holders of Common Stock represented and entitled to vote at the Annual Meeting is required to approve the 2007 Plan.

THE BOARD OF DIRECTORS RECOMMENDS AND ENCOURAGES YOU TO VOTE "FOR" THE APPROVAL OF THE 2007 PLAN.

## **OTHER MATTERS**

### **Annual Report**

The Annual Report of the Company for the fiscal year ended September 30, 2006, is enclosed herewith.

### **Voting By Proxy**

In order to ensure that your shares will be represented at the Annual Meeting, please sign and return the enclosed proxy in the envelope provided for that purpose, whether or not you expect to attend. Any shareholder may, without affecting any vote previously taken, revoke a written proxy by delivering to our executive offices, to the attention of our corporate Secretary prior to the vote at the Annual Meeting, written notice of revocation or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person.

### **Independent Auditors**

Our Board of Directors selected the accounting firm of Mayer Hoffman McCann P.C. ("Mayer Hoffman") as the Company's independent public accountants for the fiscal years ending September 30, 2006 and 2005 and expects to reappoint them for the fiscal year ending September 30, 2007, immediately following the Annual Meeting. KPMG LLP ("KPMG") audited the Company's financial statements for the fiscal year ending September 30, 2004. A representative of Mayer Hoffman is expected to be present at the Annual Meeting and will have the opportunity to make a statement if he or she so desires, and will also be available to respond to appropriate questions.

On May 18, 2005, the Company received notification that KPMG had declined to stand for reappointment as the Company's independent accountants and that the client-audit relationship between the Company and KPMG had ceased.

During the two years ended September 30, 2004 and the subsequent interim period ended May 18, 2005, there were no disagreements between the Company and KPMG on any matters of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved to the satisfaction of KPMG, would have been referred to in their reports. KPMG's report on the Company's financial statements for the two years ended September 30, 2004 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. In addition, during the two years ended September 30, 2004 and the subsequent interim period through May 18, 2005, there were no reportable events (as defined in Item 304(a)(1)(v) of SEC Regulation S-K).

On May 24, 2005, pursuant to approval of the Audit Committee, the Company engaged Mayer Hoffman to serve as its new independent accountants. Anticipating future

cost savings, the Audit Committee had undertaken an evaluation of a potential change in independent accountants prior to receiving notification that KPMG would not stand for reappointment. The Audit Committee selected Mayer Hoffman based on that firm's accounting expertise, the resources the firm has committed to assign to the Company's account and the fee estimates provided to the Audit Committee for the firm's services.

During the years ended September 30, 2004 and 2003 and the subsequent interim periods, the Company did not consult with Mayer Hoffman regarding either (i) the application of accounting principles to a specified transaction or the type of audit opinion that might be rendered on the Company's financial statements or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

#### **Deadline for Shareholder Proposals for Action at the Company's Next Annual Meeting**

The Company anticipates holding its 2008 Annual Meeting of Shareholders on March 14, 2008. Any shareholder who wishes to present any proposal for shareholder action at the 2008 Annual Meeting of Shareholders, must be submitted to the Company's Secretary, at the Company's offices, not later than October 18, 2007, in order to be included in the Company's proxy statement and form of proxy for that meeting. Such proposals should be addressed to the Corporate Secretary, Amtech Systems, Inc., 131 South Clark Drive, Tempe, Arizona 85281. If a shareholder proposal is introduced at the 2008 Annual Meeting of Shareholders without any discussion of the proposal in the Company's proxy statement, and the shareholder does not notify the Company on or before December 31, 2007, as required by SEC Rule 14(a)-4(c)(1), of the intent to raise such proposal at the Annual Meeting of Shareholders, then proxies received by the Company for the 2008 Annual Meeting will be voted by the persons named in such proxies in their discretion with respect to such proposal. Notice of such proposal is to be sent to the above address.

#### **Shareholder Communications with Board of Directors**

The Company does not have formal procedures for shareholder communications with the Board of Directors. However, any matter intended for the Board of Directors or any Board Committee should be directed to the Corporate Secretary of the Company at 131 South Clark Drive, Tempe, Arizona 85281, with a request to forward the same to the intended recipient. All shareholder communications delivered to the Corporate Secretary of the Company for forwarding to the Board of Directors or specified Board members will be forwarded in accordance with the shareholder's instructions.

#### **HOUSEHOLDING OF PROXY MATERIALS**

In December 2000, the Securities and Exchange Commission adopted new rules that permit companies and intermediaries (i.e., brokers) to satisfy the delivery requirements for proxy statements with respect to two or more security holders sharing the same address by delivering a single proxy statement addressed to those security holders. This process, which is commonly referred to as "householding," potentially means extra convenience for security holders and cost savings for companies.

If you are currently receiving multiple copies of the Company's Proxy Statement and Annual Report at your address and would like to request householding of your communications, please contact your broker. Once you have elected householding of your communications, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding, and would prefer to receive a separate Proxy Statement and Annual Report, please notify your broker if you own shares in street name, or direct your written request to Amtech Systems, Inc., 131 South Clark Drive, Tempe, Arizona 85281, Attn: Secretary if you are a shareholder of record.

By Order of the Board of Directors:



Bradley C. Anderson, Secretary

Tempe, Arizona  
April 24, 2007

**EXHIBIT A**  
**2007 EMPLOYEE STOCK**  
**INCENTIVE PLAN**  
**OF**  
**AMTECH SYSTEMS, INC.**

**Section 1. Purpose of Plan**

The purpose of this 2007 Employee Stock Incentive Plan (this "Plan") of Amtech Systems, Inc., an Arizona corporation (the "Company"), is to enable the Company and any subsidiary corporation (as the term is defined in Code Section 424(f), hereinafter each a "Subsidiary" or the plural "Subsidiaries") to attract, retain and motivate their officers and other key employees, and to further align the interests of such persons with those of the stockholders of the Company by providing for or increasing the proprietary interest of such persons in the Company.

**Section 2. Administration of Plan**

*2.1 Composition of Committee.* This Plan shall be administered by the Compensation and Option Committee of the Board of Directors (the "Committee"), as appointed from time to time by the Board of Directors. The Committee shall act pursuant to a majority vote or unanimous written consent. The Board of Directors, in its sole discretion, may exercise any authority of the Committee under this Plan in lieu of the Committee's exercise thereof. Notwithstanding the foregoing, with respect to any Award that is intended to satisfy the conditions of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or Section 162(m)(4)(C) of the Internal Revenue Code of 1986, as amended (the "Code"), the Committee may appoint one or more separate committees (any such committee, a "Subcommittee") composed of one or more directors of the Company (who may but need not be members of the Committee) and may delegate to any such Subcommittee(s) the authority to grant Awards, as defined in Section 5.1 hereof, under the Plan to Eligible Employees, to determine all terms of such Awards, and/or to administer the Plan or any aspect of it. Any action by any such Subcommittee within the scope of such delegation shall be deemed for all purposes to have been taken by the Committee. The Committee may designate the Secretary of the Company or other Company employees to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute agreements or other documents evidencing Awards made under this Plan or other documents entered into under this Plan on behalf of the Committee or the Company.

*2.2 Powers of the Committee.* Subject to the express provisions of this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable, in its sole discretion, in connection with the administration of this Plan, including, without limitation, the following:

(a) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein; provided that, unless the Committee specifies otherwise, for purposes of this Plan (i) the term "fair market value" shall mean, as of any date, the closing price for a Share (as defined in Section 3.1) reported for the last trading day prior to such date by the NASDAQ Stock Market (or such other stock exchange or quotation system on which Shares are then listed or quoted) or, if no Shares are traded on the NASDAQ Stock Market (or such other stock exchange or quotation system) on the date in question, then for the next preceding date for which Shares traded on the NASDAQ Stock Market (or such other stock exchange or quotation system); and (ii) the term "Company" shall mean the Company and its Subsidiaries, unless the context otherwise requires;

(b) to determine which persons are Eligible Employees (as defined in Section 4), to which of such Eligible Employees, if any, Awards shall be granted hereunder and the timing of any such Awards, and to grant Awards;

(c) to grant Awards to Eligible Employees and determine the terms and conditions thereof, including the number of Shares subject to Awards and the exercise or purchase price of such Shares and the circumstances under which Awards become exercisable or vested or are forfeited or expire, which terms may but need not be conditioned upon the passage of time, continued employment, the satisfaction of

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performance criteria, the occurrence of certain events (including events which the Board or the Committee determine constitute a change of control), whether such Award complies with Code Section 409A, Notice 2005-1, Proposed Treasury Regulations Sections 1.409-1 through 1.409-6, (and after December 31, 2007 (or sooner at the election of the Committee), Treasury Regulations Sections 1.409A-1 through 1.409A-6) or other factors;

(d) to establish, verify the extent of satisfaction of, adjust, reduce or waive any performance goals or other conditions applicable to the grant, issuance, exercisability, vesting and/or ability to retain any Award and to consider the effect of such actions on the qualification of an Award as an ISO.

(e) to prescribe and amend the terms of the agreements or other documents evidencing Awards made under this Plan (which need not be identical);

(f) to determine whether, and the extent to which, adjustments are required pursuant to Section 9;

(g) to interpret and construe this Plan, any rules and regulations under this Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Company; and

(h) to make all other determinations deemed necessary or advisable for the administration of this Plan.

*2.3 Determinations of the Committee.* All decisions, determinations and interpretations by the Committee regarding this Plan shall be final and binding on all Eligible Employees. The Committee shall consider such factors as it deems relevant to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any director, officer or employee of the Company and such attorneys, consultants and accountants as it may select.

**Section 3. Stock Subject to Plan**

*3.1 Aggregate Limits.* The aggregate number of shares of the Company's Common Stock, par value \$0.01 per share ("Shares"), issued pursuant to all Awards granted under this Plan shall not exceed 500,000. The aggregate number of Shares available for issuance under this Plan and the number of Shares subject to outstanding Awards shall be subject to adjustment as provided in Section 9. The Shares issued pursuant to this Plan may be Shares that either were reacquired by the Company, including Shares purchased in the open market, or authorized but unissued Shares.

*3.2 Additional Limits.* The aggregate number of Shares subject to Options granted under this Plan during any calendar year to any one Eligible Employee shall not exceed 250,000 (taking into account the number of shares associated with an Option granted and then cancelled during such calendar year). The aggregate number of Shares issued or issuable under all Awards granted under this Plan, other than Options, during any calendar year to any one Eligible Employee shall not exceed 250,000 (taking into account the number of shares associated with the Awards other than Options granted and then cancelled during such calendar year). The foregoing limitations of this Section 3.2 shall not apply to the extent that they are no longer required in order for compensation in connection with grants of Awards under this Plan to be treated as "performance-based compensation" under Code Section 162(m) and, if no longer required, a change in such limitation shall not be subject to stockholder approval as required under Section 12 hereof. The aggregate number of Shares that may be issued pursuant to the exercise of ISOs granted under this Plan shall not exceed 500,000, which number shall be calculated



and adjusted pursuant to Section 3.3 and Section 9 only to the extent that such calculation or adjustment will not (i) require shareholder approval under Reg. § 1.422-2(b)(3) or (ii) affect the status of any Option intended to qualify as an ISO under Code Section 422, or whether this Plan meets the requirements under Code Section 422(b)(1).

3.3 *Issuance of Shares.* For purposes of Section 3.1, the aggregate number of Shares issued under this Plan at any time shall equal only the number of Shares actually issued upon exercise or settlement of an Award and shall not include Shares subject to Awards that have been canceled, expired or forfeited or Shares subject to Awards that have been delivered (either actually or constructively by attestation) to or retained by the Company in payment or satisfaction of the purchase price or exercise price of an Award.

A-2

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#### Section 4. Persons Eligible Under Plan

Any person who is an employee or prospective employee of the Company or any of its Subsidiaries shall be eligible to be considered for the grant of Awards hereunder; provided that the Award to such prospective employee is conditioned on the prospective employee's commencement of employment (an "Eligible Employee"); provided, however, with respect to ISOs granted under this Plan, the aggregate fair market value (determined at the time the ISO is granted) of the Shares with respect to which the ISOs are exercisable for the first time by the optionee during any calendar year (under the plans of the Company) shall not exceed \$100,000.00. If any ISO is granted that exceeds the limitations of this Section 4 at the first time it is exercisable, it shall not be invalid, but shall constitute, and be treated as, a Nonqualified Option to the extent of such excess. The status of the chairman of the Board of Directors as an "employee" shall be determined by the Committee.

#### Section 5. Plan Awards

5.1 *Award Types.* The Committee, on behalf of the Company, is authorized under this Plan to enter into certain types of arrangements with Eligible Employees and to confer certain benefits on them. The following arrangements or benefits are authorized under this Plan if their terms and conditions are not inconsistent with the provisions of this Plan: Options and Restricted Stock. Such arrangements and benefits are sometimes referred to herein as "Awards." The authorized types of arrangements and benefits for which Awards may be granted are defined as follows:

(a) *Options.* An Option is a right granted under Section 6 to purchase a number of Shares at such exercise price, at such times, and on such other terms and conditions as are specified in the agreement or terms and conditions or other document evidencing the Award (the "Option Document"). Options intended to qualify as Incentive Stock Options ("ISOs") pursuant to Code Section 422 and Options not intended to qualify as ISOs ("Nonqualified Options") may be granted under Section 6.

(b) *Restricted Stock.* Restricted Stock is an award or issuance of Shares under Section 7, subject to certain restrictions and the risk of forfeiture and terms as are expressed in the agreement or other document evidencing the Award.

5.2 *Grants of Awards.* An Award may consist of one such arrangement or benefit or two or more of them in tandem, and the terms as established by the Committee for all Awards granted hereunder may include performance standards derived from the Qualifying Performance Criteria (as defined in Section 8.2 hereof), and the receipt of any Award may be contingent on performance standards derived from the Qualifying Performance Criteria.

#### Section 6. Options

The Committee may grant an Option or provide for the grant of an Option, either from time to time in the discretion of the Committee or automatically upon the occurrence of specified events, including, without limitation, the achievement of performance goals, the satisfaction of an event or condition within the control of the recipient of the Award or within the control of others.

6.1 *Option Document.* Each Option Document shall contain provisions regarding (a) the number of Shares that may be issued upon exercise of the Option, (b) the purchase price of the Shares and the means of payment for the Shares, (c) the term of the Option, (d) such terms and conditions on the vesting and/or exercisability of an Option as may be determined from time to time by the Committee, (e) restrictions on the transfer of the Option and forfeiture provisions and (f) such further terms and conditions, in each case not inconsistent with this Plan as may be determined from time to time by the Committee. Option Documents evidencing ISOs shall contain such terms and conditions as may be necessary to qualify, to the extent determined desirable by the Committee, with the applicable provisions of Section 422 of the Code.

A-3

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6.2 *Option Price.* Subject to the restriction set forth in the following sentence, the purchase price per share of the Shares subject to each Option granted under this Plan shall equal or exceed 100% of the fair market value of a Share on the date the Option is granted. The previous sentence notwithstanding, if, immediately before an Award intended to qualify as an ISO, an individual owns (or is treated as owning under the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (or any related corporation within the meaning of Reg. § 1.421-1(i)(2)) employing the optionee, the purchase price shall be in no event less than one hundred ten percent (110%) of the stock's fair market value on the date of grant.

6.3 *Option Term.* The "Term" of each Option granted under this Plan, including any ISOs, shall be ten (10) years from the date of its grant, unless (i) the Company makes an Award intended to qualify as an ISO to an individual who owns (or is treated as owning under the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (or any related corporation within the meaning of Reg. § 1.421-1(i)(2)) employing the optionee, in which case, the term shall be five (5) years from the date of its grant or (ii) the Committee provides for a lesser term.

6.4 *Option Vesting.* Options granted under this Plan shall be exercisable at such time and in such installments during the period prior to the expiration of the Option's Term as determined by the Committee. The Committee shall have the right to make the timing of the ability to exercise any Option granted under this Plan subject to continued employment, the passage of time and/or such performance requirements as deemed appropriate by the Committee.

6.5 *Termination of Status as and Employee.*

(a) Termination of Employment. Unless otherwise provided in an Award Agreement relating to an Option, if the employment of an Eligible Employee by the Company is terminated, whether voluntary or for cause, except if such termination occurs due to retirement, death or disability, the Option, to the extent not exercised, shall cease on the date on which Eligible Employee's employment by the Company is terminated. For purposes of this Section 6.5, an Eligible Employee who leaves the employ of the Company to become an employee of a subsidiary or parent corporation of the Company or a corporation which has assumed the Option of the Company as a result of a corporate reorganization, etc., shall not be considered to have terminated his employment. For purposes of this Section 6.5, the employment relationship of an employee of the Company or of a subsidiary corporation of the Company will be treated as continuing intact while he is on military or sick leave or other bona fide leave of absence (such as temporary employment by the government) if such leave does not exceed ninety (90) days, or, if longer, so long as his right to reemployment is guaranteed either by statute or by contract.

(b) Retirement. For purposes of the Plan, the retirement of an individual either pursuant to a pension or retirement plan adopted by the Company or at the normal

retirement date prescribed from time to time by the Company, shall be deemed to be a termination of such individual's employment other than voluntary or for cause. If an Eligible Employee's termination is due to retirement, then the Eligible Employee may, but only within ninety (90) days after the date he ceases to be an employee of the Company, exercise his Option to the extent that he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise the Option at the date of such termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

(c) Disability. Unless otherwise provided in an Award Agreement relating to an Option, in the event an Eligible Employee is unable to continue his employment with the Company as a result of his permanent and total disability (as defined in Section 22(e)(3) of the Code), he may, but only within one (1) year from the date of termination, exercise his Option to the extent he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise the Option at the date of termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

A-4

(d) Death of Eligible Employee. Unless otherwise provided in an Award Agreement relating to an Option, if an Eligible Employee dies during the term of the Option and is at the time of his death an employee of the Company who shall have been in continuous status as an employee since the date of grant of the Option, the Option may be exercised at any time within one (1) year following the date of death (or such other period of time as is determined by the Committee), by the Eligible Employee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that Eligible Employee was entitled to exercise the Option on the date of death. To the extent that decedent was not entitled to exercise the Option on the date of death, or if the Eligible Employee's estate, or person who acquired the right to exercise the Option by bequest or inheritance, does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

6.6 Payment of Exercise Price. The exercise price of an Option shall be paid in the form of one of more of the following, as the Committee shall specify, either through the terms of the Option Document or at the time of exercise of an Option: (a) cash or certified or cashiers' check, (b) payment under an arrangement with a broker selected or approved by the Company where payment is made pursuant to an irrevocable commitment by the broker to deliver to the Company proceeds from the sale of the Shares issuable upon exercise of the Option, or (c) a combination of (a) and (b).

6.7 No Option Repricing. Without the approval of stockholders, the Company shall not reprice any Options. For purposes of this Plan, the term "reprice" shall mean lowering the exercise price of previously awarded Options within the meaning of Item 402(i) under Securities and Exchange Commission Regulation S-K (including canceling previously awarded Options and regranting them with a lower exercise price).

## Section 7. Restricted Stock Awards

The Committee is authorized to make Awards of Restricted Stock to Eligible Employees in such amounts and subject to such terms and conditions as may be determined by the Committee. All Awards of Restricted Stock shall be evidenced by a Restricted Stock Award Agreement.

7.1 Issuance and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination of such times, under such circumstances, in such installments, upon the satisfaction of continued employment, standards derived from the Qualifying Performance Criteria, lapse of time, certain acceleration events like death or disability or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

7.2 Forfeiture. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment during the applicable restriction period or upon failure to satisfy a standard derived from the Qualifying Performance Criteria during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and re-acquired by the Company; provided, however, that the Committee may provide in any Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock.

7.3 Certificates for Restricted Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Eligible Employee, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

## Section 8. Other Provisions Applicable to Awards

8.1 Transferability. Unless the agreement or other document evidencing an Award (or an amendment thereto authorized by the Committee) expressly states that the Award is transferable as provided hereunder and the transferability of such Award complies with Reg. § 1.422-2(a)(2)(v), no Award granted under this Plan, nor any interest in such Award, may be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner prior to the vesting or lapse of any and all restrictions applicable thereto.

A-5

8.2 Qualifying Performance Criteria. For purposes of this Plan, the term "Qualifying Performance Criteria" shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole, to a business unit or subsidiary, or based on comparisons of any of the performance measures relative to other companies, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee in the Award: (a) cash flow, (b) earnings per share or increases of same, (c) earnings before interest, taxes and amortization, (d) return on equity, (e) total stockholder return, (f) share price performance, (g) return on capital or investment, (h) return on assets or net assets, (i) revenue, (j) income or net income, (k) operating income or net operating income, (l) operating profit or net operating profit, (m) operating margin or profit margin, (n) return on operating revenue, (o) pre-tax or after-tax profit levels expressed in either absolute dollars, (p) revenues or revenue growth, (q) economic or cash value added, (r) results of customer satisfaction surveys, (s) other measures of performance, quality, safety, productivity or process improvement, (t) market share and (u) overhead or other expense reduction. These factors may have a minimum performance standard, a target performance standard and a maximum performance standard. The Committee shall appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year.

8.3 Dividends. Unless otherwise provided by the Committee, no adjustment shall be made in Shares issuable under Awards on account of cash dividends that may be paid or other rights that may be issued to the holders of Shares prior to their issuance under any Award. The Committee shall specify whether dividends or dividend equivalent amounts shall be paid to any Eligible Employee with respect to the Shares subject to any Award that have not vested or been issued or that are subject to any restrictions or conditions on the record date for dividends.

8.4 Documents Evidencing Awards. The Committee shall, subject to applicable law, determine the date an Award is deemed to be granted, which for purposes of this Plan

shall not be affected by the fact that an Award is contingent on subsequent stockholder approval of this Plan. The Committee or, except to the extent prohibited under applicable law, its delegate(s) may establish the terms of agreements or other documents evidencing Awards under this Plan and may, but need not, require as a condition to any such agreement's or document's effectiveness that such agreement or document be executed by the Eligible Employee and that such Eligible Employee agrees to such further terms and conditions as specified in such agreement or document. The grant of an Award under this Plan shall not confer any rights upon the Eligible Employee holding such Award other than such terms, and subject to such conditions, as are specified in this Plan as being applicable to such type of Award (or to all Awards) or as are expressly set forth in the agreement or other document evidencing such Award.

8.5 *Financing.* Unless prohibited by federal and state law, or the rules or regulations thereunder, the Committee may in its discretion provide financing to an Eligible Employee in a principal amount sufficient to pay the purchase price of any Award and/or to pay the amount of taxes required by law to be withheld with respect to any Award. Any such loan shall be subject to all applicable legal requirements and restrictions pertinent thereto, including Regulation U promulgated by the Federal Reserve Board. The grant of an Award shall in no way obligate the Company or the Committee to provide any financing whatsoever in connection therewith.

8.6 *Compliance with Code Section 409A.* Notwithstanding any language to the contrary in this Plan, the Committee will ensure that the terms and conditions of any Awards issued will comply with the applicable provision of Code Section 409A or the regulations or other pronouncements thereunder.

8.7 *Additional Restrictions on Awards.* Either at the time an Award is granted or by subsequent action, the Committee may, but need not, impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by an Eligible Employee or other subsequent transfers by an Eligible Employee of any Shares issued under an Award, including without limitation (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Eligible Employees, and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

A-6

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## Section 9. Changes in Capital Structure

9.1 *Corporate Actions Unimpaired.* The existence of outstanding Awards shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, exchanges, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of Shares or other securities or subscription rights thereto, or any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares or other securities of the Company or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. Further, except as expressly provided herein or by the Committee, (a) the issuance by the Company of shares of stock of any class of securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, (b) the payment of a dividend in property other than Shares, or (c) the occurrence of any similar transaction, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to Awards theretofore granted or the purchase price per Share, unless the Committee shall determine in its sole discretion that an adjustment is necessary to provide equitable treatment to an Eligible Employee.

9.2 *Adjustments Upon Certain Events.* If the outstanding Shares or other securities of the Company, or both, for which the Award is to be settled shall at any time be changed or exchanged by declaration of a stock dividend, stock split, combination of shares, recapitalization, or reorganization, the Committee may appropriately and equitably adjust the number and kind of Shares or other securities which are subject to the Plan or subject to any Awards theretofore granted, and the exercise or settlement prices of such Awards, so as to maintain the proportionate number of Shares or other securities without changing the aggregate exercise or settlement price, provided, however, that such adjustment shall be made so as not to affect the status of any Award intended to qualify as an ISO or as "performance based compensation" under Section 162(m) of the Code.

## Section 10. Mergers and Liquidation

Except as limited by the provisions of Code Section 422 of the Code and the terms of any individual Award, if the company is the surviving corporation in any merger or consolidation, all Awards shall remain in force, and any: (1) Option granted under the Plan shall remain outstanding pursuant to the terms of the Plan and the Award; and (2) Restricted Stock granted under the Plan shall continue to be outstanding pursuant to the terms of the Award and this Plan. Except to the extent otherwise provided in an Award document, by the Board, or as limited by Code Section 422, dissolution or liquidation of the Company shall cause every unvested Option, Restricted Stock or other Award for which there remains contingencies, conditions and unmet performance standards to terminate. Except as limited by Code Section 422, a merger or consolidation in which the Company is not the surviving corporation shall also cause every unvested Option or Restricted Stock for which there remains contingencies, conditions and unmet performance standards to terminate unless specifically provided otherwise in an Award document or by the Board.

## Section 11. Taxes

11.1 *Withholding Requirements.* The Committee may make such provisions or impose such conditions as it may deem appropriate for the withholding or payment by an Eligible Employee of any taxes that the Committee determines are required in connection with any Award granted under this Plan, and an Eligible Employee's rights in any Award are subject to satisfaction of such conditions.

11.2 *Payment of Withholding Taxes.* Notwithstanding the terms of Section 11.1, the Committee may provide in the agreement or other document evidencing an Award or otherwise that all or any portion of the taxes required to be withheld by the Company or, if permitted by the Committee, desired to be paid by the Eligible Employee, in connection with the exercise, vesting, settlement or transfer of any Award shall be paid or, at the election of the Eligible Employee, may be paid by the Company by withholding shares of the Company's capital stock otherwise issuable or subject to such Award, or by the Eligible Employee delivering previously owned shares of the Company's capital stock, in each case having a fair market value equal to the amount required or elected to be withheld or paid, or by a broker selected or approved by the Company paying such amount pursuant to an irrevocable commitment by the broker to deliver to the Company proceeds from the sale of the Shares issuable under the Award. Any such election is subject to such conditions or procedures as may be established by the Committee and may be subject to approval by the Committee.

A-7

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## Section 12. Amendments or Termination

The Board may amend, alter or discontinue this Plan or any agreement or other document evidencing an Award made under this Plan but, except as provided pursuant to the anti-dilution adjustment provisions of Section 9.2, no such amendment shall, without the approval of the stockholders of the Company:

- (a) change the maximum number of shares of Common Stock for which Awards may be granted under this Plan;
- (b) extend the term of this Plan; or
- (c) change the class of persons eligible to be Eligible Employees.

The Board may amend, alter or discontinue the Plan or any agreement evidencing an Award made under the Plan, but no amendment or alteration shall be made which would impair the rights of any Award holder, without such holder's consent, under any Award theretofore granted; provided that no such consent shall be required if the Committee determines in its sole discretion and prior to the date of any change in control, recapitalization, stock dividend, stock split, reorganization, merger, consolidation or similar type transaction that such amendment or alteration either is required or advisable in order for the Company, the Plan, or any Award granted, to satisfy any law or regulation or to meet the requirements of any accounting standard.

### **Section 13. Compliance with Other Laws and Regulations**

This Plan, the grant and exercise of Awards thereunder, and the obligation of the Company to sell, issue or deliver Shares under such Awards, shall be subject to all applicable federal, state and foreign laws, rules and regulations and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in an Eligible Employee's name or deliver any Shares prior to the completion of any registration or qualification of such Shares under any federal, state or foreign law or any ruling or regulation of any government body which the Committee shall determine to be necessary or advisable. This Plan is intended to constitute an unfunded arrangement for the Eligible Employees.

Unless the Awards and Shares covered by this Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each person receiving an Award and/or Shares pursuant to any Award may be required by the Company to give a representation in writing that such person is acquiring such Shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

### **Section 14. No Right to Company Employment**

Nothing in this Plan or as a result of any Award granted pursuant to this Plan shall confer on any individual any right to continue in the employ of the Company or interfere in any way with the right of the Company to terminate an individual's employment at any time. The agreements or other documents evidencing Awards may contain such provisions as the Committee may approve with reference to the effect of approved leaves of absence.

A-8

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### **Section 15. Liability of Company**

The Company and any Affiliate which is in existence or hereafter comes into existence shall not be liable to an Eligible Employee or other persons as to:

(a) The Non-Issuance of Shares. The non-issuance or sale of shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any shares hereunder; and

(b) Tax Consequences. Any tax consequence expected, but not realized, by any Eligible Employee or other person due to the receipt, exercise or settlement of any Award granted hereunder.

### **Section 16. Effectiveness and Expiration of Plan**

This Plan shall be effective on the date the Company's Board of Directors adopts this Plan, and no ISOs shall be granted prior to such date. All Awards granted under this Plan are subject to, and may not be exercised before the approval of this Plan by the stockholders. If such approval by the stockholders of the Company is not forthcoming, all Awards previously granted under this Plan shall be void. No Awards shall be granted pursuant to this Plan more than ten (10) years after the effective date of this Plan.

### **Section 17. Incentive Stock Options**

Notwithstanding anything in the Plan to the contrary, it is the intention of the Company and the Committee that all terms and provisions relating to ISOs of this Plan shall be consistent with the requirements of Code Section 422 and the applicable regulations thereunder, as of the effective date of this plan, and to the extent any term or provision of this Plan relating to ISOs is inconsistent with Code Section 422 and the applicable regulations thereunder at that date, the term or provision shall be read, interpreted or substituted so as to be consistent with the applicable provision of Code Section 422 or the regulations thereunder.

### **Section 18. Non-Exclusivity of Plan**

Neither the adoption of this Plan by the Board nor the submission of this Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including without limitation, the granting of restricted stock or stock options otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

### **Section 19. Governing Law**

This Plan and any agreements or other documents hereunder shall be interpreted and construed in accordance with the laws of the State of Arizona and applicable federal law. The Committee may provide that any dispute as to any Award shall be presented and determined in such forum as the Committee may specify, including through binding arbitration. Any reference in this Plan or in the agreement or other document evidencing any Award to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

### **Section 20. Miscellaneous Matters**

**20.1 Annulment of Awards.** The grant of any Award payable in Shares is provisional until the Eligible Employee becomes entitled to the certificates in settlement thereof. In the event the employment of an Eligible Employee is terminated for cause (as defined below), any Award which is provisional shall be annulled as of the date of such termination for cause. For the purpose of this Section 21.1, the term "terminated for cause" means any discharge for violation of the policies and procedures of the Company or any Subsidiary or for other job performance or conduct which is detrimental to the best interests of the Company or a Subsidiary.

**20.2 Securities Law Restrictions.** No Shares shall be issued under the Plan unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable Federal and state securities laws. Certificates for Shares delivered under the Plan may be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares is then listed, and any applicable Federal or state securities law. The Committee may cause a legend or legends to be put on any such certificates to refer to those

A-9

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restrictions. Further, without limiting the foregoing, each person exercising an Option or receiving Restricted Stock may be required by the Company to give a representation in

writing that he or she is acquiring Shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof (regardless of whether such option and Shares covered by the Plan are registered under the Securities Act of 1933, as amended). As a condition of transfer of the certificate evidencing Shares, the Committee may obtain such other agreements or undertakings, if any, that it may deem necessary or appropriate to assume compliance with any provisions of the Plan or any law or regulation. Certificates for Shares delivered under the Plan may be subject to such stock transfer orders and other restrictions as the Board may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable Federal or state securities laws. The Board may cause a legend or legends to be put on any such certificate to refer to those restrictions.

20.3 *Award Agreement.* Each Eligible Employee receiving an Award under the Plan shall enter into an Award Agreement (“Award Agreement”) with the Company in a form specified by the Committee agreeing to the terms and conditions of the Award and such related matters as the Committee, in its sole discretion, shall determine.

20.4 *Costs of Plan.* The costs and expenses of administering the Plan shall be borne by the Company.

20.5 *Tax Reimbursement Payments to Eligible Employees.* Unless prohibited by federal and state law, or the rules and regulations thereunder, the Committee, pursuant to the terms of the agreements or other documents pursuant to which specific Awards are made under the Plan, may agree to reimburse Eligible Employees for some or all of the federal, state and local income taxes associated with the grant or exercise of an Award or the receipt of the cash or Shares from an Award (including any additional tax imposed due to Code Section 409A), or the 20% excise tax on any “excess parachute payments” under Code Sections 280G and Code Section 4999, and may agree to reimburse such Eligible Employees for some or all the additional federal, state and local income tax associated with the payments made under this Section 20.5.

20.6 *Government Regulations.* The Plan and the granting and exercise of Options and Shares hereunder, and the obligations of the Company to sell and deliver Shares under Options, shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

20.7 *Interpretation.* If any provision of the Plan is held invalid for any reason, such holding shall not affect the remaining provisions of the Plan, but instead the Plan shall be construed and enforced as if such provisions had never been included in the Plan. Headings contained in the Plan are for convenience only and shall in no manner be construed as part of this Plan. Any reference to the masculine, feminine or neuter gender shall be a reference to such other gender as is appropriate

A-10

**Amtech Systems, Inc.**

**Holder Account Number**

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**A ITEMS OF BUSINESS**

**1. ELECTION OF DIRECTORS** - The Board of Directors recommends a vote FOR the listed nominees as Directors.

	For	Withhold	
1. Jong S. Whang	<input type="checkbox"/>	<input type="checkbox"/>	.....votes
2. Michael Garnreiter	<input type="checkbox"/>	<input type="checkbox"/>	.....votes
3. Alfred W. Giese	<input type="checkbox"/>	<input type="checkbox"/>	.....votes
4. Brian L. Hoekstra	<input type="checkbox"/>	<input type="checkbox"/>	.....votes
5. Robert F. King	<input type="checkbox"/>	<input type="checkbox"/>	.....votes

**2. APPROVAL OF 2007 EMPLOYEE STOCK INCENTIVE PLAN** – The Board of Directors recommends a vote FOR the proposed 2007 Employee Stock Incentive Plan.

FOR             AGAINST             ABSTAIN

**B AUTHORIZED SIGNATURES** – Sign here – This section must be completed for your instructions to be executed.

The undersigned agrees that the proxy holder is authorized to cumulate votes in the election of directors and to vote for less than all of the nominees.

Please sign exactly as your name appears on the front of this proxy card. When shares are held in common or in joint tenancy, both should sign. When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by an authorized person. Please return in the enclosed, postage-paid envelope.

Signature 1 - Please keep signature within the box  
[ \_\_\_\_\_ ]

Signature 2 - Please keep signature within the box  
[ \_\_\_\_\_ ]

Date (mm/dd/yyyy)  
[ \_\_\_/\_\_\_/\_\_\_ ]

C-1

**PROXY - AMTECH SYSTEMS, INC.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS  
OF AMTECH SYSTEMS, INC. FOR THE 2007 ANNUAL MEETING OF SHAREHOLDERS**

The undersigned shareholder of Amtech Systems, Inc., an Arizona corporation (the “Company”), hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders

dated April 24, 2007, and hereby appoints Jong S. Whang and Bradley C. Anderson, and each or either of them, proxies and attorneys-in-fact, with full power of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the Annual Meeting of Shareholders of AMTECH SYSTEMS, INC. to be held at the Hilton Phoenix Airport Hotel, 2435 South 47<sup>th</sup> Street, Phoenix, Arizona on Monday, May 18, 2007, at 10:00 a.m., Arizona time, and at any adjournment(s) or postponement(s) thereof, and to vote all shares of Common Stock that the undersigned would be entitled to vote if then and there personally present, on the matters set forth on the reverse side.

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES NAMED ON THE REVERSE SIDE, FOR THE APPROVAL OF THE 2007 EMPLOYEE STOCK INCENTIVE PLAN, AND AS SAID PROXIES DEEM ADVISABLE ON SUCH MATTERS AS MAY COME BEFORE THE MEETING.**