

AXCELIS TECHNOLOGIES INC  
Form DEF 14A  
March 23, 2010

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[TABLE OF CONTENTS](#)

[Table of Contents](#)

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Axcelis Technologies, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Table of Contents

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
to Be Held May 7, 2010**

The 2010 annual meeting of the stockholders of Axcelis Technologies, Inc., a Delaware corporation, will be held at the offices of the Company at 108 Cherry Hill Drive, Beverly, Massachusetts, at 11:30 a.m. on Friday, May 7, 2010 for the following purposes:

1. To elect as directors the two (2) nominees named in the attached proxy statement to serve until the 2011 annual meeting of stockholders.
2. To ratify the appointment of our independent registered public accounting firm to audit our financial statements for the year ending December 31, 2010.
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 9, 2010 will be entitled to vote at the annual meeting or at any adjournment.

**It is important that your shares be represented at the meeting. Therefore, whether or not you plan to attend the meeting, please complete your proxy card and return it in the enclosed envelope, which requires no postage if mailed in the United States. If you attend the meeting and wish to vote in person, your proxy will not be used.**

By order of the Board of Directors,

Lynnette C. Fallon,  
*Secretary*

Dated: March 26, 2010

**Directions to 108 Cherry Hill Drive, Beverly, MA**

**From Boston's Logan Airport:** On leaving Boston's Logan Airport, take Route 1A north for 3 miles. Turn left onto Route 60 West for 2 miles. At the 2<sup>nd</sup> rotary, take Route 1 North for 6.6 miles. Exit onto Routes 95/128 North toward Gloucester.

**From Route 128 North:** Take Route 128 North to Exit 22 W. At bottom of exit ramp, take a right onto Route 62. Take your first right onto State Road, bear right at fork onto Conant Street. Follow Conant Street past the Cherry Hill Creamery on left and take a left onto Cherry Hill Drive. 108 Cherry Hill Drive is the first building on your right.

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Table of Contents

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## PROXY STATEMENT

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### TABLE OF CONTENTS

<u>GENERAL INFORMATION ABOUT VOTING</u>	2
<u>SHARE OWNERSHIP OF 5% STOCKHOLDERS</u>	4
<u>SHARE OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS</u>	5
<u>PROPOSAL 1: ELECTION OF DIRECTORS</u>	6
<u>PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	10
<u>EXECUTIVE COMPENSATION</u>	12
<u>2009 Compensation Discussion and Analysis</u>	12
<u>2009 Compensation Committee Report</u>	16
<u>2009 Summary Compensation Table</u>	17
<u>Grants of Plan Based Awards in Fiscal 2009</u>	18
<u>Outstanding Equity Awards at Fiscal 2009 Year End</u>	19
<u>Option Exercises and Stock Vested During Fiscal 2009</u>	21
<u>Payments on Termination or Change in Control</u>	21
<u>COMPENSATION OF DIRECTORS</u>	24
<u>CORPORATE GOVERNANCE</u>	25
<u>Board of Directors Leadership Structure and Risk Oversight</u>	25
<u>Board of Directors Independence and Meetings</u>	26
<u>Compensation Committee</u>	27
<u>Nominating and Governance Committee</u>	28
<u>Audit Committee</u>	29
<u>2009 Audit Committee Report</u>	30
<u>Code of Ethics</u>	32
<u>Certain Relationships and Related Transactions</u>	32
<u>OTHER MATTERS</u>	33
<u>Stockholder Communications to the Directors</u>	33
<u>Compensation Committee Interlocks and Insider Participation</u>	33
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	33
<u>Deadlines for Stockholder Proposals</u>	33

---

Table of Contents

**GENERAL INFORMATION ABOUT VOTING**

The Board of Directors of Axcelis Technologies, Inc. ("Axcelis" or the "Company") is soliciting your proxy for use at the 2010 annual meeting of stockholders to be held on Friday, May 7, 2010 and at any adjournment of the meeting. This proxy statement and the accompanying proxy card are first being sent or given to stockholders of Axcelis on or about March 26, 2010. The meeting will be held at the Company's offices at 108 Cherry Hill Drive, Beverly MA. Driving directions are on the Notice accompanying this Proxy Statement.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 7, 2010:** This Proxy Statement and our Annual Report to Shareholders are available on our website at [www.axcelis.com/proxy.html](http://www.axcelis.com/proxy.html).

**Who can vote.** You may vote your shares of Axcelis common stock at the annual meeting if you were a stockholder of record at the close of business on March 9, 2010. On that date, there were 104,135,179 shares of common stock outstanding. You are entitled to one vote for each share of common stock that you held on the record date.

**How to vote your shares.** You may vote your shares either by proxy or by attending the meeting and voting in person. If you choose to vote by proxy, please complete, date, sign and return the proxy card in the enclosed postage prepaid envelope. The proxies named in the proxy card will vote your shares as you have instructed. If you sign and return the proxy card without indicating how your votes should be cast, the proxies will vote your shares in favor of each proposal, as recommended by our Board of Directors. Even if you plan to attend the meeting, please complete and mail your proxy card to ensure that your shares are represented at the meeting. If you attend the meeting, you can still revoke your proxy by voting in person. If your shares are held in a brokerage or bank account, you must make arrangements with your broker or bank to vote your shares in person.

**Proposals to be considered at the annual meeting.** The principal business expected to be transacted at the meeting, as more fully described below, will be the re-election of two directors whose current terms end in 2010 and the ratification of the selection of independent auditors of the Company.

**Quorum.** A quorum of stockholders is required to transact business at the meeting. A majority of the outstanding shares of common stock entitled to vote, represented at the meeting in person or by proxy, constitutes a quorum for the transaction of business.

**Number of votes required.** The number of votes required to approve the proposals that are scheduled to be presented at the meeting is as follows:

<b>Proposal</b>	<b>Required Vote</b>
Election of two nominees as directors	Each nominee must receive a plurality of the votes cast.
Ratification of the appointment of our independent registered public accounting firm (our "independent auditors") to audit our financial statements for 2010	This requires the affirmative vote of a majority of the votes cast.

**Abstentions.** Abstaining from voting for a nominee in the election of directors or on the proposal to ratify the appointment of our auditors will reduce the number of votes cast as well as the number of votes in favor, so will have no impact on the results of voting.

Table of Contents

**Broker non-votes.** A broker non-vote occurs when a broker cannot vote a customer's shares registered in the broker's name because the customer did not send the broker instructions on how to vote on the matter and the broker is barred by law or stock exchange regulations from exercising its discretionary voting authority in the particular matter. Brokers will have voting discretion for shares registered in their own name on the proposal to ratify the appointment of our independent auditors, but not in the election of directors. Broker non-votes will not be included in the votes cast, so will have no impact on the results of voting with respect to the election of directors and ratification of the appointment of the independent auditors.

**Discretionary voting by proxies on other matters.** Aside from the proposals for the election of directors and the ratification of our selection of auditors, we do not know of any other proposals that may be presented at the 2010 annual meeting. If another matter is properly presented for consideration at the meeting, the persons named in the accompanying proxy card will exercise their discretion in voting on the matter.

**How you may revoke your proxy.** You may revoke the authority granted by your executed proxy card at any time before we exercise it by filing with our Corporate Secretary, Lynnette C. Fallon, a written revocation or a duly executed proxy card bearing a later date, or by voting in person at the meeting. If your shares are held in a brokerage account, you must make arrangements with your broker or bank to revoke your proxy.

**Expenses of solicitation.** We will bear all costs of soliciting proxies. We will upon request reimburse brokers, custodians and fiduciaries for out-of-pocket expenses incurred in forwarding proxy solicitation materials to the beneficial owners of stock held in their names. In addition to solicitations by mail, our directors, officers and employees may solicit proxies from stockholders in person or by other means of communication, including telephone, facsimile and e-mail, without additional remuneration. We may retain a proxy solicitation firm to assist in the solicitation of proxies. We will bear all reasonable fees and expenses if such a firm is retained.

**Householding of Annual Meeting Materials.** Some banks, brokers and other nominee record holders may be "householding" our proxy statements and annual reports. This means that only one copy of our proxy statement and annual report to stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you if you call or write us at the following address or telephone number: Axcelis Technologies, Inc., 108 Cherry Hill Drive, Beverly, Massachusetts 01915, Attn: Corporate Secretary, telephone: (978) 787-4000. If you want to receive separate copies of the proxy statement or annual report to stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address and telephone number. Our annual report is also available on our website at [www.axcelis.com](http://www.axcelis.com).

Table of Contents**SHARE OWNERSHIP OF 5% STOCKHOLDERS**

The following table shows the amount of our common stock beneficially owned as of December 31, 2009 (except as otherwise indicated in the footnotes) by persons known by us to own more than 5% of our common stock.

<b>Beneficial Owner(1)</b>	<b>Shares Owned</b>	<b>Percent of Class</b>
<b>FMR LLC and Edward C. Johnson 3d(2)</b> 82 Devonshire Street, Boston, MA 02109	14,446,257	13.9%
<b>Donald Smith &amp; Co., Inc.(3)</b> 152 West 57th Street, New York, NY 10019	10,699,888	10.3%
<b>Schneider Capital Management Corporation(4)</b> 460 E. Swedesford Rd., Suite 2000, Wayne, PA 19087	9,539,365	9.17%
<b>Sterling Capital Management LLC(5)</b> 4064 Colony Road, Suite 300, Charlotte, NC 28211	9,481,120	9.11%

- (1) Unless otherwise noted, the number of shares beneficially owned by each person listed includes any shares over which a person has sole or shared voting or investment power. The percentage ownership of each person listed in the table was calculated using the total number of shares outstanding on December 31, 2009 (104,076,564 shares).
- (2) Based on a Schedule 13G/A filed with the Securities and Exchange Commission in February 2010 reporting on ownership as of December 31, 2009, which states that such shares are held in client accounts managed by investment advisor subsidiaries of FMR LLC. One of such subsidiaries, Fidelity Management & Research Company ("Fidelity"), is the beneficial owner of 10,327,957 of such shares (9.9% of the class) as a result of acting as investment advisor to Fidelity Low Priced Stock Fund (the "Fund"), which holds all of such shares. According to the Schedule 13G/A, Edward C. Johnson 3d and FMR LLC, through its control of Fidelity and the investment companies, each have sole dispositive power over all the shares reported in the table and sole voting power over 4,118,300 of such shares. Neither Mr. Johnson nor FMR LLC has voting power with respect to the Fund's shares. Fidelity votes those shares pursuant to guidelines of the investment companies' trustees. Fidelity and the Fund are located at the same address as FMR LLC.
- (3) Based on a Schedule 13G/A filed with the Securities and Exchange Commission in February 2010 reporting on ownership as of December 31, 2009, which states that such shares are owned by advisory clients of Donald Smith & Co., Inc. According to the Schedule 13G, Donald Smith & Co., Inc. has sole voting power over 8,668,888 of such shares and the sole power to dispose of all of such shares.
- (4) Based on a Schedule 13G filed with the Securities and Exchange Commission in February 2010 reporting on ownership as of December 31, 2009, which states that Schneider Capital Management Corporation is a registered investment advisor. According to the Schedule 13G, such company has sole voting power over 8,222,509 of such shares and the sole power to dispose of all of such shares.
- (5) Based on a Schedule 13G/A filed with the Securities and Exchange Commission in February 2010 reporting on ownership as of December 31, 2009. This filing states that such shares are owned by advisory clients of Sterling Capital Management LLC.

Table of Contents**SHARE OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table shows the amount of our common stock beneficially owned as of March 2, 2010 by our directors, the executive officers named in the Summary Compensation Table below, and all of our current executive officers and directors as a group.

Beneficial Owner(1)	Shares Owned	Shares Subject to Exercisable Rights to Acquire as of April 30, 2010	Total Shares Beneficially Owned	Percent of Class
<b><i>Non-Executive Directors</i></b>				
R. John Fletcher	69,185	105,000	174,185	*
Stephen R. Hardis	372,920	150,000	522,920	*
William C. Jennings	57,185	105,000	162,185	*
Patrick H. Nettles	63,685	135,000	198,685	*
H. Brian Thompson	82,185	135,000	217,185	*
Geoffrey Wild	36,595	90,000	126,595	*
<b><i>Named Executive Officers</i></b>				
Mary G. Puma(2)	222,045	1,256,100	1,478,145	1.40%
Matthew P. Flynn	63,878	94,821	158,699	*
Stephen G. Bassett	63,149	70,000	133,149	*
Lynnette C. Fallon	84,765	234,000	318,765	*
Kevin J. Brewer	62,024	107,915	169,939	*
<b><i>All current Executive Officers and Directors as a Group (12 persons)(3)</i></b>	1,215,444	2,496,836	3,712,280	3.48%

\*

Indicates less than 1%.

(1)

Unless otherwise noted, the number of shares beneficially owned by each person listed includes any shares over which the person has sole or shared voting or investment power. The shares shown in the table also include shares that the persons named in this table have the right to acquire on or before April 30, 2010 (60 days after March 2, 2010) by exercising a stock option or other right. Unless otherwise noted, each person has sole investment and voting power (or shares that power with his or her spouse) over the shares listed in the table. The percentage ownership of each person listed in the table was calculated using the total number of shares outstanding on March 2, 2010 (104,120,179 shares), plus any shares that person could acquire upon the exercise of any options or other rights on or before April 30, 2010.

(2)

Ms. Puma's ownership includes 20,000 shares owned by her husband.

(3)

Includes shares and exercisable options held by the directors and named executive officers, as well as one other executive officer who beneficially owns an aggregate of 37,827 shares and 14,000 exercisable options.

Table of Contents

**PROPOSAL 1: ELECTION OF DIRECTORS**

Our Board of Directors has fixed the number of directors at seven. The number of directors is subject to increase or decrease by action of the Board. Until we amended our charter in 2009, directors were divided into three classes and elected for three year terms. Under the 2009 charter amendment, the classified Board is being phased out, commencing at the 2010 Annual Meeting. At the upcoming annual meeting, two directors will be elected to hold office for a term of one year until our annual meeting in 2011 and until their successors are elected and qualified. Each of the Board's nominees, Patrick H. Nettles and Geoffrey Wild, has consented to serve if elected. However, if any nominee is unable to serve, proxies will be voted for any other candidate nominated by the Board. The Board recommends a vote FOR each of the two nominees.

The following table contains biographical information about the nominees for director and current directors whose term of office will continue after the meeting.

Name and Age	Business Experience and Other Directorships	Director Since	Present Term Expires
*Geoffrey Wild Age: 53	Mr. Wild is Group Chief Executive Officer and a director of AZ Electronic Materials Holdings, a position he has held since early 2010. AZ Electronic Materials is a provider of high-purity, advanced technology products for use in integrated circuits and devices, flat panel displays and photolithographic printing. Prior to that, from January 2008 he was Chief Executive Officer and President of Cascade Microtech, Inc., a supplier of semiconductor wafer measurement and test probes. Prior to that, from 2002 through 2007, Mr. Wild was Chief Executive Officer and President of Nikon Precision, Inc., a supplier of lithography systems. Prior to joining Nikon, Mr. Wild was Chief Executive Officer of TheSupply, Inc., an e-commerce provider of supply chain services. During the past five years, Mr. Wild has served as a director of E Ink Corporation and Nikon Precision, Inc.	2006	2010
*Patrick H. Nettles Age: 66	Mr. Nettles has served as Executive Chairman of the Board of Directors of CIENA Corporation, a manufacturer of optical networking equipment, since May 2001. Prior to that, Mr. Nettles served as Chairman of the Board of Directors and Chief Executive Officer of CIENA from October 2000, as its President, Chief Executive Officer and Director from April 1994, and as its Director and Chief Executive Officer from February 1994. Mr. Nettles is a director of Progressive Corporation.	2001	2010

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Table of Contents

Name and Age	Business Experience and Other Directorships	Director Since	Present Term Expires
Stephen R. Hardis Age: 74	Mr. Hardis was the Company's Chairman of the Board until May 2006 and currently serves as Lead Director. He was Chairman and Chief Executive Officer of Eaton Corporation until July 2000. Mr. Hardis became Eaton's Chairman in January 1996 and its Chief Executive Officer in September 1995. Prior to that, he served as Eaton's Vice Chairman from 1986 and its Executive Vice President Finance and Administration from 1979. Mr. Hardis is a director of Lexmark International Group, Inc., Marsh & McLennan Companies, Inc., Nordson Corporation, and Progressive Corporation, and during the past years, he was also a director of American Greetings Corporation and Steris Corporation.	2000	2011
H. Brian Thompson Age: 70	Mr. Thompson is Executive Chairman of Global Telecom & Technology (GTT), a global telecommunications network integrator that provides its clients with a broad portfolio of wide-area network and wireless mobility services from its headquarters in Northern Virginia and offices in London, Dusseldorf, and Denver. Mr. Thompson continues to head his own private equity investment and advisory firm, Universal Telecommunications, Inc. From December 2002 to June 2007, Mr. Thompson was Chairman of Comsat International, one of the largest independent telecommunications operators serving all of Latin America. He also served as Chairman and Chief Executive Officer of Global TeleSystems Group, Inc. from March 1999 through September of 2000. Mr. Thompson was Chairman and CEO of LCI International from 1991 until its merger with Qwest Communications International Inc. in June 1998. Thompson became Vice Chairman of the board for Qwest until his resignation in December 1998. Thompson previously served as Executive Vice President of MCI Communications Corporation from 1981 to 1990, and prior to MCI, was a management consultant with the Washington, DC offices of McKinsey & Company for nine years, where he specialized in the management of telecommunications. He currently serves as a member of the board of directors of ICO Global Communications (Holdings) Ltd, Penske Automotive Group, and Sonus Networks, Inc., and during the past five years he was also a director of Mercator Partners Acquisition Corporation, Bell Canada International, Inc. ArrayComm, Inc. and United Auto Group.	2002	2011

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Table of Contents

Name and Age	Business Experience and Other Directorships	Director Since	Present Term Expires
R. John Fletcher Age: 64	Mr. Fletcher is Chief Executive Officer of Fletcher Spaght, Inc., a strategy consulting organization, which he founded in 1983, and Managing Director of Fletcher Spaght Ventures, a venture fund. Prior to founding Fletcher Spaght, Inc., Mr. Fletcher was a manager at the Boston Consulting Group. Mr. Fletcher is also a director of AutoImmune, Inc., and Spectranetics Corporation, and during the past five years, he was also a director of Panacos, Inc.	2003	2011
William C. Jennings Age: 70	Mr. Jennings is a retired partner of PricewaterhouseCoopers LLP, a global accounting and advisory firm, where he led the risk management and internal control consulting practice from 1992 until his retirement in 1999. Before that, Mr. Jennings served as a senior audit partner at Coopers & Lybrand, as a senior executive vice president at Shearson Lehman Brothers, responsible for quality assurance, internal audit and compliance, and as an executive vice president and chief financial officer of Bankers Trust. Since retiring from PricewaterhouseCoopers, Mr. Jennings has provided independent consulting services to a number of companies. He is a director of Silgan Holdings Inc., and Spectranetics Corporation, and during the past five years, he was also a director of Nyfix, Inc.	2003	2012
Mary G. Puma Age: 52	Ms. Puma is Axcelis' Chairman (since May 2006), Chief Executive Officer (since January 2002) and President (since May 2000). Prior to becoming Chief Executive Officer, Ms. Puma served as Chief Operating Officer from May 2000, and, before that, served as a Vice President of the Company from February 1999. In 1998, she became General Manager and Vice President of the Implant Systems Division of Eaton Corporation, a global diversified industrial manufacturer. In May 1996, she joined Eaton as General Manager of the Commercial Controls Division. Prior to joining Eaton, Ms. Puma spent 15 years in various marketing and general management positions for General Electric Company. Ms. Puma is also a director of Nordson Corporation.	2000	2012

\*  
Indicates a nominee for election as director.

Table of Contents

**Experience, Qualifications Attributes of the Nominees and Continuing Directors**

The specific experience, qualifications, attributes or skills of Mr. Nettles and Mr. Wild, as well as the other directors continuing in office, that led to the conclusion that each of these individuals should serve as a director of the Company, in light of our business and structure, are:

*Nominees*

Mr. Nettles' work experience as a chief executive officer and chief financial officer of a global capital equipment business gives him the skills to provide leadership and guidance to management and the other Board members in respect to the financial and operational matters affecting Axcelis. Mr. Nettles has also had meaningful experience in corporate transactions, especially in the area of mergers and acquisitions, which has been helpful to management and the other Board members in recent years and may be beneficial in the future. Mr. Nettles has served as chairman of the Board's Nominating and Governance Committee since its formation in 2002 and the Board has benefited from his strong leadership in that area.

Mr. Wild's work experience provides him with an understanding of the semiconductor industry and the role of a supplier of equipment and materials to these international customers, who are largely based in Asia. Mr. Wild's role as chief executive officer has exposed him to operational and financial and accounting issues which are relevant to the Company's business. Mr. Wild has served as a member of the Audit Committee since joining the Board in 2006 and the Board has benefited from his continuing service on that committee.

*Continuing Directors*

Mr. Hardis' work experience as a chief executive officer and chief financial officer of a global capital equipment business gives him the skills to provide leadership and guidance to management and the other Board members with respect to financial and operational matters affecting Axcelis. In addition, Mr. Hardis' experience on other public company boards of directors has exposed him to broad experience in corporate governance matters that has benefited our board. Finally, Mr. Hardis' experience with our business when it was owned by Eaton Corporation has provided our Board with a historical context in which to address issues relating to our business and products. Mr. Hardis has served as Lead Director since May 2006 (prior to which he was Chairman beginning in 2000), and also serves on both the Compensation Committee and Nominating and Governance Committees since those committees were formed in 2000 and 2002, respectively. The Board highly values his contributions in these roles.

Mr. Thompson's work experience leading a number of companies in the telecom industry gives him the skills to provide leadership and guidance to management and the other Board members in respect to the financial and operational matters affecting Axcelis. Mr. Thompson has also had significant experience in corporate transactions, especially in the capital markets, which has been helpful to management and the other Board members in recent years and may be beneficial in the future. Mr. Thompson has served as chairman of the Board's Compensation Committee since October 2002 and the Board has benefited from his strong leadership in that area.

Mr. Fletcher's work experience gives him extensive experience in strategic planning, especially in the area of market analysis, which has been beneficial to the Board's understanding of the Company's business opportunities. Mr. Fletcher's work also provides him with insight into capital formation matters which may be beneficial in the future. Mr. Fletcher has served on the Compensation Committee since May 2006 and on the Audit Committee since April 2004. The Board highly values his contributions in these roles.

Table of Contents

Mr. Jennings' work experience in accounting, risk management and internal controls gives him the skills needed to lead the Board's audit committee, which he has done since joining the Board in 2003. His role as a senior executive at two financial institutions also gives him the skills to provide leadership and guidance to management and the other Board members in respect to the financial and operational matters affecting Axcelis. Mr. Jennings has served as chairman of the Board's Audit Committee since April 2004 and as a member since June 2003 and the Board has benefited from his strong leadership in that area. Mr. Jennings temporarily served as chief executive officer of U.S. Interactive, Inc. from September 2000 until November 2000, which company filed for bankruptcy protection in January 2001.

Ms. Puma's long experience in our industry, as well as her role as Axcelis' chief executive officer and president allow her to provide essential insight into the Company's past and current business operations which is critical to the Board's decision-making in all financial and operational matters affecting Axcelis. Ms. Puma's strong leadership during challenging periods of the Company's history, notably her oversight of a complete revitalization of the Company's product lines while implementing substantial cost reductions, have been highly valued by the Board.

## **PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Upon the recommendation of its Audit Committee, the Board of Directors has appointed the independent registered public accounting firm of Ernst & Young LLP as independent auditors to conduct the annual audit of our financial statements for 2010 and is seeking stockholder ratification of the appointment. Ernst & Young LLP is an internationally recognized independent registered public accounting firm that audited the Company's financial statements in 2009 and which the Audit Committee believes is well qualified to continue.

Representatives of Ernst & Young are expected to attend the annual meeting and be available to respond to appropriate questions. They will also have the opportunity to make a statement if they desire.

The aggregate fees billed for each of the last two fiscal years for professional services rendered by Ernst & Young LLP were as follows:

	2008	2009
<b>Audit Fees</b>	\$ 2,091,925	\$ 1,728,077
<b>Audit Related Fees</b>	\$ 14,500	\$ 15,300
<b>Tax Fees</b>		
Tax compliance and preparation of returns	\$ 169,041	\$ 91,133
International tax planning	\$ 139,324	\$ 85,068
General tax planning and other tax services	\$ 66,017	\$ 13,244
<b>Total Tax Fees</b>	\$ 374,382	\$ 189,445
<b>Total Fees</b>	\$ 2,480,807	\$ 1,932,822

Audit fees include statutory audits for subsidiaries and branches operating in countries outside of the United States. 2008 audit fees also include a U.S. GAAP audit of SEN Corporation, an SHI and Axcelis Company, a joint venture that Axcelis divested in 2009. Audit related fees include the audit for the Company's 401(k) plan required under ERISA. International tax planning relates to the setting of fair compensation for services provided to us by our foreign subsidiaries to ensure appropriate revenue levels are reported for taxation in those foreign countries. General tax planning and other tax services includes, in 2008, assisting with three foreign tax audits.

Table of Contents

Under the Audit Committee's charter, the Audit Committee must pre-approve the fees to be paid to the independent auditor for audit services. In addition, the Audit Committee has adopted a policy requiring the Committee's pre-approval of all audit-related or non-audit (including tax) services performed by the independent auditor in order to assure that these services do not impair the auditor's independence. The policy prohibits the independent auditor's performance of certain types of services as inconsistent with independence.

Any approval required under the policy must be given by the Audit Committee or by any member or members to whom the Committee has delegated that authority. The Audit Committee does not delegate its responsibility to approve services performed by the independent auditor to any member of management.

The standard applied by the Audit Committee in determining whether to grant approval of any type of non-audit service, or of any specific engagement to perform a non-audit service, is whether the services to be performed, the compensation to be paid therefor and other related factors are consistent with the independent auditor's independence under guidelines of the Securities and Exchange Commission, the Public Company Accounting Oversight Board and applicable professional standards. Relevant considerations include whether the work product is likely to be subject to, or implicated in, audit procedures during the audit of our financial statements, whether the independent auditor would be functioning in the role of management or in an advocacy role, whether the independent auditor's performance of the service would enhance our ability to manage or control risk or improve audit quality, whether such performance would increase efficiency because of the independent auditor's familiarity with our business, personnel, culture, systems, risk profile and other factors, and whether the amount of fees involved, or the proportion of the total fees payable to the independent auditor in the period that is for non-audit services, would tend to reduce the independent auditor's ability to exercise independent judgment in performing the audit.

All of the non-audit services rendered by Ernst & Young LLP in respect of the 2008 and 2009 fiscal years were pre-approved by the Audit Committee in accordance with this policy.

Ernst & Young LLP informed the Company that they are not aware of any relationship with the Company that, in their professional judgment, may reasonably be thought to bear on the independence of Ernst & Young LLP.

Ratification of the appointment of Ernst & Young LLP by the stockholders is not required by law or by our bylaws. The Board of Directors is nevertheless submitting it to the stockholders to ascertain their views. If this proposal is not approved at the annual meeting by the affirmative vote of holders of a majority of the votes cast at the meeting, the Audit Committee intends to reconsider its recommendation of Ernst & Young LLP as independent auditors. The Company may retain the firm for 2010 notwithstanding a negative stockholder vote.

**The Board of Directors recommends a vote FOR ratification of the appointment of Ernst & Young LLP.**

Table of Contents

**EXECUTIVE COMPENSATION**

**2009 Compensation Discussion and Analysis**

This Compensation Discussion and Analysis is intended to provide a context for the disclosures contained in this Proxy Statement with respect to the compensation paid to the Company's principal executive officer (Mary G. Puma), principal financial officer (Stephen G. Bassett), and the three most highly compensated other executive officers serving as executive officers at December 31, 2009 included in the Summary Compensation Table below. These executive officers are referred to herein as "named executive officers" or "NEOs." Specifically, this Compensation Discussion and Analysis will explain the objectives and material elements of the compensation of the NEOs during 2009.

**Compensation Principles and Tools**

The Company's executive compensation program is designed to:

(1) retain executive talent by offering compensation that is commensurate with pay at other companies of a similar size in the same or similar industries, as adjusted for individual factors; and

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