

RUDOLPH TECHNOLOGIES INC
Form 10-Q
August 07, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended: June 30, 2009

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 000-27965

RUDOLPH TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 22-3531208 (State or Other Jurisdiction of (I.R.S. Employer Incorporation or Organization) Identification Number)

One Rudolph Road, PO Box 1000

Flanders, New Jersey 07836

(Address of principal executive offices, including zip code)

(973) 691-1300

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act. Large accelerated filer [] Accelerated filer [X] Non-accelerated filer [] (Do not check if a smaller reporting company) Smaller reporting company []

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

The number of outstanding shares of the Registrant's Common Stock on July 28, 2009 was 30,930,874.

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Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2009 and 2008

Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and 2008

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

RUDOLPH TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

**June 30,
2009
(unaudited)**

**December 31,
2008**

ASSETS	Current assets:	Cash and cash equivalents	\$ 67,243	\$ 67,735	Marketable securities	5,058	10,549	Accounts receivable,	
								less allowance of \$1,009 at June 30, 2009	
		and \$659 at December 31, 2008	14,501	21,764	Inventories	53,989	57,076	Prepaid expenses and other current assets	5,011 6,324
		Total current assets	145,802	163,448	Property, plant and equipment, net	16,703	19,053	Identifiable intangible assets, net	9,079 9,654
		Other assets	4,618	5,277	Total assets	\$ 176,202	\$ 197,432		

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	Accounts payable and accrued liabilities	\$ 6,387	\$ 7,169	Other current liabilities	5,636	8,591	Total
	current liabilities	12,023	15,760				

Non-current liabilities

5,483 5,584

Total liabilities

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17,506	21,344	Commitments and contingencies	Stockholders' equity:	Common stock	31	31	Additional paid-in
capital	385,221	383,510	Accumulated other comprehensive loss	(2,967)	(2,543)	Accumulated deficit	(223,589) (204,910)
Total stockholders' equity		158,696	176,088	Total liabilities and stockholders' equity		\$ 176,202	\$ 197,432

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

RUDOLPH TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,				Six Months Ended June 30,						
	2009				2008						
	2009				2008						
	2008				2008						
Revenues	\$ 15,341	\$ 38,416	\$ 26,402	\$ 75,626	Cost of revenues	9,935	20,695	18,712	42,790	Gross profit	5,406
	17,721	7,690	32,836	Operating expenses:	Research and development	6,022	8,443	12,765	16,240		
	Selling, general and administrative	7,815	10,537	14,149	19,631	Amortization	286	1,726	575	3,394	Total
	operating expenses	14,123	20,706	27,489	39,265	Operating loss	(8,717)	(2,985)	(19,799)	(6,429)	Interest income and other,
	net	48	171	172	552	Loss before income taxes	(8,669)	(2,814)	(19,627)	(5,877)	Benefit for income taxes
	(2,246)	Net loss	\$ (8,625)	\$ (1,985)	\$ (18,679)	\$ (3,631)	Loss per share:	Basic	\$ (0.28)	\$ (0.06)	\$ (0.61)
	(0.12)	Diluted	\$ (0.28)	\$ (0.06)	\$ (0.61)	\$ (0.12)	Weighted average shares outstanding:	Basic	30,957	30,669	
					30,814	30,560	Diluted	30,957	30,669	30,814	30,560

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

RUDOLPH TECHNOLOGIES, INC.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended				
	June 30,				
	2009				
	2008				
Cash flows from operating activities:	Net loss	\$ (18,679)	\$ (3,631)	Adjustments to reconcile net loss to net cash and cash equivalents	
	provided by (used in) operating activities:	Amortization	915	3,743	Depreciation 2,495
	currency exchange (gain) loss (2)	392	Net loss on sales of marketable securities	1	86
	1,596	Provision for doubtful accounts and inventory valuation	1,518	1,827	Share-based compensation
		excluding effects of business combinations:			
	Accounts receivable	6,759	2,138	Inventories	1,914
	expenses and other assets	1,847	(3,660)	Accounts payable and accrued liabilities	(798)
	liabilities (2,903)	(654)	Non-current liabilities	(102)	142
	in) operating activities	(5,424)	1,969	Cash flows from investing activities:	Purchases of marketable securities
	(6,226)	Proceeds from sales of marketable securities	10,117	19,488	(4,800)
	(2,319)	Capitalized software -	(30)	Purchase of businesses -	(8,474)
	provided by investing activities	5,018	2,439	Cash flows from financing activities:	Proceeds from sales of shares through
	share-based compensation plans	100	122	Net cash and cash equivalents provided by financing activities	100
	Effect of exchange rate changes on cash and cash equivalents	(186)	319	Net increase (decrease) in cash and cash equivalents	(492)
	4,849	Cash and cash equivalents at beginning of period	67,735	57,420	Cash and cash equivalents at end of period
					\$ 67,243
					\$ 62,269

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

RUDOLPH TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share data)

(Unaudited)

NOTE 1. Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements have been prepared by Rudolph Technologies, Inc. (the "Company" or "Rudolph") and in the opinion of management reflect all adjustments, consisting only of normal recurring accruals, necessary for their fair presentation in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual amounts could differ materially from those amounts. The interim results for the three and six month periods ended June 30, 2009 are not necessarily indicative of results to be expected for the entire year. This interim financial information should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008

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Fair value measurements at December 31, 2008	Total carrying	Quoted prices in Significant other			Significant	value at	active markets					
observable inputs	unobservable inputs	December 31, 2008	(Level 1)	(Level 2)	(Level 3)	U.S. Treasury notes \$	219 \$	219				
						\$	-	\$		- Auction rate securities 361	-	
										- 361 All other marketable securities 9,969	-	
										9,969 - Foreign currency forward contracts (226)	(226)	
											- -	
										Total		
			\$	10,323	\$	(7)						
										\$	9,969 \$	361

The Company's investments classified as Level 1 are based on quoted prices that are available in active markets. The forward foreign currency exchange contracts are primarily measured based on the foreign currency spot and forward rates quoted by the banks or foreign currency dealers. The U.S. Treasury Notes are measured based on quoted market prices.

Level 2 investments are valued using observable inputs to quoted market prices, benchmark yields, reported trades, broker/dealer quotes or alternative pricing sources with reasonable levels of price transparency. These investments, which are held by a custodian, include: corporate debt securities, government-sponsored enterprise and asset-backed securities. Investment prices are obtained from third party pricing providers, which models prices utilizing the above observable inputs, for each asset class.

Level 3 investments consist of auction rate securities for which the Company uses a discounted cash flow model to value these investments. This table presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the six months ended June 30, 2009.

		Fair Value Measurements Using Significant Unobservable Inputs		
(Level 3) Balance at December 31, 2008 \$	361		Unrealized losses in accumulated other comprehensive loss (110)	Purchases, issuances,
and settlements, net -		Transfers into (out of) Level 3 - Balance at June 30, 2009 \$	251	

The carrying value of other financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities.

The Company has adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), effective January 1, 2008. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value option for its financial instruments.

See Note 4 for additional discussion fair value of the Company's marketable securities.

NOTE 4. Marketable Securities

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The Company has evaluated its investment policies consistent with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and determined that all of its investment securities are to be classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in Stockholders' Equity under the caption "Accumulated other comprehensive loss." Realized gains and losses, interest and dividends on available-for-sale securities are included in "Interest income and other, net." Net realized losses on available-for-sale securities were \$3 and \$1 for the three and six months ended June 30, 2009. Net realized losses on available-for-sale securities were \$86 for both the three and six months ended June 30, 2008. The Company records other-than-temporary impairment charges for its available -for-sale investments when it intends to sell the securities, it is more likely than not that it will be required to sell the securities before a recovery, or when it does not expect to recover the entire amortized cost basis of the securities. The cost of securities sold is based on the specific identification method.

As of June 30, 2009, the Company held one auction-rate security with a fair value of \$251. The underlying asset of the Company's auction-rate security consisted of a municipal bond with an auction reset feature. Due to auction failures in the marketplace, the Company will not have access to these funds unless (a) future auctions occur and are successful, (b) the security is called by the issuer, (c) the Company sells the security in an available secondary market, or (d) the underlying note matures. Currently, there are no active secondary markets. As of June 30, 2009, the Company has recorded a cumulative temporary unrealized impairment loss of \$249 within "Accumulated other comprehensive loss" based upon its assessment of the fair value of these securities. The Company believes that this impairment is temporary as it does not intend to sell these securities, the Company will not be required to sell these securities before recovery, and the Company expects to recover the amortized cost basis of these securities.

At June 30, 2009, marketable securities are categorized as follows:

Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Fair Value	Treasury notes and obligations of agencies		
			\$ 4,794
			\$ 15
			\$ (2)
			\$ 4,807 Tax-free auction securities
	500		
	-		
	(249)		
	251		
			\$ 5,294
			\$ 15
			\$ (251)

\$ 5,058

At December 31, 2008, marketable securities are categorized as follows:

Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
Fair Value	Treasury notes and obligations of agencies	
	\$ 9,941	
	\$ 15	
		\$ (27)
		\$ 9,929
		Asset-backed securities 257 2
		-
		259 Tax-free auction securities
	500	
	-	
		(139)
		361
\$ 10,698	\$ 17	
		\$ (166)
		\$ 10,549

The amortized cost and estimated fair value of marketable securities classified by the maturity date listed on the security, regardless of the Consolidated Balance Sheet classification, is as follows at June 30, 2009 and December 31, 2008:

June 30, 2009	December 31, 2008	Amortized Cost	Fair Value	Amortized Cost	Fair Value	
						Within 1 year
						\$ 4,424
						\$ 4,427
						\$ 9,401
						\$ 9,379 Due after 1-5 years

	370
	380
	797
809 Due after 5-10 years	-
	-
	-
- Due after 10 years	500
	251
	500
	361
	\$ 5,294
	\$ 5,058
	\$ 10,698
	\$ 10,549

The following table summarizes the estimated fair value and gross unrealized holding losses of marketable securities, aggregated by investment instrument and period of time in an unrealized loss position at June 30, 2009. No amounts have been in an unrealized loss position for 12 months or greater.

In Unrealized Loss Position for less than 12 Months	Fair Value	Gross Unrealized Losses	Treasury notes and obligations of agencies
			\$ 1,505
			\$ (1) Tax-free auction securities
			251
			(249)
			\$ 1,756
			\$ (250)

See Note 3 for additional discussion regarding fair value of the Company's marketable securities.

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NOTE 5. Derivative Instruments and Hedging Activities

The Company, when it considers it to be appropriate, enters into forward contracts to hedge the economic exposures arising from foreign currency denominated transactions. At June 30, 2009 and December 31, 2008, these contracts included the sale of Japanese Yen to purchase U.S. dollars. The foreign currency forward contracts were entered into by our Japanese subsidiary to economically hedge a portion of certain intercompany obligations. The forward contracts are not designated as hedges for accounting purposes and therefore, the change in fair value is recorded in selling, general and administrative expenses in the Consolidated Statements of Operations.

The dollar equivalent of the U.S. dollar forward contracts and related fair values were as follows:

	June 30, 2009				
		December 31, 2008			
Notional amount \$	609	\$ 2,322	Fair value of liability \$	1	\$ 226

NOTE 6. Identifiable Intangible Assets

Identifiable intangible assets as of June 30, 2009 are as follows:

	Gross Carrying Amount	Accumulated Amortization	Impairment	Net
Developed technology \$ 51,243 \$ 16,286 \$ 28,259 \$ 6,698				
Customer and distributor relationships 7,300 1,809				
Trade names 4,100 1,236 1,164 1,700				
Total identifiable intangible assets				
	\$ 62,643	\$ 19,331	\$ 34,233	\$ 9,079

Identifiable intangible assets as of December 31, 2008 are as follows:

	Gross Carrying Amount	Accumulated Amortization	Impairment	Net
Developed technology \$ 51,243 \$ 15,858 \$ 28,259 \$ 7,126				
Customer and distributor relationships 7,300 1,766 4,810 724				
Trade names 4,100 1,132 1,164 1,804				
Total identifiable intangible assets				
	\$ 62,643	\$ 18,756	\$ 34,233	\$ 9,654

Intangible asset amortization expense for the three and six months ended June 30, 2009 was \$286 and \$575, respectively. For the three and six months ended June 30, 2008, intangible asset amortization expense was \$1,726 and

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\$3,394, respectively. Estimated amortization expense for the remainder of 2009 amounts to \$572 and in each of the next five years estimated amortization expense amounts to \$1,146 for 2010 and \$1,043 for each of the subsequent years ending in 2014.

NOTE 7. Inventories

	June 30,	December 31,
	2009	2008
Materials	\$ 25,203	\$ 23,821
Work-in-process	16,105	15,202
Finished goods	12,681	18,053
Total inventories	\$ 53,989	\$ 57,076

The Company has established reserves of \$5,789 and \$11,631 as of June 30, 2009 and December 31, 2008, respectively, for slow moving and obsolete inventory, which are included in the amounts above.

NOTE 8. Property, Plant and Equipment

	June 30,	December 31,
	2009	2008
Land and building	\$ 4,927	\$ 4,927
Machinery and equipment	16,506	16,647
Furniture and fixtures	2,855	2,710
Computer equipment	6,304	6,262
Leasehold improvements	6,958	6,986
Accumulated depreciation	(20,847)	(18,479)
Net property, plant and equipment	\$ 16,703	\$ 19,053

NOTE 9. Commitments and Contingencies

Warranty Reserves

Changes in the Company's warranty reserves are as follows:

Six Months Ended
June 30,
2009
2008
Balance, beginning of the period

	\$ 1,813
	\$ 2,365
Accruals 394 1,049 Warranty liability assumed in merger - 215 Settlements (1,338)	(1,327)
Balance, end of the period	\$ 869
	\$ 2,302

Warranty reserves are reported in the Condensed Consolidated Balance Sheets within the caption "Accounts payable and accrued liabilities."

NOTE 10. Share-Based Compensation

Restricted Stock Unit Activity

A summary of the Company's nonvested restricted stock unit activity with respect to the six month period ended June 30, 2009 are as follows:

Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2008 729	\$ 12.70
Granted 836	\$ 4.61
Vested (160)	\$ 14.37
Forfeited (19)	\$ 11.72
Nonvested at June 30, 2009 1,386	\$ 7.64

As of June 30, 2009 and December 31, 2008, there was \$9,213 and \$7,473 of total unrecognized compensation cost related to restricted stock units granted under the plans, respectively. That cost is expected to be recognized over a weighted average period of 3.3 years and 3.0 years for the respective periods.

NOTE 11. Interest Income and Other, Net

Three Months Ended	June 30, Six Months Ended
June 30, 2009	2008
2009	2008
Interest income	\$ 51 \$ 257 \$ 173 \$ 638
Realized losses on sales of marketable securities, net	(3) (86) (1) (86)
Total interest income and other, net	\$ 48 \$ 171 \$ 172 \$ 552

NOTE 12. Income Taxes

In accordance with FASB Financial Interpretation Number 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes," the Company had unrecognized tax benefits of \$5,967 as of December 31, 2008, of which \$3,306 would be reflected as an adjustment to income tax expense if recognized. The Company continues to recognize interest and penalties as a component of its income tax provision and accrued \$143 for these items as of December 31, 2008. There are no known tax positions which the Company currently expects are reasonably possible to change over

the next twelve months necessitating a significant change in the Company's unrecognized tax benefits.

The Company is subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. Presently, the Company is not under examination by the Internal Revenue Service for examination of income tax returns for open periods, December 31, 2005 through December 31, 2008. The Company is not currently under examination by any U.S. state, local or foreign tax authority for all open tax periods beginning after December 31, 2003.

NOTE 13. Comprehensive Income (Loss)

The difference between net income (loss) and comprehensive loss for the Company is due to currency translation adjustments and unrealized gains (losses) on investments.

The components of comprehensive loss are as follows:

	Three Months Ended				June 30, Six Months Ended				
	June 30, 2009	2008	2009	2008	June 30, 2009	2008	2009	2008	
Net loss	\$ (8,625)	\$ (1,985)	\$ (18,679)	\$ (3,631)	Change in net unrealized gains (losses) on investments, net of tax	(38)	(26)	(92)	13
Change in currency translation adjustments	1,097	484	(332)	830	Total comprehensive loss	\$ (7,566)	\$ (1,527)	\$ (19,103)	\$ (2,788)

NOTE 14. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated using the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed in the same manner and also gives effect to all dilutive common equivalent shares outstanding during the period. For the three and six month periods ended June 30, 2009 and 2008, all outstanding stock options and restricted stock units totaling 3,559 and 3,083, respectively, were excluded from the computation of diluted loss per share because the effect in the periods would be anti-dilutive.

The Company's basic and diluted loss per share amounts are as follows:

	Three Months Ended		Six Months Ended		June 30, 2009	June 30, 2008	2009	2008	Numerator:	Net loss	\$ (8,625)	\$ (1,985)			
					(18,679)	\$ (3,631)	Denominator:	Basic loss per share -	weighted average shares	outstanding	30,957	30,669	30,814	30,560	
							Effect of potential dilutive securities: restricted stock units - dilutive	shares - - - -	Diluted loss per share -	weighted average shares	outstanding	30,957	30,669	30,814	30,560
							Loss per share:	Basic	\$ (0.28)	\$ (0.06)	\$ (0.61)	\$ (0.12)			
							Diluted	\$ (0.28)	\$ (0.06)	\$ (0.61)	\$ (0.12)				

NOTE 15. Segment Reporting and Geographic Information

The Company reports one reportable segment in accordance with the provisions of SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information."

Operating segments are business units that have separate financial information and are separately reviewed by the Company's chief operating decision maker. The Company's chief operating decision maker is the Chief Executive Officer. The Company is engaged in the design, development, and manufacture of high-performance process control metrology, defect inspection and data analysis systems used by semiconductor device manufacturers. The chief operating decision maker allocates resources and assesses performance of the business and other activities at the reporting segment level.

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The following table lists the different sources of revenue:

Three Months Ended

Six Months Ended

June 30,

June 30,

2009

2008

2009

2008

Systems:

Metrology	\$ 2,371	16%	\$ 7,793	20%	\$ 4,791	18%	\$ 16,058	22%	Inspection	6,287	41%	20,622	54%	8,710	33%	
	41,090	55%	Parts	2,972	19%	5,021	13%	5,471	21%	8,925	11%	Services	3,048	20%	3,401	9%
			Software licensing	663	4%	1,579	4%	1,229	5%	2,848	3%					

Total revenue

\$ 15,341 100% \$ 38,416 100% \$ 26,402 100% \$ 75,626 100%

For geographical reporting, revenues are attributed to the geographic location in which the customer is located. Revenue by geographic region from third parties is as follows:

Three Months Ended

Six Months Ended

June 30,

June 30,

2009

2008

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2009

2008

United States

\$ 3,418 \$ 9,895 \$ 9,184 \$ 15,311

Asia

10,747 21,535 14,574 46,589

Europe

1,176 6,986 2,644 13,726

Total revenue

\$ 15,341 \$ 38,416 \$ 26,402 \$ 75,626

One customer represented 16.8% and 6.8% of revenue for the six months ended June 30, 2009 and 2008, respectively. No other customer was above 10% of revenue for the six months ended June 30, 2009 or 2008.

NOTE 16. Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No.168, "Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162" ("SFAS 168"), which states that the FASB Accounting Standards Codification ("Codification") will become the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. The Company does not expect the adoption of SFAS 168 to have a significant impact on its consolidated financial position and results of operations.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets- an amendment of FASB Statement No. 140" ("SFAS 166"), which is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effect of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. SFAS 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company does not expect the adoption of SFAS 166 to have a significant impact on its consolidated financial position and results of operations.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS 165"). SFAS 165 is effective for interim and annual periods ending after June 15, 2009. SFAS 165 establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, SFAS 165 establishes (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company has evaluated all subsequent events through August 7, 2009, the date of issuance of the Company's financial statements. The adoption of SFAS 165 for the quarter

ended June 30, 2009 did not have any effect on the Company's financial condition or results of operations. See Note 18 to the Company's unaudited condensed consolidated financial statements for the required SFAS 165 disclosures.

In April 2009, the FASB issued Staff Position ("FSP") FAS No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP FAS 157-4"). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have significantly decreased and requires that companies provide interim and annual disclosures of the inputs and valuation technique(s) used to measure fair value. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009 and is to be applied prospectively. The Company adopted FSP FAS 157-4 during the quarter ended June 30, 2009 and the adoption did not have a significant impact on its consolidated financial position and results of operations.

In April 2009, the FASB issued FSP FAS No.107-b and APB 28-a, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-b and APB 28-a"). FSP FAS 107-b and APB 28-a requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP FAS107-b and APB 28-a is effective for interim and annual periods ending after June 15, 2009, but entities may early adopt the FSP's for the interim and annual periods ending after March 15, 2009. The Company adopted FSP FAS 107-b and APB 28-a during the quarter ended June 30, 2009 and the adoption did not have a significant impact on its consolidated financial position and results of operations.

In April 2009, the FASB issued FSP FAS No. 115-2 and FAS No. 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP FAS 115-2 and FASP FAS 124-2"). FSP FAS 115-2 and FSP FAS 124-2 amends the other-than-temporary impairment guidance to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. FSP FAS 115-2 and FSP FAS 124-2 is effective for interim and annual periods ending after June 15, 2009, but entities may early adopt the FSP's for the interim and annual periods ending after March 15, 2009. The Company adopted FSP FAS 115-2 and FSP FAS 124-2 during the quarter ended June 30, 2009 and the adoption did not have a significant impact on its consolidated financial position and results of operations.

In April 2009, the FASB issued FASB Staff Position ("FSP") FAS 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies" ("FSP FAS 141(R)-1"). FSP FAS 141 (R)-1 amends and clarifies Statement No. 141(R), "Business Combinations," to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. Under FSP FAS 141 (R)-1, an acquirer is required to recognize at fair value an asset acquired or liability assumed in a business combination that arises from a contingency if the acquisition date fair value can be determined during the measurement period. If the acquisition date fair value cannot be determined, the acquirer applies the recognition criteria in Statement No. 5, "Accounting for Contingencies," and Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss," to determine whether the contingency should be recognized as of the acquisition date or after it. While there is no expected impact on our unaudited condensed consolidated financial statements with respect to the accounting for acquisitions completed prior to December 31, 2008, the adoption of FSP FAS 141 (R)-1 could materially change the accounting for business combinations consummated subsequent to that date.

NOTE 17. Share Repurchase Program

In July 2008, the Board of Directors authorized a share repurchase program of up to 3,000 shares of the Company's common stock. As of the time of filing this Quarterly Report on Form 10-Q, the Company has not purchased any shares under this program.

NOTE 18. Subsequent Event

Subsequent to June 30, 2009 and through the Company's financial statement issuance date of August 7, 2009, the Company announced on August 3, 2009 that it had acquired Adventa Control Technologies, Inc. for \$5,011. Adventa provides a wide range of Advanced Process Control technologies to semiconductor manufacturers specifically for tool automation, run-to-run control, and fault detection and classification. The transaction will be accounted for using the purchase method of accounting for business combinations. The impact of the acquisition is not expected to be material to the Company's consolidated financial position.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this Quarterly Report on Form 10-Q are forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). In addition, we may, from time to time, make oral forward looking statements. Forward looking statements may be identified by the words "anticipate," "believe," "expect," "intend," "will" and similar expressions, as they relate to us or our management. These statements include, without limitation, the statement that we believe that our existing cash, cash equivalents and marketable securities will be sufficient to meet our anticipated cash requirements for working capital and capital expenditures for the foreseeable future.

The forward looking statements contained herein reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Actual results may differ materially from those projected in such forward looking statements due to a number of factors, risks and uncertainties, including the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2008. We disclaim any obligation to update any forward looking statements as a result of developments occurring after the date of this Quarterly Report, other than as required by law.

Critical Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make judgments, assumptions and estimates that affect the amounts reported. Certain of these significant accounting policies are considered to be critical accounting policies, as defined below.

A critical accounting policy is defined as one that is both material to the presentation of our consolidated financial statements and requires management to make difficult, subjective or complex judgments that could have a material effect on our financial condition or results of operations. Specifically, these policies have the following attributes: (1) we are required to make judgments and assumptions about matters that are highly uncertain at the time of the estimate; and (2) different estimates we could reasonably have used, or changes in the estimate that are reasonably likely to occur, could have a material effect on our financial position and results of operations.

Estimates and assumptions about future events and their effects cannot be determined with certainty. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. These changes have been included in the consolidated financial statements as soon as they became known. In addition, management is periodically faced with uncertainties, the outcomes of which are not within its control and will not be known for prolonged periods of time. Certain of these uncertainties are discussed in our Annual Report on Form 10-K for the year ended December 31, 2008 in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Based on a critical assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that our consolidated financial statements are fairly stated in accordance with

accounting principles generally accepted in the United States of America, and provide a fair presentation of our financial position and results of operations.

For more information, please see our critical accounting policies as previously disclosed in our 2008 Annual Report on Form 10-K.

See Note 16 to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q regarding the impact of recent accounting pronouncements on the Company's financial position and results of operations.

Results of Operations for the Three and Six Month Periods Ended June 30, 2009 and 2008

We are a worldwide leader in the design, development, manufacture and support of high-performance process control metrology, defect inspection, and data analysis systems used by semiconductor device manufacturers. We provide yield management solutions used in both wafer processing and final manufacturing through a family of standalone systems and integrated modules for both transparent and opaque thin film measurements and macro-defect inspection. All of these systems feature production-worthy automation and are backed by worldwide customer support.

Rudolph's business is affected by the annual spending patterns of our customers on semiconductor capital equipment. The amount that our customers devote to capital equipment spending depends on a number of factors, including general worldwide economic conditions as well as other economic drivers such as personal computer, cell phone and personal electronic device sales. Current forecasts by industry analysts for the semiconductor device manufacturing industry project a year-over-year decrease in capital spending of 60-70% for 2009. We monitor capital equipment spending through announced capital spending plans by our customers and monthly-published industry data such as the book-to-bill ratio. The book-to-bill ratio is a 3-month running statistic that compares bookings or orders placed with capital equipment suppliers to billings or shipments. A book-to-bill above one shows that semiconductor device equipment manufacturers are ordering equipment at a pace that exceeds the equipment suppliers' shipments for the period. The three month rolling average North American semiconductor equipment book-to-bill ratio was 0.8 for the month of June 2009, decreasing from the December 2008 book-to-bill ratio of 0.9.

Historically, a significant portion of our revenues in each quarter and year has been derived from sales to relatively few customers, and we expect this trend to continue. For the six month period ended June 30, 2009 and for the years ended December 31, 2008, 2007 and 2006, sales to customers that individually represented at least five percent of our revenues accounted for 43.7%, 36.3%, 37.1%, and 40.9% of our revenues, respectively.

We do not have purchase contracts with any of our customers that obligate them to continue to purchase our products, and they could cease purchasing products from us at any time. A delay in purchase or cancellation by any of our large customers could cause quarterly revenues to vary significantly. In addition, during a given quarter, a significant portion of our revenues may be derived from the sale of a relatively small number of systems. Our transparent film measurement systems range in average selling price from approximately \$250,000 to \$1.0 million per system, our opaque film measurement systems range in average selling price from approximately \$900,000 to \$2.0 million per system and our macro-defect inspection and probe card and test analysis systems range in average selling price from approximately \$250,000 to \$1.4 million per system. Accordingly, a small change in the number of systems we sell may also cause significant changes in our operating results. Because fluctuations in the timing of orders from our major customers or in the number of our individual systems we sell could cause our revenues to fluctuate significantly in any given quarter or year, we do not believe that period-to-period comparisons of our financial results are necessarily meaningful, and they should not be relied upon exclusively as an indication of our future performance.

A significant portion of our revenues has been derived from customers outside of the United States. In the six month period ended June 30, 2009, approximately 65.2% of our revenues were derived from customers outside of the United States, of which 55.2% were derived from customers in Asia and 10.0% were derived from customers in Europe. In the twelve month period ended December 31, 2008, approximately 76.5% of our revenues were derived from customers outside of the United States, of which 57.0% were derived from customers in Asia and 19.5% were derived from customers in Europe. In the twelve month period ended December 31 2007, approximately 77.1% of our revenues were derived from customers outside of the United States, of which 58.5% were derived from customers in Asia and 18.6% were derived from customers in Europe. In the twelve month period ended December 31, 2006, approximately 70.6% of our revenues were derived from customers outside of the United States, of which 59.9% were derived from customers in Asia and 10.7% were derived from customers in Europe. We expect that revenues generated from customers outside of the United States will continue to account for a significant percentage of our revenues.

The sales cycle for our systems typically ranges from six to 15 months, and can be longer when our customers are evaluating new technology. Due to the length of these cycles, we invest significantly in research and development and sales and marketing in advance of generating revenues related to these investments. Additionally, the rate and timing of customer orders may vary significantly from month to month. Accordingly, if sales of our products do not occur when we expect, our expenses and inventory levels may increase relative to revenues and total assets.

Revenues. Our revenues are primarily derived from the sale of our systems, services, spare parts and software licensing. Our revenues were \$15.3 million and \$26.4 million for the three and six month periods ended June 30, 2009, compared to \$38.4 million and \$75.6 million for the three and six month periods ended June 30, 2008, representing decreases of \$60.1% and 65.1% in the respective year-over-year periods.

The following table lists the different sources of our revenue (in thousands):

Three Months Ended

Six Months Ended

June 30,

June 30,

2009

2008

2009

2008

Systems:

Metrology	\$ 2,371	16%	\$ 7,793	20%	\$ 4,791	18%	\$ 16,058	22%	Inspection	6,287	41%	20,622	54%	8,710	33%
41,090	55%	Parts	2,972	19%	5,021	13%	5,471	21%	8,925	11%	Services	3,048	20%	3,401	9%
6,201	23%	6,705	9%	Software licensing	663	4%	1,579	4%	1,229	5%	2,848	3%			

Total revenue

\$ 15,341 100% \$ 38,416 100% \$ 26,402 100% \$ 75,626 100%

The year-over-year decrease in systems revenue for the six month periods ended June 30, 2009 and 2008 is due to continued weakness in the global economy, including the overall semiconductor industry, and reflects a decrease in inspection systems revenues of \$32.4 million and a decrease in metrology systems revenue of \$11.3 million. Systems revenue generated by our latest product releases and major enhancements in each of our product families amounted to 39% and 27% of total revenues for the three and six month periods ended June 30, 2009, compared to 42% of total revenues for both the three and six month periods ended June 30, 2008. The year-over-year decrease in total parts and services revenue for the six month periods ended June 30, 2009 and 2008 is primarily due to decreased spending by our customers due to the prolonged semiconductor industry downturn. Parts and services revenues are generated from part sales, maintenance service contracts, system upgrades, as well as time and material billable service calls. The year-over-year decrease in software licensing revenues for the three month periods ended June 30, 2009 and 2008 is primarily due to the semiconductor industry downturn.

Deferred revenues of \$2.9 million are recorded in other current liabilities at June 30, 2009 and primarily consist of \$2.6 million for deferred maintenance agreements and \$0.3 million for systems awaiting acceptance and outstanding deliverables.

Gross Profit. Our gross profit has been and will continue to be affected by a variety of factors, including manufacturing efficiencies, product sales mix, production volume, inventory step-up from purchase accounting, excess and obsolete inventory write-offs, pricing by competitors or suppliers, new product introductions, customization and reconfiguration of systems, international and domestic sales mix, and parts and service margins. Our gross profit was \$5.4 million and \$7.7 million for the three and six month periods ended June 30, 2009, compared to \$17.7 million and \$32.8 million for the three and six month periods ended June 30, 2008. Our gross profit represented 35.2% and 29.1% of our revenues for the three and six month periods ended June 30, 2009 and 46.1% and 43.4% of our revenues for the same periods in the prior year. The decrease in gross profit as a percentage of revenue for the three and six month periods ended June 30, 2009, compared to the three and six month periods ended June 30, 2008 is primarily due to product mix, volume, and idle manufacturing facility costs.

Operating Expenses.

Research and Development. Our research and development expense was \$6.0 million and \$12.8 million for the three and six month periods ended June 30, 2009, compared to \$8.4 million and \$16.2 million for the same periods in the prior year. Research and development expense represented 39.3% and 48.3% of our revenues for the three and six month periods ended June 30, 2009, compared to 22.0% and 21.5% of revenues for the same periods in the prior year. The year-over-year dollar decrease for each of the three and six month periods ended June 30, 2009 and 2008 in research and development expenses primarily reflects reduced compensation cost and lower project costs as part of our continued cost reduction efforts, offset by an increase in litigation expenses.

Selling, General and Administrative. Our selling, general and administrative expense was \$7.8 million and \$14.1 million for the three and six month periods ended June 30, 2009, compared to \$10.5 million and \$19.6 million for the same periods in the prior year. Selling, general and administrative expense represented 50.9% and 53.6% of our revenues for the three and six month periods ended June 30, 2009 compared to 27.4% and 26.0% of our revenues for the same periods in the prior year. The year-over-year dollar decrease for the six month periods ended June 30, 2009 and 2008 in selling, general and administrative expense was primarily due to elimination of administrative costs associated with prior business combinations, and lower compensation costs in the 2009 period, offset by a reserve established for an account receivable related to a customer that is in financial difficulty.

Over the past twelve months, in reaction to the slowdown in the semiconductor industry, the Company has reduced ongoing operating expense by approximately 25 percent. The Company currently anticipates that operating expenses in the third quarter of 2009 will be approximately \$13.5 to \$15.0 million.

Interest income and other, net. Interest income and other, net was \$48 thousand and \$0.2 million for the three and six month periods ended June 30, 2009, compared to \$0.2 million and \$0.6 million for the same periods in the prior year. The year-over-year decrease in interest income and other, net was primarily attributable to a lower interest rates in the 2009 periods.

Income Taxes. For the three and six month periods ended June 30, 2009, we recorded income tax benefits of \$44 thousand and \$0.9 million, as compared to \$0.8 million and \$2.2 million for the comparable periods in 2008. The income tax benefits recognized for the three and six months ended June 30, 2009 resulted primarily from projected tax refunds due from the carryback of current losses.

Each quarter we assess the likelihood that we will be able to recover our deferred tax assets. We consider available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. As a result of our analysis, we concluded that it is more likely than not that substantially all of our net deferred tax assets will not be realized. Therefore, we continue to provide a valuation allowance against these net deferred tax assets. A portion of our net deferred tax assets relate to R&D credits which are reserved for in our FIN 48 provision. We closely monitor available evidence, and may release some or all of the valuation allowance in future periods, if appropriate.

Liquidity and Capital Resources

At June 30, 2009, we had \$72.3 million of cash, cash equivalents and marketable securities and \$133.8 million in working capital. At December 31, 2008, we had \$78.3 million of cash, cash equivalents and marketable securities and \$147.7 million in working capital.

Typically during periods of revenue growth, changes in accounts receivable and inventories represent a use of cash as we incur costs and expend cash in advance of receiving cash from our customers. Similarly, during periods of declining revenue, changes in accounts receivable and inventories represent a source of cash as inventory purchases decline and revenue from prior periods is collected.

Operating activities used \$5.4 million in cash and cash equivalents for the six month period ended June 30, 2009. The net cash and cash equivalents used in operating activities during the six month period ended June 30, 2009 was primarily a result of net loss, adjusted to exclude the effect of non-cash operating charges, of \$12.1 million, a decrease in other current liabilities of \$2.9 million and a decrease in accounts payable and accrued liabilities of \$0.8 million, partially offset by decreases in accounts receivable of \$6.8 million, inventories of \$1.9 million, and prepaid expenses and other assets of \$1.8 million. Operating activities provided \$2.0 million in cash and cash equivalents for the six month period ended June 30, 2008. The net cash and cash equivalents provided by operating activities during the six month period ended June 30, 2008 was primarily a result of net loss, adjusted to exclude the effect of non-cash charges, of \$6.2 million and increases in accounts payable and accrued liabilities of \$3.7 million and a decrease in accounts receivable of \$2.1 million, partially offset by increases in inventories of \$5.9 million, prepaid expenses and other assets of \$3.7 million, and a decrease in other current and non-current liabilities of \$0.5 million.

Net cash and cash equivalents provided by investing activities during the six month period ended June 30, 2009 of \$5.0 million was due to proceeds from sales of marketable securities of \$10.1 million, partially offset by purchases of marketable securities of \$4.8 million, and capital expenditures of \$0.3 million. Net cash and cash equivalents provided by investing activities during the six month period ended June 30, 2008 of \$2.4 million was due

to proceeds from sales of marketable securities of \$19.5 million, partially offset by acquisition costs for business combinations of \$8.5 million, purchases of marketable securities of \$6.2 million, and capital expenditures of \$2.3 million.

Net cash and cash equivalents provided by financing activities of \$0.1 million for both the six month periods ended June 30, 2009 and 2008 was due to proceeds received for sales of shares through share-based compensation plans.

From time to time we evaluate whether to acquire new or complementary businesses, products and/or technologies. We may fund all or a portion of the purchase price of these acquisitions in cash, stock, or a combination of cash and stock. On January 22, 2008, we announced that we had acquired all intellectual property and selected assets from privately-held RVSI Inspection, LLC, headquartered in Hauppauge, New York. We accounted for this acquisition as a business combination.

In July 2008, our Board of Directors approved a stock repurchase program of up to 3 million shares of Company common stock. As of the time of filing this Quarterly Report on Form 10-Q, we have not purchased any shares under this program.

Our future capital requirements will depend on many factors, including the timing and amount of our revenues and our investment decisions, which will affect our ability to generate additional cash. We believe that our existing cash, cash equivalents and marketable securities will be sufficient to meet our anticipated cash requirements for working capital and capital expenditures for the next twelve months. Thereafter, if cash generated from operations and financing activities is insufficient to satisfy our working capital requirements, we may seek additional funding through bank borrowings, sales of securities or other means. There can be no assurance that we will be able to raise any such capital on terms acceptable to us or at all.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate and Credit Market Risk

We are exposed to changes in interest rates and market liquidity primarily from our investments in certain available-for-sale securities. Our available-for-sale securities consist of fixed income and variable rate income investments (U.S. Treasury and Agency securities, asset-backed securities, mortgage-backed securities, auction rate securities, and corporate bonds). We continually monitor our exposure to changes in interest rates, market liquidity and credit ratings of issuers from our available-for-sale securities. It is possible that we are at risk if interest rates, market liquidity or credit ratings of issuers change in an unfavorable direction. The magnitude of any gain or loss will be a function of the difference between the fixed rate of the financial instrument and the market rate and our financial condition and results of operations could be materially affected. Based on a sensitivity analysis performed on our financial investments held as of June 30, 2009, an immediate adverse change of 10% in interest rates (e.g. 3.00% to 3.30%) would result in an immaterial decrease in the fair value of our available for sale securities.

Foreign Currency Risk

We have branch operations in Taiwan, Singapore and Korea and wholly-owned subsidiaries in Europe, China and Japan. Our international subsidiaries and branches operate primarily using local functional currencies. These foreign branches and subsidiaries are limited in their operations and level of investment so that the risk of currency fluctuations is not material. A substantial portion of our international sales are denominated in U.S. dollars with the exception of Japan and, as a result, we have relatively little exposure to foreign currency exchange risk with respect to these sales. Substantially all our sales in Japan are denominated in Japanese yen. From time to time, we may enter into forward exchange contracts to economically hedge a portion of, but not all, existing and anticipated foreign currency denominated transactions expected to occur within 12 months. The change in fair value of the forward contracts is recognized in the Consolidated Statements of Operations each reporting period. As of June 30, 2009, we had seven

forward contracts outstanding with a total notional contract value of \$0.6 million. We do not use derivative financial instruments for trading or speculative purposes.

Item 4. Controls and Procedures

The Company maintains a set of disclosure controls and procedures, as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act, designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow for timely decisions regarding required disclosure. The disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives.

Scope of the Controls Evaluation

The evaluation of our disclosure controls and procedures included a review of the controls' objectives and design, our implementation of the controls and the effect of the controls on the information generated for use in this Quarterly Report. In the course of the evaluation, we sought to identify data errors, control problems or acts of fraud and confirm that appropriate corrective actions, if any, including process improvements, were being undertaken. This type of evaluation is performed on a quarterly basis so that the conclusions of management, including the CEO and CFO, concerning the effectiveness of the controls can be reported in our Quarterly Reports on Form 10-Q and in our Annual Reports on Form 10-K. Many of the components of our disclosure controls and procedures are also evaluated on an ongoing basis by other personnel in our accounting, finance and legal functions. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures and to modify them on an ongoing basis as necessary. A control system can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Conclusions

As of June 30, 2009, an evaluation was carried out under the supervision and with the participation of the Company's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the period covered by this Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

A discussion regarding pending legal proceedings is included in Part 1, Item 3, "Legal Proceedings," included in our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 1A. Risk Factors

There are no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008.

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

In July 2008, our Board of Directors approved a stock repurchase program of up to 3 million shares of Company common stock. The program may be discontinued or modified at anytime. As of the time of filing this Quarterly Report on Form 10-Q, we have not purchased any shares under this program.

Item 4. Submission of Matters to a Vote of Security Holders

We held our Annual Meeting of Stockholders on May 19, 2009. Out of 30,811,170 shares of Common Stock entitled to vote at such meeting, there were present in person or by proxy 29,915,348 shares. At the Annual Meeting the stockholders of Rudolph Technologies, Inc. approved each of the following matters:

An election of directors was held with the following individuals being elected to the Board of Directors as Class I directors:

Paul F. McLaughlin, 29,017,922 votes cast for, 884,861 votes against and 12,565 votes abstained; and Leo Berlinghieri, 28,192,304 votes cast for, 1,681,285 votes against and 41,759 votes abstained.

The following is a list of our directors who did not stand for election at such Annual Meeting and continued as directors of the Company: Daniel H. Berry, Thomas G. Greig, Richard F. Spanier, Aubrey C. Tobey, and John R. Whitten.

A proposal was submitted to a vote of stockholders at the Annual Meeting to approve the Company's 2009 Stock Plan. Votes cast were as follows:

18,136,612 votes cast for, 6,981,449 votes cast against, 523,272 votes abstained and 4,274,015 votes cast as broker non-votes.

A proposal was submitted to a vote of stockholders at the Annual Meeting to approve the Company's 2009 Employee Stock Purchase Plan. Votes cast were as follows:

20,284,275 votes cast for, 4,834,724 votes cast against, 522,334 votes abstained and 4,274,015 votes cast as broker non-votes.

A proposal was submitted to a vote of stockholders at the Annual Meeting to ratify the appointment of Ernst & Young LLP as independent registered public accountants for the Company for the year ending December 31, 2009. Votes cast were as follows:

29,867,663 votes cast for, 38,068 votes cast against and 9,617 votes abstained.

Item 5. Other Information

On May 19, 2009, at the Company's Annual Meeting of Stockholders, the stockholders of the Company approved the Company's 2009 Stock Plan ("2009 Plan") and its 2009 Employee Stock Purchase Plan ("2009 ESPP"), which will both become effective as of November 1, 2009. Both the 2009 Plan and the 2009 ESPP will expire 10 years after the effective date of November 1, 2009, unless terminated earlier. The Company's 1999 Stock Plan and 1999 Employee Stock Purchase Plan will be terminated as of the effective dates of the 2009 Plan and the 2009 ESPP, respectively, meaning that while all options and awards then outstanding under the 1999 Stock Plan will remain in effect, no additional option grants, awards or stock purchases may thereafter be issued under that plans. The 2009 Plan and 2009 ESPP will be administered by the Board or a committee designated by the Board (in either case, the "Administrator"). No awards have been granted under the 2009 Plan.

Unlike the 1999 Stock Plan, the 2009 Plan does not provide for automatic annual increases in the number of shares available under the plan. Instead, the 2009 Plan limits the number of shares authorized for grant under the 2009 Plan to 3,300,000 shares, subject to adjustment in connection with certain equity restructuring events, plus any shares subject to any outstanding options or similar awards granted under the 1999 Stock Plan that expire or otherwise terminate without having been exercised in full and shares issued pursuant to awards granted under the 1999 Stock Plan that are forfeited to or repurchased by the Company. Such shares may be authorized, but unissued, or reacquired common stock.

The 2009 Plan permits the award of incentive stock options and nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights ("SARs"), performance units and performance shares to employees, directors and consultants, as determined by the Administrator, except that only Company employees may be granted incentive stock options. The exercise price for an option or SAR granted under the 2009 Plan may not be reduced nor may an exchange program be implemented without the prior consent of the Company's stockholders.

A copy of the Company's 2009 Plan is filed as Appendix A and a copy of the Company's 2009 ESPP is filed as Appendix B to the Company's revised proxy statement for the 2009 Annual Meeting of Shareholders ("Proxy Statement"), which was filed with the SEC on May 8, 2009, and is incorporated by reference to this Quarterly Report on Form 10-Q as Exhibits 10.1 and 10.2. The Proxy Statement also contains a description of the 2009 Plan as part of Proposal II and a description of the 2009 ESPP as part of Proposal III. The descriptions of the 2009 Plan and 2009 ESPP contained herein and in the Proxy Statement are qualified in their entirety by reference to the full text of the 2009 Plan and the 2009 ESPP.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
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- | | |
|-----|---|
| 3.1 | Restated Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit (3.1(b)) to the Registrant's Registration Statement on Form S-1, as amended (SEC File No. 333-86821 filed on September 9, 1999). |
| 3.2 | Amended and Restated Bylaws of Registrant (incorporated herein by reference to Exhibit (3.2(b) to the Registrant's Registration Statement on Form S-1, as amended (SEC File No. 333-86821), filed on September 9, 1999. |
| 3.3 | Amendment to Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on February 15, 2006, No. 000-27965). |
| 3.4 | Amendment to Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on August 1, 2007, No. 000-27965). |
| 3.5 | Amendment to Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K |

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filed with the Commission on February 2, 2009, No. 000-27965).

10.1 Rudolph Technologies, Inc. 2009 Stock Plan (incorporated by reference to Appendix A of the Registrant's revised Proxy Statement on Form DEFR14A, filed with the Commission on May 8, 2009).

10.2 Rudolph Technologies, Inc. 2009 Employee Stock Purchase Plan, as amended (incorporated by reference to Appendix B of the Registrant's revised Proxy Statement on Form DEFR14A, filed with the Commission on May 8, 2009).

31.1 Certification of Paul F. McLaughlin, Chief Executive Officer, pursuant to Securities Exchange Act Rule 13a-14(a).

31.2 Certification of Steven R. Roth, Chief Financial Officer, pursuant to Securities Exchange Act Rule 13a-14(a).

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Paul F. McLaughlin, Chief Executive Officer of Rudolph Technologies, Inc.

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Steven R. Roth, Chief Financial Officer of Rudolph Technologies, Inc.

SIGNATURES

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

Rudolph Technologies, Inc.

Date: August 7, 2009

By: /s/ Paul F. McLaughlin

Paul F. McLaughlin
Chairman and Chief Executive Officer

Date: August 7, 2009

By: /s/ Steven R. Roth

Steven R. Roth
Senior Vice President, Chief Financial Officer
and Principal Accounting Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
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3.1	Restated Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit (3.1(b)) to the Registrant's Registration Statement on Form S-1, as amended (SEC File No. 333-86821 filed on September 9, 1999).
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- 3.2 Amended and Restated Bylaws of Registrant (incorporated herein by reference to Exhibit (3.2(b) to the Registrant's Registration Statement on Form S-1, as amended (SEC File No. 333-86821), filed on September 9, 1999).
- 3.3 Amendment to Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on February 15, 2006, No. 000-27965).
- 3.4 Amendment to Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on August 1, 2007, No. 000-27965).
- 3.5 Amendment to Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on February 2, 2009, No. 000-27965).
- 10.1 Rudolph Technologies, Inc. 2009 Stock Plan (incorporated by reference to Appendix A of the Registrant's revised Proxy Statement on Form DEFR14A, filed with the Commission on May 8, 2009).
- 10.2 Rudolph Technologies, Inc. 2009 Employee Stock Purchase Plan, as amended (incorporated by reference to Appendix B of the Registrant's revised Proxy Statement on Form DEFR14A, filed with the Commission on May 8, 2009).
- 31.1 Certification of Paul F. McLaughlin, Chief Executive Officer, pursuant to Securities Exchange Act Rule 13a-14(a).
- 31.2 Certification of Steven R. Roth, Chief Financial Officer, pursuant to Securities Exchange Act Rule 13a-14(a).
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Paul F. McLaughlin, Chief Executive Officer of Rudolph Technologies, Inc.
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Steven R. Roth, Chief Financial Officer of Rudolph Technologies, Inc.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul F. McLaughlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rudolph Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of

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the period covered by this report based on such evaluation; and

- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

By:
/s/
Paul
E.
McLaughlin

Paul
F.
McLaughlin
Chairman
and
Chief
Executive
Officer

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven R. Roth, certify that:

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

Date: August 7, 2009

By:
/s/
Steven
R.
Roth _____

Steven
R.
Roth
Senior
Vice
President,
Chief
Financial

Officer

EXHIBIT 32.1

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

I, Paul F. McLaughlin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Rudolph Technologies, Inc. on Form 10-Q for the quarter ended June 30, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Rudolph Technologies, Inc.

Date: August 7, 2009

By: /s/ Paul F. McLaughlin

Paul F. McLaughlin
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Rudolph Technologies, Inc. and will be retained by Rudolph Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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

I, Steven R. Roth, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Rudolph Technologies, Inc. on Form 10-Q for the quarter ended June 30, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of

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1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Rudolph Technologies, Inc.

Date: August 7, 2009

By: /s/ Steven R. Roth

Steven R. Roth
Senior Vice President, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Rudolph Technologies, Inc. and will be retained by Rudolph Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.