

RUDOLPH TECHNOLOGIES INC
Form 10-Q
November 05, 2010

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: September 30, 2010

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

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 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The number of outstanding shares of the Registrant's Common Stock on October 26, 2010 was 31,397,880.

PART I FINANCIAL INFORMATION

Item 1.

Financial Statements (unaudited)

Condensed Consolidated Balance Sheets at September 30, 2010 and December 31, 2009

Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2010 and 2009

Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2010 and 2009

Notes to Condensed Consolidated Financial Statements

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Management's Discussion and Analysis of Financial Condition and Results of Operations

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Item 1. Financial Statements

PART I FINANCIAL INFORMATION

RUDOLPH TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

**September 30,
2010
(unaudited)**

**December 31,
2009**

ASSETS Current assets: Cash and cash equivalents \$ 71,922 \$ 57,839 Marketable securities 2,960 3,080 Accounts receivable, less allowance of \$589 as of September 30, 2010 and \$602 as of December 31, 2009 43,947 35,312 Inventories 52,320 45,534 Prepaid expenses and other current assets 4,271 4,626 Total current assets 175,420 146,391 Property, plant and equipment, net 13,607 12,841 Goodwill 4,492 3,282 Identifiable intangible assets, net 10,028 10,821 Other assets 4,690 4,868 Total assets \$ 208,237 \$ 178,203

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities: Accounts payable and accrued liabilities \$ 15,958 \$ 9,793 Other current liabilities 11,807 9,817 Total current liabilities 27,765 19,610

Non-current liabilities

7,082 7,462

Total liabilities

34,847 27,072 Commitments and contingencies Stockholders' equity: Common stock 31 31 Additional paid-in capital 391,788 387,486 Accumulated other comprehensive loss (1,352) (1,848) Accumulated deficit (217,077) (234,538) Total stockholders' equity 173,390 151,131 Total liabilities and stockholders' equity \$ 208,237 \$ 178,203

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

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(Unaudited)

Nine Months Ended
September 30,

2010

2009

Cash flows from operating activities:	Net income (loss)	\$ 17,461	\$ (23,514)	Adjustments to reconcile net income (loss) to net cash and cash equivalents			
provided by (used in) operating activities:	Amortization	1,523	1,394	Depreciation	2,753	4,035	Foreign currency exchange loss
	151	624	Net loss on sales of marketable securities	-	1	Share-based compensation	4,085
2,818	Provision for (recovery of) doubtful accounts and inventory valuation	(1,248)	1,895	Change in operating assets and liabilities			
Accounts receivable	(8,539)	(6,486)	Inventories	(5,641)	6,489	Prepaid expenses and other assets	229 (56)
Accounts payable and accrued liabilities	6,134	1,352	Other current liabilities	1,315	(425)	Non-current liabilities	(588) (262)
Net cash and cash equivalents provided by (used in) operating activities	17,635	(12,135)	Cash flows from investing activities:	Purchases of marketable securities	(7,585)	(10,078)	
Proceeds from sales of marketable securities	7,748	10,876	Purchases of property, plant and equipment	(3,242)	(343)	Purchase of businesses	(849) (5,011)
Net cash and cash equivalents used in investing activities	(3,928)	(4,556)	Cash flows from financing activities:	Issuance of shares through share-based compensation plans	217	126	Net cash and cash equivalents provided by financing activities
217	126	Effect of exchange rate changes on cash and cash equivalents	159	274	Net increase (decrease) in cash and cash equivalents	14,083	(16,291)
Cash and cash equivalents at beginning of period	57,839	67,735	Cash and cash equivalents at end of period	\$ 71,922	\$ 51,444		

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 nine month periods ended September 30, 2010 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, 2009 filed with the Securities and Exchange Commission ("SEC") on March 5, 2010.

NOTE 2. Business Combinations

Adventa

On August 3, 2009, the Company announced that it had acquired **Adventa Control Technologies, Inc. ("Adventa")**, headquartered in Plano, Texas. The acquired business is currently known as the Rudolph Technologies Process Control Group. The impact of the acquisition was not material to the Company's consolidated financial position or results of operations.

Yield Dynamics

On August 11, 2010, the Company announced that it had acquired selected assets of the Yield Dynamics software business from MKS Instruments, headquartered in Andover, Massachusetts. The acquired business is currently known as the Rudolph Technologies Yield Dynamics group ("YDI"). The impact of the acquisition was not material to the Company's consolidated financial position or results of operations.

NOTE 3. Fair Value Measurements

The Company applies a three-level valuation hierarchy for fair value measurements. This hierarchy prioritizes the inputs into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the asset or liability. Level 3 inputs are unobservable inputs based on management's assumptions used to measure assets and liabilities at fair value. A financial asset's or liability's fair value measurement classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following tables provide the assets carried at fair value measured on a recurring basis at September 30, 2010 and December 31, 2009:

Fair Value Measurements Using	Quoted Prices in		Active Markets for		Significant Other	Significant	Carrying	Identical Assets
Observable Inputs	Unobservable Inputs	Value	(Level 1)	(Level 2)	(Level 3)	September 30, 2010	Available-for-sale debt securities:	
U.S. Treasury notes \$	204	\$ 204	\$	-	-	-	Auction rate securities	300 - - 300
			2,456	-	2,456	-	Municipal bonds	
Total available-for-sale debt securities								
2,960	204	2,456	300	Derivatives:		Foreign currency forward contracts (124) (124) - -		
Total derivatives								
(124) (124) - -								

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				Total							
\$	2,836	\$	80	\$	2,456	\$	300	December 31, 2009		Available-for-sale debt securities:	
	U.S. Treasury notes	\$	212	\$	212	\$	-	\$	-	Auction rate securities 248 - - 248	Municipal bonds 2,620
									- 2,620		
				Total available-for-sale debt securities							
	3,080		212		2,620		248	Derivatives:		Foreign currency forward contracts (3) (3) - -	
				Total derivatives							
			(3)		(3)		-			-	
				Total							
		\$	3,077	\$	209	\$	2,620	\$	248		

The Company's investments classified as Level 1 are based on quoted prices that are available in active markets. The foreign currency forward 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 cashflow 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 nine months ended September 30, 2010:

		Fair Value Measurements Using Significant Unobservable Inputs	
(Level 3) Balance at December 31, 2009	\$ 248	Unrealized gains in accumulated other comprehensive loss	52
issuances, and settlements, net -		Transfers into (out of) Level 3 -	Balance at September 30, 2010
			\$ 300

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.

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

NOTE 4. Marketable Securities

The Company has evaluated its investment policies 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 on available-for-sale securities are included in "Other income (expense)." There was no net realized gain or loss on available-for-sale securities for both the three and nine months ended September 30, 2010. Net realized

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losses on available-for-sale securities were \$0 and \$1 for the three and nine months ended September 30, 2009, respectively. 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 September 30, 2010, the Company held one auction-rate security with a fair value of \$300. 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 September 30, 2010, the Company has recorded a cumulative temporary unrealized impairment loss of \$200 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.

The Company has determined that the gross unrealized losses on its marketable securities at September 30, 2010 and December 31, 2009 are temporary in nature. The Company reviews its investment portfolio to identify and evaluate investments that have indications of possible impairment. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been less than the cost basis, credit quality and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

At September 30, 2010 and December 31, 2009, marketable securities are categorized as follows:

Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses		
Fair Value September 30, 2010	obligations of agencies	Treasury notes and obligations of agencies		
	\$ 2,654	\$ 6		\$ -
\$ 2,660	Tax-free auction rate securities 500 - (200)	300	Total marketable securities	\$ 3,154 \$ 6
				\$ (200)
	\$ 2,960		December 31, 2009	Treasury notes and obligations of agencies
			\$ 2,819	\$ 13
				\$ -
			\$ 2,832	Tax-free auction rate securities 500 -
				(252)
				248
Total marketable securities	\$ 3,319	\$ 13		\$ (252)
				\$ 3,080

The amortized cost and estimated fair value of marketable securities classified by the maturity date listed on the security, regardless of the Condensed Consolidated Balance Sheet classification, is as follows at September 30, 2010 and December 31, 2009:

September 30, 2010		December 31, 2009		Amortized Cost	Fair Value	Amortized Cost	Fair Value	Due within one year		\$
2,654	\$ 2,660	\$ 2,452	\$ 2,456	Due after one through five years	-	-	367	376	Due after five through ten years	-
				after ten years	500	300	500	248	Total marketable securities	\$ 3,154
										\$ 2,960
										\$ 3,319
										\$ 3,080

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 September 30, 2010.

In Unrealized Loss Position for less than 12 Months		In Unrealized Loss Position for greater than 12 Months		Fair Value	Gross Unrealized Losses
Fair Value	Gross Unrealized Losses	Tax-free auction rate securities	\$ -	\$ -	\$ 300
					\$ 200

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

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 September 30, 2010 and December 31, 2009, these contracts included the future 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 Condensed Consolidated Statements of Operations.

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

			September 30, 2010		
			December 31, 2009		
Notional amount	\$ 1,258	\$ 1,042	Fair value of liability	\$ 124	\$ 3

NOTE 6. Identifiable Intangible Assets and Goodwill

Identifiable Intangible Assets

Identifiable intangible assets as of September 30, 2010 and December 31, 2009 are as follows:

Gross Carrying Amount
Accumulated Amortization
Net

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September 30, 2010	Developed technology	\$ 53,826	\$ 46,135	\$ 7,691	Customer and distributor relationships	7,446	6,760	686	Trade names	4,361	2,710	1,651	Total identifiable intangible assets			
														\$ 65,633	\$ 55,605	\$ 10,028
December 31, 2009	Developed technology	\$ 53,390	\$ 45,153	\$ 8,237	Customer and distributor relationships	7,436	6,674	762	Trade names	4,342	2,520	1,822	Total identifiable intangible assets			
														\$ 65,168	\$ 54,347	\$ 10,821

Intangible assets amortization expense for the three and nine months ended September 30, 2010 was \$432 and \$1,258, respectively. For the three and nine months ended September 30, 2009, intangible assets amortization expense was \$370 and \$945, respectively. Assuming no change in the gross carrying value of identifiable intangible assets and estimated lives, estimated amortization expense for the remainder of 2010 will be \$442, and for each of the next five years estimated amortization expense amounts to \$1,664 for 2011, \$1,664 for 2012, \$1,664 for 2013, \$1,405 for 2014, and \$541 for 2015.

Goodwill

The changes in the carrying amount of goodwill are as follows:

Balance at December 31, 2009	\$ 3,282	YDI acquisition	1,210	Balance at September 30, 2010	\$ 4,492
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NOTE 7. Inventories

September 30,

December 31,

2010

2009

Materials	\$ 22,268	\$ 19,343	Work-in-process	17,754	14,577	Finished goods	12,298	11,614	Total inventories	\$ 52,320
									\$ 45,534	

The Company has established reserves of \$7,623 and \$9,474 as of September 30, 2010 and December 31, 2009, respectively, for slow moving and obsolete inventory, which are included in the amounts above.

NOTE 8. Property, Plant and Equipment

September 30,

December 31,

2010

2009

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Land and building	\$ 4,998	\$ 4,927	Machinery and equipment	15,522	13,382	Furniture and fixtures	2,818
2,730	Computer equipment	6,495	6,089	Leasehold improvements	6,217	6,102	36,050
	33,230	Accumulated depreciation	(22,443)	(20,389)	Net property, plant and equipment	\$ 13,607	\$ 12,841

NOTE 9. Commitments and Contingencies

Warranty Reserves

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

	Nine Months Ended September 30,	
	2010	2009
Balance, beginning of the period	\$ 700	\$ 1,813
Accruals	1,760	708
Settlements	(976)	(1,723)
Balance, end of the period	\$ 1,484	\$ 798

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 nine month period ended September 30, 2010 is as follows:

	Number of Shares		Weighted Average Grant Date Fair Value	
Nonvested at December 31, 2009	1,372	\$ 7.72	Granted 484	\$ 7.58
Vested (368)		\$ 9.20	Forfeited (20)	\$ 8.22
Nonvested at September 30, 2010	1,468	\$ 7.30		

As of September 30, 2010 and December 31, 2009, there was \$7,377 and \$7,183 of total unrecognized compensation cost related to restricted stock units granted under the Company's stock plans, respectively. That cost is expected to be recognized over a weighted average period of 2.3 years and 2.8 years for the respective periods.

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NOTE 11. Other Income (Expense)

		Three Months Ended				
		September 30,		Nine Months Ended		
		September 30,	2010	2009	2010	2009
	Foreign currency exchange gains					
(losses), net	\$ (902)	\$ (626)	\$ (151)	\$ (624)	Realized gains (losses) on sales of	
marketable securities, net	- - - (1)	Total other income (expense)		\$ (902)	\$ (626)	\$ (151) \$ (625)

NOTE 12. Comprehensive Income (Loss)

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

The components of comprehensive income (loss) are as follows:

		Three Months Ended				
		September 30,		Nine Months Ended		
		September 30,	2010	2009	2010	2009
	Net income (loss)	\$ 8,903	\$ (4,835)	\$ 17,461	\$ (23,514)	Change in net unrealized gains
	(losses)					
	on investments, net of tax	26	(6)	42	(98)	Change in currency translation
adjustments	951	859	454	527	Total comprehensive income (loss)	
		\$ 9,880	\$ (3,982)	\$ 17,957	\$ (23,085)	

NOTE 13. 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 nine months ended September 30, 2010, the weighted average number of stock options and restricted stock units excluded from the computation of diluted earnings per share were 2,469 and 2,554, respectively. For both the three and nine month periods ended September 30, 2009, all outstanding stock options and restricted stock units totaling 3,944 and 3,211, 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 earnings (loss) per share amounts are as follows:

Three Months Ended		Nine Months Ended		September 30,		September 30,		2010		2009		2010		2009	
				Numerator:		Net income (loss)		\$ 8,903							
				Denominator:		Basic earnings (loss) per share -									
				weighted average shares											
				outstanding		31,365		31,109		31,245		30,858		Effect of potential dilutive securities:	
				options and										Employee stock	
				restricted stock units - dilutive											
				shares		169		-		209		-		Diluted earnings (loss) per share -	
				weighted average shares											
				outstanding		31,534		31,109		31,454		30,858		Earnings (loss) per share:	
				Basic		\$ 0.28		\$ (0.16)		\$ 0.56		\$			
				Diluted		\$ 0.28		\$ (0.16)		\$ 0.56		\$ (0.76)			

NOTE 14. Restructuring and Write-down Charges

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As a result of the decline in the semiconductor capital equipment industry between 2008 and 2009 and its effect on the Company's Metrology operations, the Company recorded restructuring and asset write-down charges in the three months ended December 31, 2009. The cumulative restructuring and write-down charges through the period ended September 30, 2010 are as follows: 1) \$4,500 for asset write-downs, which includes inventory and fixed assets related to discontinued older product lines which the Company believes will not be competitive as the industry recovers; 2) \$1,845 for unused and excess rental space that has developed as the Company's Metrology operations have declined over time; and 3) \$493 for employee termination costs related to moving the manufacturing of the Company's metrology products from its facility in Budd Lake, NJ to its facility in Bloomington, MN. These charges, which total \$6,838, were recorded in Cost of revenues and Selling, general and administrative expenses for \$3,048 and \$3,790, respectively.

The following table sets forth the Company's reserve as of September 30, 2010 and reflects the activity affecting the reserve for the nine month period ended September 30, 2010.

Balance at December 31, 2009																	
Charged to Costs and Expenses																	
Payments and Other																	
Balance at September 30, 2010																	
Employee terminations	\$	159	\$	334	\$	(265)	\$	228	Excess rental space	1,949	-	(328)	1,621	Total			
										\$	2,108	\$	334	\$	(593)	\$	1,849

NOTE 15. Segment Reporting and Geographic Information

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

The following table lists the different sources of revenue:

Three Months Ended

Nine Months Ended

September 30,

September 30,

2010

2009

2010

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2009

Systems and Software:

Inspection	\$ 27,135	52%	\$ 12,121	52%	\$ 80,509	57%	\$ 21,858	44%	Metrology	11,843	23%	2,986	13%	23,630		
17%	7,777	15%	Data Analysis & Review	5,627	11%	1,804	8%	13,405	10%	3,033	6%	Parts	4,856	9%	4,126	17%
			15,302	11%	10,319	21%	Services	2,862	5%	2,293	10%	8,448	5%	6,745	14%	

Total revenue

\$ 52,323 100% \$ 23,330 100% \$ 141,294 100% \$ 49,732 100%

For geographical revenue reporting, revenues are attributed to the geographic location in which the product is shipped. Revenue by geographic region is as follows:

Three Months Ended

Nine Months Ended

September 30,

September 30, 2010 2009

2010

2009

United States

\$ 8,389	\$ 4,170	\$ 25,353	\$ 13,355	Taiwan	5,993	8,272	41,495	13,722	Japan	2,194	991	5,502	2,551	China	9,701
			3,841	17,157	4,755	Korea	7,458	1,260	14,374	3,527					

Other Asia

9,931 2,693 20,275 7,075

Europe

8,657 2,103 17,138 4,747

Total revenue

\$ 52,323 \$ 23,330 \$ 141,294 \$ 49,732

Customers comprising 10% or more of revenue:

Nine Months Ended

September 30,

2010

NOTE 16. Recent Accounting Pronouncements

In July 2010, the FASB issued ASU No. 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (Topic 310)." ASU No. 2010-20 requires increased disclosures about the credit quality of financing receivables and allowances for credit losses, including disclosure about credit quality indicators, past due information and modifications of finance receivables. The guidance is generally effective for reporting periods ending after December 15, 2010. The Company does not expect the adoption of ASU No. 2010-20 to have a significant impact on its consolidated financial position and results of operations.

In April 2010, the FASB issued ASU No. 2010-17, "Revenue Recognition- Milestone Method (Topic 605)," which provides guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. This ASU is effective in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. The Company does not expect the adoption of ASU No. 2010-17 to have a significant impact on its consolidated financial position and results of operations.

In April 2010, the FASB issued ASU No. 2010-13, "Compensation - Stock Compensation (Topic 718)," which provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment award that contains a condition that is not a market, performance, or service condition is required to be classified as a liability. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company does not expect the adoption of ASU No. 2010-13 to have a significant impact on its consolidated financial position and results of operations.

In February 2010, the FASB issued ASU No. 2010-09, "Subsequent Events (Topic 855) - Amendments to Certain Disclosure Requirements." The objective of this ASU was to remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financials statements. This ASU is to be applied immediately upon issuance. The Company adopted this ASU in the first quarter of 2010 and the adoption of this ASU did not have an effect on its consolidated financial position and results of operations.

In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements." This ASU requires new disclosures regarding significant transfers in and out of Levels 1 and 2, and information about activity in Level 3 fair value measurements. In addition, this ASU clarifies existing disclosures regarding input and valuation techniques, as well as the level of disaggregation for each class of assets and liabilities. This ASU was effective for interim and annual reporting periods beginning after December 15, 2009, except for certain Level 3 activity disclosure requirements, which are effective for reporting periods beginning after December 15, 2010. The Company adopted the new guidance in the first quarter of 2010, except for the disclosures related to purchases, sales, issuance and settlements, which will be effective for the Company beginning in the first quarter of 2011. Because these new standards are related primarily to disclosures, their adoption has not had and is not expected to have a significant impact on the Company's consolidated financial position and results of operations.

In October 2009, the FASB issued ASU No. 2009-14 on FASB ASC 985, "Software - Certain Revenue Arrangements That Include Software Elements-a consensus of the FASB Emerging Issues Task Force." The objective of this ASU is to clarify which revenue allocation and measurement guidance should be used for arrangements that contain both tangible products and software, in cases where the software is more than incidental to the tangible product as a whole. More specifically, if the software sold with or embedded within the tangible product is essential to the functionality of the tangible product, then this software as well as undelivered software elements that relate to this software are excluded from the scope of existing software revenue guidance, which is expected to decrease the amount of revenue deferred in these cases. This update is effective for fiscal years beginning on or after June 15, 2010. Early adoption is permitted, but this ASU must be adopted in the same period as, and use the same transition method that is used for, the ASU described in the subsequent paragraph. The Company is currently evaluating the impact, if any, of this new accounting update on its consolidated financial position and results of operations.

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In October 2009, the FASB issued ASU No. 2009-13 on FASB ASC 605, "Revenue Recognition - Multiple Deliverable Revenue Arrangements - a consensus of the FASB Emerging Issues Task Force." The objective of this ASU is to address the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Vendors often provide multiple products or services to their customers. Those deliverables often are provided at different points in time or over different time periods. This ASU provides amendments to the criteria in FASB ASC 605-25 for separating consideration in multiple-deliverable arrangements. The amendments in this ASU establish a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor specific objective evidence nor third-party evidence is available. The amendments in this ASU also will replace the term "fair value" in the revenue allocation guidance with "selling price" to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant. This update is effective for fiscal years beginning on or after June 15, 2010. The Company is currently evaluating the impact, if any, of this new accounting update on its consolidated financial position and results of operations.

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. Reclassifications

Certain prior period amounts have been reclassified to conform to current financial statement presentation. These amounts include the reclassification of foreign currency exchange gains and losses from Selling, general and administrative expense to Other income (expense).

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"). 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 next twelve months.

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, 2009. 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 condensed 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, 2009 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 2009 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 Nine Month Periods Ended September 30, 2010 and 2009

We are a worldwide leader in the design, development, manufacture and support of high-performance defect inspection, process control metrology, 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 for both macro-defect inspection and transparent and opaque thin film measurements. All of these systems feature production-worthy automation and are backed by worldwide customer support.

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. The acquired business is currently known as the Rudolph Technologies Wafer Scanner Product Group and has been integrated into our Inspection product offerings.

On August 3, 2009, we announced that we had acquired Adventa Control Technologies, Inc. ("Adventa"), headquartered in Plano, Texas. The acquired business is currently known as the Rudolph Technologies Process Control Group and has been integrated into our Data Analysis and Review group product offerings.

On August 11, 2010, the Company announced that it had acquired selected assets of the Yield Dynamics software business from MKS Instruments, headquartered in Andover, Massachusetts. The acquired business is currently known as the Rudolph Technologies Yield Dynamics group ("YDI") and has been integrated into our Data Analysis and Review group product offerings. The impact of the acquisition was not material to the Company's consolidated financial position or results of operations.

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. Forecasts by industry analysts for the semiconductor device manufacturing

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The following table lists, for the periods indicated, the different sources of our revenues in dollars (thousands) and as percentages of our total revenues:

Three Months Ended

Nine Months Ended

September 30,

September 30,

2010

2009

2010

2009

Systems and Software:

Inspection	\$ 27,135	52%	\$ 12,121	52%	\$ 80,509	57%	\$ 21,858	44%	Metrology	11,843	23%	2,986	13%	23,630	
	17%		7,777	15%	Data Analysis & Review	5,627	11%	1,804	8%	13,405	10%	3,033	6%	Parts	
			15,302	11%	10,319	21%	Services	2,862	5%	2,293	10%	8,448	5%	6,745	14%

Total revenue

\$ 52,323 100% \$ 23,330 100% \$ 141,294 100% \$ 49,732 100%

The year-over-year increase in systems and software revenue for the nine month periods ended September 30, 2010 and 2009 is primarily due to improving economic conditions leading to increased capital spending in the semiconductor industry. This contributed to an increase in the number of inspection and metrology systems sold during the nine months ended September 30, 2010 as compared to the same period in the prior year, resulting in an increase in inspection systems revenues of \$58.7 million and an increase in metrology systems revenue of \$15.9 million. In addition, changes in average selling price of similarly configured systems did not have a material impact on our revenues for the same periods. The year-over-year increase in data analysis and review software of \$10.4 million is primarily due to revenue from our Process Control Group, which is part of our Data Analysis and Review products, and which was acquired in the third quarter of 2009. Systems revenue generated by our latest product releases and major enhancements in each of our product families amounted to 51% and 59% of total revenues for the three and nine month periods ended September 30, 2010, compared to 43% and 34% of total revenues for the three and nine month periods ended September 30, 2009. The year-over-year increase in total parts and services revenue for the nine month periods ended September 30, 2010 and 2009 is primarily due to increased spending by our customers on repairs of existing systems. Parts and services revenues are generated from part sales, maintenance service contracts, system upgrades, as well as time and material billable service calls.

Deferred revenues of \$7.0 million are recorded in Other current liabilities at September 30, 2010 and primarily consist of \$3.0 million for systems awaiting acceptance and outstanding deliverables and \$4.0 million for deferred maintenance agreements.

Gross Profit. Our gross profit has been and will continue to be affected by a variety of factors, including inventory step-up from purchase accounting, manufacturing efficiencies, excess and obsolete inventory write-offs, pricing by competitors or suppliers, new product introductions, production volume, customization and reconfiguration of systems, international and domestic sales mix, and parts and service margins. Our gross profit was \$29.3 million and \$74.7 million for the three and nine month periods ended September 30, 2010, compared to \$9.5 million and \$17.2 million for the three and nine month periods ended September 30, 2009. Our gross profit represented 55.9% and 52.9% of our revenues for the three and nine month periods ended September 30, 2010 and 40.6% and 34.5% of our revenues for the same periods in the prior year. The increase in gross profit as a percentage of revenue for the three and nine month periods ended September 30, 2010, compared to the three and nine month periods ended September 30, 2009 is primarily due to increased product sales volume and to product mix.

Operating Expenses.

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The Operating expenses consist of:

Research and Development. Our research and development expense was \$8.3 million and \$24.7 million for the three and nine month periods ended September 30, 2010, compared to \$6.4 million and \$19.2 million for the same periods in the prior year. Research and development expense represented 15.9% and 17.4% of our revenues for the three and nine month periods ended September 30, 2010, compared to 27.5% and 38.6% of revenues for the prior year periods. The year-over-year dollar increase for the three and nine month periods ended September 30, 2010 and 2009 in research and development expenses primarily reflects increased R&D project costs, increased patent litigation costs and the inclusion of research and development expense of our Process Control Group that was acquired in the third quarter of 2009.

Selling, General and Administrative. Our selling, general and administrative expense was \$10.1 million and \$29.2 million for the three and nine month periods ended September 30, 2010, compared to \$7.7 million and \$21.8 million for the same periods in the prior year. Selling, general and administrative expense represented 19.4% and 20.6% of our revenues for the three and nine month periods ended September 30, 2010, compared to 32.8% and 43.8% of our revenues for the same periods in the prior year. The year-over-year dollar increase for the three and nine month periods ended September 30, 2010 and 2009 in selling, general and administrative expense was primarily due to increased sales commissions, incentive compensation accruals and benefit costs.

The Company currently anticipates that operating expenses for the fourth quarter of 2010 will be approximately \$18.4 million to \$19.4 million.

Other income (expense). We recorded other expense for the three and nine month periods ended September 30, 2010 of \$0.9 million and \$0.2 million, compared to other expense of \$0.6 million for both of the same periods in the prior year. The year-over-year dollar changes for the three and nine month periods ended September 30, 2010 and 2009 in other income (expense) were primarily due to fluctuations in foreign currency exchange rates.

Income Taxes. For the three and nine month periods ended September 30, 2010, we recorded an income tax provision of \$0.6 million and \$2.2 million, as compared to the income tax benefit of \$0.7 million and \$1.7 million for the comparable periods in 2009. Our effective tax rate differs from the statutory rate of 35% for the three and nine month periods ended September 30, 2010 primarily from projected tax payments in U.S. and foreign locations, offset by valuation allowances.

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 FASB ASC 740 provision. We closely monitor available evidence, and may reverse some or all of the valuation allowance in future periods, if appropriate.

Liquidity and Capital Resources

At September 30, 2010, we had \$74.9 million of cash, cash equivalents and marketable securities and \$147.7 million in working capital. At December 31, 2009, we had \$60.9 million of cash, cash equivalents and marketable securities and \$126.8 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 provided \$17.6 million in cash and cash equivalents for the nine month period ended September 30, 2010. The net cash and cash equivalents provided by operating activities during the nine month period ended September 30, 2010 was primarily a result of net income, adjusted to exclude the effect of non-cash operating charges of \$24.7 million, an increase in accounts payable and accrued liabilities of \$6.1 million, an increase in other current liabilities of \$1.3 million, partially offset by an increase in accounts receivable of \$8.5 million, and an increase in inventory of \$5.6 million. Operating activities used \$12.1 million in cash and cash equivalents for the nine month period ended September 30, 2009. The net cash and cash equivalents used in operating activities during the nine month period ended September 30, 2009 was primarily a result of net loss, adjusted to exclude the effect of non-cash operating charges, of \$12.7 million, an increase in accounts receivable of \$6.5 million, and a decrease of other current liabilities of \$0.4 million, partially offset by a decrease in inventory of \$6.5 million and an increase in accounts payable and accrued liabilities of \$1.4 million.

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Net cash and cash equivalents used in investing activities during the nine month period ended September 30, 2010 of \$3.9 million was due to purchases of marketable securities of \$7.6 million, capital expenditures of \$3.2 million and purchase of a business of \$0.8 million, partially offset by proceeds from sales of marketable securities of \$7.7 million. Net cash and cash equivalents used in investing activities during the nine month period ended September 30, 2009 of \$4.6 million was due to purchases of marketable securities of \$10.0 million, the acquisition costs for a business combination of \$5.0 million and capital expenditures of \$0.3 million, partially offset by proceeds from sales of marketable securities of \$10.9 million.

Net cash and cash equivalents provided by financing activities of \$0.2 million and \$0.1 million for the nine month periods ended September 30, 2010 and 2009, respectively, were 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 August 3, 2009, we announced that we had acquired Adventa Control Technologies, Inc., headquartered in Plano, Texas. On August 11, 2010, we announced that we had acquired selected assets of the Yield Dynamics software business from MKS Instruments, headquartered in Andover, Massachusetts. We accounted for these acquisition as a business combinations.

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 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 September 30, 2010, 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. The intercompany transactions denominated in U.S. dollars on the financial statements of the subsidiaries and branches are remeasured at each quarter-end resulting in gains and losses which are reflected in net income. A hypothetical 10% appreciation or depreciation in the U.S. dollar relative to the reporting currencies of our foreign subsidiaries at September 30, 2010 would have affected the foreign-currency-denominated non-operating expenses of our foreign subsidiaries by approximately \$2.8 million. We cannot accurately predict future exchange rates or the overall impact of future exchange rate fluctuations on our business, results of operations and financial condition.

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 Condensed Consolidated Statements of Operations each reporting period. As of September 30, 2010, we had seven forward contracts outstanding with a total notional contract value of \$1.3 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 September 30, 2010, 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

The Company announced on July 29, 2010 that the United States District Court in Minneapolis confirmed a jury verdict originally issued on March 5, 2009 which held that Camtek, Ltd infringed Rudolph's US Patent concerning Rudolph's proprietary continuous scan wafer inspection technology. The Judge's ruling stated that Rudolph's patent is valid and that the jury's finding of infringement and its award to Rudolph of lost profits plus interest (approximately \$8.0 million) were supported by the evidence introduced at trial. The Court also confirmed the particulars of a permanent injunction entered against Camtek on August 28, 2009.

Further discussion regarding the Company's pending legal proceedings is included in Part 1, Item 3, "Legal Proceedings," included in our Annual Reports on Form 10-K for the year ended December 31, 2009.

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, 2009.

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 6. Exhibits

Exhibit No. Description

- 3.1 Restated Certificate of Incorporation of Registrant (incorporated by reference to Exhibit (3.1(c)) to the Registrant's Registration Statement on Form S-1, as amended (SEC File No. 333-86821 filed on October 5, 1999).
- 3.2 Amendment to Amended and Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on August 1, 2007, No. 000-27965).
- 3.3 Amendment to Amended and Restated Bylaws of Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on February 2, 2009, No. 000-27965).
 - 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: November 5, 2010

By: /s/ Paul F. McLaughlin
Paul F. McLaughlin

Chairman and Chief Executive Officer

Date: November 5, 2010

By: /s/ Steven R. Roth
Steven R. Roth

Senior Vice President, Chief Financial Officer
and Principal Accounting Officer

EXHIBIT INDEX

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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 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: November 5, 2010

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**

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I, Steven R. Roth, 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 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: November 5, 2010

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 September 30, 2010 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: November 5, 2010

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 September 30, 2010 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

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respects the financial condition and results of operations of Rudolph Technologies, Inc.

Date: November 5, 2010

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.