

AXCELIS TECHNOLOGIES INC  
Form 10-K/A  
June 28, 2002

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

**FORM 10-K/A**

**AMENDMENT NO. 1**

**TO**

**FORM 10-K**

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*(Mark one)*

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

**For the fiscal year ended December 31, 2001**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 000-30941**

**AXCELIS TECHNOLOGIES, INC.** *(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of incorporation or organization)*

**34-1818596**

*(IRS Employer Identification No.)*

**55 Cherry Hill Drive  
Beverly, Massachusetts 01915**

*(Address of principal executive offices, including zip code)*

**(978) 787-4000**

*(Registrant's telephone number, including area code)*

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

| <u>Title of class</u> | <u>Name of each exchange on which registered</u> |
|-----------------------|--|
| None                  | None   |

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

**Common Stock, \$0.001 par value  
Preferred Share Purchase Rights**

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 [X] No [ ].

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 26, 2002:  
**\$1,150,729,596**

Number of shares outstanding of the registrant's Common Stock, \$0.001 par value, as of February 26, 2002:  
**97,987,921**

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the definitive Proxy Statement for Axcelis Technologies, Inc.'s Annual Meeting of Stockholders to be held on May 1, 2002 are incorporated by reference into Part III of this Form 10-K.

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**AMENDMENT NO. 1**

**EXPLANTORY NOTE**

We are filing this amendment to our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, originally filed with the Securities and Exchange Commission on March 12, 2002, solely for the purpose of complying with Regulation S-X, Rule 3-09. Rule 3-09 requires that Form 10-K, but not the annual shareholders' report, contain separate financial statements for unconsolidated subsidiaries and investees accounted for by the equity method when such entities are individually significant.

We have determined that our 50% owned joint venture with Sumitomo Heavy Industries, Ltd., known as Sumitomo Eaton Nova Corporation ("SEN"), which is not consolidated in the Axcelis Technologies, Inc. financial statements (and is accounted for under the equity method) was significant under Rule 3-09 in relationship to the Axcelis Technologies, Inc. financial results for the year ended December 31, 2001. Since SEN's fiscal year ended after the date of the filing of our Form 10-K, Rule 3-09 provides that the SEN financial statements may be filed as an amendment to our Form 10-K within 90 days after the end of SEN's fiscal year ended March 31, 2002.

Therefore, this Form 10-K/A amends the following portions of the Axcelis Technologies Form 10-K filed on March 12, 2002:

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- Item 8 is being amended by submitting the financial statements of SEN for the fiscal years ended March 31, 2002, 2001 and 2000 (the "SEN Financial Statements") as a separate section of this report immediately following Item 14;

- Item 14 is being amended to:

- include the list of the SEN Financial statements being filed herewith as required by Item 14(a); and

- add to the list of exhibits and exhibits filed in accordance with Item 601 of Regulation S-K an Exhibit 23.2, Consent of Ernst & Young LLP - Independent Auditors relating to the SEN Financial Statements, as required by Item 14(c).

As required by Rule 3-09, we will determine with respect to each future fiscal year, whether SEN has been significant with respect to Axcelis' financial results for such year, and file SEN financial statements as necessary to comply with Rule 3-09.

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Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following documents are filed as part of the Company's Form 10-K, as originally filed on March 12, 2002, and as amended by this form 10-K/A:

(1)(A) Financial Statements of Axcelis Technologies, Inc.:

Report of Ernst & Young LLP - Independent Auditors

Consolidated Statements of Operations-For the fiscal years ended December 31, 2001, 2000 and 1999

Consolidated Balance Sheets-December 31, 2001 and 2000

Consolidated Statements of Stockholders' Equity-For the fiscal years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows-For the fiscal years ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

(1)(B) Financial Statements of Sumitomo Eaton Nova Corporation:

Report of Ernst & Young LLP - Independent Auditors

Consolidated Statements of Operations-For the fiscal years ended March 31, 2002, 2001 and 2000

Consolidated Balance Sheets-March 31, 2002 and 2001

Consolidated Statements of Stockholders' Equity-For the fiscal years ended March 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows-For the fiscal years ended March 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules: &nbsp;

Schedule II - Valuation and Qualifying Accounts for the fiscal years ended December 31, 2001, 2000 and 1999  
&nbsp;

All other schedules for which provision is made in the applicable regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended December 31, 2001.

(c) Exhibits

The exhibits filed as part of this Form 10-K are listed on the Exhibit Index immediately preceding such Exhibits, which Exhibit Index is incorporated herein by reference.

(d) Financial Statement Schedules

The response to this portion of Item 14 is submitted as a separate section of this report.

Report of Ernst & Young LLP, Independent Auditors

The Board of Directors

Sumitomo Eaton Nova Corporation

We have audited the accompanying consolidated balance sheets of Sumitomo Eaton Nova Corporation (the "Company") as of March 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2002. Our audits also included the translation of these statements as of and for the year ended March 31, 2002 into U.S. dollars on the basis described in Note 1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above expressed in Japanese yen present fairly, in all material respects, the consolidated financial position of Sumitomo Eaton Nova Corporation at March 31, 2002 and 2001, and

the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statements expressed in U.S. dollars as of and for the year ended March 31, 2002, when considered in relation to the basic financial statements taken as a whole, have been properly translated on the basis described in Note 1.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for its pension benefits, and the disclosures thereof, to comply with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," as amended by Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits," and accordingly, has restated the consolidated financial statements for the years ended March 31, 2001 and 2000.

/s/ ERNST & YOUNG LLP

Tokyo, Japan  
April 26, 2002

**Sumitomo Eaton Nova Corporation.  
Consolidated Statements of Income**

|  | 2000<br>(Restated -<br>see Note 5) | Years Ended March 31,<br>2001<br>(Restated -<br>see Note 5) | 2002        | Year ended<br>March 31,<br>2002        |
|--|------------------------------------|---|-------------|--|
|  | <i>(Thousands of yen)</i>          |   |             | <i>(U.S. dollars<br/>in thousands)</i> |
| Net sales (Note 6)                                       | ¥18,224,797                        | ¥31,085,155   | ¥18,047,259 | \$145,531                              |
| Cost of products sold (Note 6)                           | 11,401,469                         | 16,271,032  | 10,832,128  | 87,349                                 |
| Gross profit   | 6,823,328                          | 14,814,123  | 7,215,131   | 58,182                                 |
| Selling, general and administrative expenses<br>(Note 6) | 4,532,520                          | 5,138,400   | 4,793,246   | 38,652                                 |

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|                                  |             |             |             |           |
|----------------------------------|-------------|-------------|-------------|-----------|
| Income from operations           | 2,290,808   | 9,675,723   | 2,421,885   | 19,530    |
| Other income (expense):          |             |             |             |           |
| Interest expense                 | (66,699)    | (41,311)    | (23,771)    | (192)     |
| Other income (expense), net      | (55,399)    | (143,214)   | 118,945     | 959       |
| Income before income taxes       | 2,168,710   | 9,491,198   | 2,517,059   | 20,297    |
| Income taxes (benefit) (Note 8): |             |             |             |           |
| Current                          | 508,429     | 4,239,293   | 666,674     | 5,376     |
| Deferred                         | 454,109     | (301,698)   | 367,311     | 2,962     |
|                                  | 962,538     | 3,937,595   | 1,033,985   | 8,338     |
| Net income                       | ¥ 1,206,172 | ¥ 5,553,603 | ¥ 1,483,074 | \$ 11,959 |

See accompanying Notes to Consolidated Financial Statements

**Sumitomo Eaton Nova Corporation**  
**Consolidated Balance Sheets**

|  | 2001<br>(Restated -<br>see Note 5) | March 31,<br>2002 | March 31,<br>2002              |
|--|------------------------------------|-------------------|--------------------------------|
|  | (Thousands of yen)                 |                   | (U.S. dollars<br>in thousands) |

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Assets

Current assets:

|  |            |           |          |
|--|------------|-----------|----------|
| Cash and cash equivalents                              | ¥ 982,896  | ¥ 489,483 | \$ 3,730 |
| Trade receivables, net (Note 2)                        | 15,780,484 | 8,911,312 | 67,901   |
| Due from affiliates - current (Note 6)                 | 405,363    | 65,115    | 496      |
| Inventories (Note 3)                                   | 6,819,225  | 3,555,001 | 27,088   |
| Deferred income taxes and other current assets(Note 8) | 512,699    | 196,401   | 1,497    |

|                      |            |            |         |
|----------------------|------------|------------|---------|
| Total current assets | 24,500,667 | 13,217,312 | 100,712 |
|----------------------|------------|------------|---------|

|   |           |           |        |
|---|-----------|-----------|--------|
| Property, plant and equipment, net Note 4 | 4,580,631 | 4,528,828 | 34,508 |
|---|-----------|-----------|--------|

|   |         |         |       |
|---|---------|---------|-------|
| Deferred income taxes and other assets>Note 4 | 299,389 | 300,038 | 2,285 |
|---|---------|---------|-------|

|  |             |             |            |
|--|-------------|-------------|------------|
|  | ¥29,380,687 | ¥18,046,178 | \$ 137,505 |
|--|-------------|-------------|------------|

Liabilities and shareholders' equity

Current liabilities:

|                          |             |           |          |
|--------------------------|-------------|-----------|----------|
| Short-term debt (Note 7) | ¥ 4,200,000 | ¥ 800,000 | \$ 6,096 |
|--------------------------|-------------|-----------|----------|

Trade payables:

|       |           |         |       |
|-------|-----------|---------|-------|
| Notes | 3,456,551 | 766,468 | 5,840 |
|-------|-----------|---------|-------|

|          |           |         |       |
|----------|-----------|---------|-------|
| Accounts | 2,617,885 | 895,605 | 6,824 |
|----------|-----------|---------|-------|

|  |           |           |        |
|--|-----------|-----------|--------|
|  | 6,074,436 | 1,662,073 | 12,664 |
|--|-----------|-----------|--------|

|                            |           |           |        |
|----------------------------|-----------|-----------|--------|
| Due to affiliates (Note 6) | 2,396,855 | 1,779,793 | 13,561 |
|----------------------------|-----------|-----------|--------|

|  |           |         |       |
|--|-----------|---------|-------|
| Income taxes payable and other current liabilities | 4,879,442 | 595,440 | 4,537 |
|--|-----------|---------|-------|

|                           |            |           |        |
|---------------------------|------------|-----------|--------|
| Total current liabilities | 17,550,733 | 4,837,306 | 36,858 |
|---------------------------|------------|-----------|--------|

|  |        |        |     |
|--|--------|--------|-----|
| Accrued retirement benefits for employees and directors (Note 9) | 79,916 | 95,760 | 730 |
|--|--------|--------|-----|

Shareholders' equity(Note 10):

Capital stock:

|                            |  |  |  |
|----------------------------|--|--|--|
| Authorized - 20,000 shares |  |  |  |
|----------------------------|--|--|--|

|  |         |         |       |
|--|---------|---------|-------|
| Issued and outstanding - 12,000 shares | 600,000 | 600,000 | 2,511 |
|--|---------|---------|-------|

|                   |            |            |         |
|-------------------|------------|------------|---------|
| Retained earnings | 11,150,038 | 12,513,112 | 111,719 |
|-------------------|------------|------------|---------|

|                                      |  |  |          |
|--------------------------------------|--|--|----------|
| Accumulated other comprehensive loss |  |  | (14,313) |
|--------------------------------------|--|--|----------|

|                            |            |            |        |
|----------------------------|------------|------------|--------|
| Total shareholders' equity | 11,750,038 | 13,113,112 | 99,917 |
|----------------------------|------------|------------|--------|

|  |             |             |            |
|--|-------------|-------------|------------|
|  | ¥29,380,687 | ¥18,046,178 | \$ 137,505 |
|--|-------------|-------------|------------|

See accompanying Notes to Consolidated Financial Statements.

**Sumitomo Eaton Nova Corporation**  
**Consolidated Statements of Shareholders' Equity**

|  |                 |                              |
|--|-----------------|------------------------------|
|  | <b>Retained</b> | <b>Accumulated<br/>other</b> |
|--|-----------------|------------------------------|

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|  | Capital<br>stock | <i>earnings</i><br>( <i>Note 10</i> ) | comprehensive<br>loss | Total       |
|--|------------------|---------------------------------------|-----------------------|-------------|
| <i>(Thousands of yen)</i>                                    |                  |                                       |                       |             |
| Balance at March 31, 1999 (Restated - see ( <i>Note 2</i> )) | ¥600,000         | ¥ 4,450,263                           |                       | ¥ 5,050,263 |
| Net income (Restated - see ( <i>Note 5</i> ))                |                  | 1,206,172                             |                       | 1,206,172   |
| Balance at March 31, 2000 (Restated - see ( <i>Note 2</i> )) | 600,000          | 5,656,435                             |                       | 6,256,435   |
| Net income (Restated - see ( <i>Note 5</i> ))                |                  | 5,553,603                             |                       | 5,553,603   |
| Cash dividends   |                  | (60,000)                              |                       | (60,000)    |
| Balance at March 31, 2001 (Restated - see ( <i>Note 2</i> )) | 600,000          | 11,150,038                            |                       | 11,750,038  |
| Net income   |                  | 1,483,074                             |                       | 1,483,074   |
| Cash dividends   |                  | (120,000)                             |                       | (120,000)   |
| Balance at March 31, 2002                                    | ¥600,000         | ¥12,513,112                           |                       | ¥13,113,112 |

|  | Capital<br>stock | Retained<br><i>earnings</i><br>( <i>Note 10</i> ) | Accumulated<br>other<br>comprehensive<br>loss | Total     |
|--|------------------|---|---|-----------|
| <i>(U.S. dollars in thousands)</i>                           |                  |   |   |           |
| Balance at March 31, 2001 (Restated - see ( <i>Note 5</i> )) | \$2,511          | \$ 100,723  | \$ (8,445)                                    | \$ 94,789 |
| Net income   |                  | 11,959  |   | 11,959    |
| Foreign currency translation adjustment                      |                  |   | (5,868)                                       | (5,868)   |
| Total comprehensive loss                                     |                  |   |   | 6,091     |
| Cash dividends   |                  | (963)   |   | (963)     |
| Balance at March 31, 2002                                    | \$2,511          | \$ 111,719  | \$(14,313)                                    | \$ 99,917 |

See accompanying Notes to Consolidated Financial Statements.



**Sumitomo Eaton Nova Corporation**  
**Consolidated Statements of Cash Flows**

|   | 2000<br>(Restated -<br>see Note 5) | Years Ended March 31,<br>2001<br>(Restated -<br>see Note 5) | 2002        | Year ended<br>March 31,<br>2002        |
|---|------------------------------------|---|-------------|--|
|   | <i>(Thousands of yen)</i>          |   |             | <i>(U.S. dollars<br/>in thousands)</i> |
| Operating activities:   |                                    |   |             |  |
| Net income  | ¥ 1,206,172                        | ¥ 5,553,603   | ¥ 1,483,074 | \$ 11,959                              |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                    |   |             |  |
| Depreciation  | 1,299,213                          | 970,662   | 999,174     | 8,057                                  |
| Deferred income taxes (benefit) provision   | 454,109                            | (301,698)   | 367,311     | 2,962                                  |
| Changes in operating assets and liabilities:                                      |                                    |   |             |  |
| Trade receivables   | (5,227,337)                        | (7,072,234)   | 6,869,172   | 55,392                                 |
| Due from affiliates   | 192,473                            | (246,223)   | 340,248     | 2,744                                  |
| Inventories   | (137,889)                          | (1,696,284)   | 3,264,224   | 26,322                                 |
| Trade payables  | 2,683,464                          | 2,166,798   | (4,412,363) | (35,581)                               |
| Due to affiliates   | 1,294,439                          | 727,031   | (617,062)   | (4,976)                                |
| Income taxes payable  | 472,934                            | 3,532,557   | (3,924,864) | (31,650)                               |
| Other, net  | 201,369                            | 421,587   | (361,788)   | (2,917)                                |
| Net cash provided by operating activities   | 2,438,947                          | 4,055,799   | 4,007,126   | 32,312                                 |
| Investing activities:   |                                    |   |             |  |
| Purchases of property, plant and equipment, net                                   | (679,445)                          | (1,193,906)   | (979,922)   | (7,902)                                |
| Other, net  | 374,860                            | (19,115)  | 4,741       | 38                                     |
| Net cash used by investing activities   | (304,585)                          | (1,213,021)   | (975,181)   | (7,864)                                |
| Financing activities:   |                                    |   |             |  |
| Decrease in short-term borrowings, net  | (1,638,000)                        | (2,656,000)   | (3,400,000) | (27,417)                               |
| Other, net  |                                    | (60,000)  | (120,000)   | (970)                                  |
| Other   | (8,230)                            | (8,750)   | (5,358)     | (43)                                   |
| Net cash used in financing activities   | (1,646,230)                        | (2,724,750)   | (3,525,358) | (28,430)                               |
| Effect of exchange rate changes on cash and cash equivalents                      |                                    |   |             | (221)                                  |
| Net increase (decrease) in cash and cash equivalents                              | 488,132                            | 118,028   | (493,413)   | (4,203)                                |
| Cash and cash equivalents at beginning of the year                                | 376,736                            | 864,868   | 982,896     | 7,933                                  |
| Cash and cash equivalents at end of the year                                      | ¥ 864,868                          | ¥ 982,896   | ¥ 489,483   | \$ 3,730                               |
| Supplementary information   |                                    |   |             |  |
| Interest paid during the year   | ¥ 58,966                           | ¥ 40,754  | ¥ 23,660    | \$ 191                                 |
| Income taxes paid during the year   | ¥ 35,495                           | ¥ 639,785   | ¥ 4,585,607 | \$ 36,978                              |

See accompanying Notes to Consolidated Financial Statements

Sumitomo Eaton Nova Corporation  
Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

General

Sumitomo Eaton Nova Corporation (the "Company") was established on April 1, 1983 under the Commercial Code of Japan. Until April 24, 2000, the Company was owned equally by Sumitomo Heavy Industries, Ltd. ("SHI"), a Japanese corporation, and Eaton Corporation ("Eaton"), a U.S. corporation. On April 25, 2000, Eaton transferred its entire interests in the Company to Eaton Semiconductor Equipment Inc., a wholly-owned subsidiary of Eaton. On April 26, 2000 Eaton Semiconductor Equipment Inc. changed its name to Axcelis Technologies, Inc. ("Axcelis"), and obtained a listing on the NASDAQ on July 10, 2000. The Company designs, manufactures, sells and repairs ion implantation equipment and semiconductor equipment primarily for Japanese semiconductor manufacturing customers under a license agreement with Axcelis.

The Company established Sense K.K. ("Sense"), a wholly-owned subsidiary on April 1, 1999 under the Commercial Code of Japan. Sense sells used ion implantation and semiconductor equipment, primarily for Japanese semiconductor manufacturing customers, delivers and installs that equipment and provides product support.

The Company and its subsidiary maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform with accounting principles generally accepted in the United States of America. These adjustments were not recorded in the statutory books of account.

Basis of Financial Statements

The consolidated financial statements include the accounts of the Company and Sense. All significant intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The actual results could differ from those estimates.

Foreign Currency

The Company's functional currency is the Japanese yen. Transaction gains and losses, which arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, are included in the results of operations as incurred. Transaction gains and losses in each of the years in the three year period ended March 31, 2002 were not material.

The accompanying consolidated financial statements expressed in U.S. dollars have been prepared for use in conjunction with the preparation of the consolidated financial statements of Axcelis and have been translated into U.S.

dollars in accordance with Statement of Financial Accounting Standards No. 52, *Foreign Currency Translation*. Assets and liabilities are translated using the exchange rate in effect at year-end. Statement of income items are translated using the average rates for the year. The effects of these translation adjustments are accumulated and included in accumulated other comprehensive loss, a separate component of shareholders' equity. The accumulated other comprehensive loss is comprised entirely of the foreign currency translation adjustment.

#### Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

#### Inventories

Inventories are stated at lower of cost, cost being determined by the average method.

#### Long-Lived Assets

Property, plant and equipment is stated on the basis of cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the respective assets (ranging from 2 to 40 years) except for buildings purchased after April 1, 1998, which are depreciated on the straight-line basis over 31 years.

Long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate the carrying amount may not be recoverable. The asset would be considered impaired when the future net undiscounted cash flows generated by the asset are less than its carrying value. An impairment loss would be recognized based on the amount by which the carrying value of the asset exceeds its fair value.

#### Concentration of Credit Risk

Financial instruments, which potentially expose the Company to concentrations of credit risk, consist primarily of trade notes and accounts receivable. These financial instruments are carried at cost less an allowance for doubtful accounts, which approximates fair value. Substantially all of the Company's notes and accounts receivable are due from companies in the semiconductor industry located in Japan. The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral to secure notes and accounts receivable.

For the years ended March 31, 2000, 2001 and 2002, sales to two customers were approximately 19% and 16%, sales to three customers were approximately 31%, 19% and 18%, and sales to one customer was 22% of consolidated net sales, respectively.

At March 31, 2001 and 2002, accounts receivable from one customer approximated 26% and 20% of consolidated trade receivable, respectively.

#### Revenue Recognition

The Company recognizes sales at the later of the time of shipment to the customer or the transfer of risk of ownership (which is generally upon customer inspection for machinery sales to domestic customers). Management believes the customer's post delivery acceptance provisions and the installation process have been established to be routine, commercially inconsequential and perfunctory because the process is a replication of the pre-shipment procedures. The majority of the Company's systems are designed and tailored to meet the customer's specifications as outlined in the contract between the customer and the Company. To ensure that the customer's specifications are satisfied, per contract terms, the systems are tested at the Company's facilities prior to shipment, normally with the customer present, under conditions that substantially replicate the customer's production environment and the customer's criteria

are confirmed to have been met. The Company has never failed to successfully complete a system installation. Should an installation not be successfully completed, the contractual provisions do not provide for forfeiture, refund or other purchase price concession beyond those prescribed by Japanese Law applicable generally to such transactions. The Company has a demonstrated history of customer acceptance subsequent to shipment and installation of these systems.

### Shipping and Handling Costs

Shipping and handling costs are included in cost of products sold.

### Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred, except for costs relating to equipment that is acquired or constructed for research and development activities and have alternative future uses. At March 31, 2001 and 2002, net amounts capitalized relating to equipment that is used in research and development activities and has alternative future uses amounted to ¥73,758 and ¥114,538 (U.S.\$872,737), respectively, and is included in other long-term assets on the consolidated balance sheets. Research and development expense for the years ended March 31, 2000, 2001 and 2002 was ¥1,931,033, ¥2,088,263 and ¥2,047,594 (U.S. \$16,511,523), respectively.

### Retirement Benefits

The cost of retirement benefits for seconded employees is incurred by and reimbursed to SHI. The provision for accrued employees' retirement benefits represents the cost for employees who have been employed directly by the Company (see Note 9).

### Reclassifications

Certain amounts in the 2001 and 2000 financial statements have been reclassified to conform to the 2002 financial statement presentation.

### Recent Accounting Pronouncements

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which addresses the accounting and financial reporting for the impairment of long-lived assets as well as the disposal of such assets. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company does not expect the adoption of SFAS No. 144 to have a material effect on its financial condition or results of operations.

### Note 2. Trade Receivable

The components of trade receivable follow:

|          | 2001                      | 2002      | 2002                                   |
|----------|---------------------------|-----------|--|
|          | <i>(Thousands of yen)</i> |           | <i>(U.S. dollars<br/>in thousands)</i> |
| Notes    | ¥ 521,377                 | ¥ 73,914  | \$ 563                                 |
| Accounts | 15,323,809                | 8,861,356 | 67,520                                 |

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|                                 |                        |                       |                 |
|---------------------------------|------------------------|-----------------------|-----------------|
| Allowance for doubtful accounts | 15,845,186<br>(64,702) | 8,935,270<br>(23,958) | 68,083<br>(182) |
|                                 | <u>¥15,780,484</u>     | <u>¥8,911,312</u>     | <u>\$67,901</u> |

Note 3. Inventories

The components of inventories follow:

|                         | 2001                      | 2002              | 2002                               |
|-------------------------|---------------------------|-------------------|------------------------------------|
|                         | <i>(Thousands of yen)</i> |                   | <i>(U.S. dollars in thousands)</i> |
| Work in process         | ¥4,955,658                | ¥1,987,220        | \$15,142                           |
| Raw materials and parts | 1,863,567                 | 1,567,781         | 11,946                             |
|                         | <u>¥6,819,225</u>         | <u>¥3,555,001</u> | <u>\$27,088</u>                    |

Note 4. Property, Plant & Equipment, Net

The components of property, plant and equipment, net follow:

|                                     | 2001                      | 2002               | 2002                               |
|-------------------------------------|---------------------------|--------------------|------------------------------------|
|                                     | <i>(Thousands of yen)</i> |                    | <i>(U.S. dollars in thousands)</i> |
| Land                                | ¥ 299,485                 | ¥ 299,485          | \$ 2,282                           |
| Building and land improvements      | 4,235,433                 | 4,238,033          | 32,292                             |
| Machinery                           | 4,277,177                 | 4,600,736          | 35,056                             |
| Furniture, fixtures and automobiles | 1,996,172                 | 2,059,746          | 15,694                             |
| Construction in process             | 121,693                   | 89,448             | 682                                |
|                                     | <u>10,929,960</u>         | <u>11,287,448</u>  | <u>86,006</u>                      |
| Accumulated depreciation            | <u>(6,349,329)</u>        | <u>(6,758,620)</u> | <u>(51,498)</u>                    |
|                                     | <u>¥ 4,580,631</u>        | <u>¥ 4,528,828</u> | <u>\$ 34,508</u>                   |

Note 5. Restatement

During the fiscal year ended March 31, 2002, the Company changed its method of accounting for its pension benefits, and the disclosures thereof, to comply with Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" as amended by Statement of Financial Accounting Standard No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." Accordingly, the 2000 and 2001 consolidated financial statements have been restated. See Note 9 for the disclosures relating to the Company's retirement plans. The restatement had the following impact on amounts presented in these financial statements (in thousands of yen):

|            |             |
|------------|-------------|
| Previously | Restatement |
|------------|-------------|

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| For the year ended March 31, 2000   | reported   | adjustment | As restated |
|-------------------------------------|------------|------------|-------------|
| Retained earnings at March 31, 1999 | ¥4,467,137 | ¥(16,874)  | ¥4,450,263  |
| Net income                          | 1,235,384  | (29,212)   | 1,206,172   |
| Retained earnings at March 31, 2000 | ¥5,702,521 | ¥(46,086)  | ¥5,656,435  |

| For the year ended March 31, 2001   | Previously reported | Restatement adjustment | As restated |
|-------------------------------------|---------------------|------------------------|-------------|
| Retained earnings at March 31, 2000 | ¥ 5,702,521         | ¥(46,086)              | ¥ 5,656,435 |
| Net income                          | 5,525,797           | 27,806                 | 5,553,603   |
| Cash dividend                       | (60,000)            |                        | (60,000)    |
| Retained earnings at March 31, 2001 | ¥11,168,318         | ¥(18,280)              | ¥11,150,038 |

| As of March 31, 2001                                    | Previously reported | Restatement adjustment | As restated |
|---|---------------------|------------------------|-------------|
| Accrued retirement benefits for employees and directors | ¥ 48,541            | ¥31,375                | ¥ 79,916    |
| Deferred income taxes (asset)                           | ¥518,497            | ¥13,095                | ¥531,592    |

Note 6. Transactions with Affiliates

Transactions with affiliates for the years ended March 31, 2000, 2001 and 2002 were as follows (transactions with Axcelis denote transactions with Axcelis or, prior to its formation, Eaton):

|   | 2000                      | 2001      | 2002      | 2002                               |
|---|---------------------------|-----------|-----------|------------------------------------|
|   | <i>(Thousands of yen)</i> |           |           | <i>(U.S. dollars in thousands)</i> |
| Revenues:   |                           |           |           |                                    |
| Sales:  |                           |           |           |                                    |
| Axcelis and affiliates                                      | ¥ 262,685                 | ¥ 588,501 | ¥ 619,002 | \$ 4,992                           |
| SHI affiliates  |                           | 4,821     | 5,765     | 46                                 |
| Territory commission and sales assistance fees from Axcelis |                           | 52,451    |           |                                    |
|   | ¥ 262,685                 | ¥ 645,773 | ¥ 624,767 | \$ 5,038                           |

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|                                       |            |            |            |          |
|---------------------------------------|------------|------------|------------|----------|
| Inventories purchased:                |            |            |            |          |
| SHI                                   | ¥1,079,759 | ¥1,748,084 | ¥1,375,433 | \$11,091 |
| Axcelis                               | 1,193,118  | 1,848,660  | 344,347    | 2,777    |
|                                       | ¥2,272,877 | ¥3,596,744 | ¥1,719,780 | \$13,868 |
| Other expenses to affiliates:         |            |            |            |          |
| Royalties to Axcelis                  | ¥ 547,267  | ¥1,038,955 | ¥ 493,961  | \$ 3,983 |
| Management fees and royalties to SHI  | 123,173    | 229,239    | 111,223    | 897      |
| Subcontract charges to SHI affiliates | 185,193    | 360,066    | 445,921    | 3,596    |
| Commissions to Axcelis affiliates     | 295,811    | 335,288    | 287,162    | 2,316    |
| Other expenses to SHI and affiliates  | 285,461    | 329,445    | 345,720    | 2,787    |
|                                       | ¥1,436,905 | ¥2,292,993 | ¥1,683,987 | \$13,579 |

Balances due from and to affiliates at March 31, 2001 and 2002 were as follows:

|                        | 2001                      | 2002       | 2002                               |
|------------------------|---------------------------|------------|------------------------------------|
|                        | <i>(Thousands of yen)</i> |            | <i>(U.S. dollars in thousands)</i> |
| Due from affiliates:   |                           |            |                                    |
| SHI and affiliates     | ¥ 1,492                   | ¥ 1,965    | \$ 15                              |
| Axcelis and affiliates | 403,871                   | 63,150     | 481                                |
|                        | ¥ 405,363                 | ¥ 65,115   | \$ 496                             |
| Due to:                |                           |            |                                    |
| SHI                    | ¥1,365,845                | ¥1,166,784 | \$ 8,890                           |
| Axcelis                | 977,513                   | 515,948    | 3,931                              |
| SHI affiliates         | 62,497                    | 97,061     | 740                                |
|                        | ¥2,396,855                | ¥1,779,793 | \$13,561                           |

Pension funding for the seconded employees (employees on temporary assignment) is provided through a plan administered by SHI. Under this arrangement, the Company is billed monthly for the pension costs attributable to those individuals. Under the terms of the pension agreement with SHI, no additional costs related to earned benefits are to be borne by the Company. Pension contributions paid to SHI for the years ended March 31, 2000, 2001 and 2002 were ¥129,618 ¥127,171 and ¥153,469 (U.S.\$1,237,553), respectively.

## Note 7. Financing Arrangements

*Short-Term Debt*

Short-term debt consisted of bank overdrafts.

Bank overdrafts amounted to ¥4,200,000 and ¥800,000 (U.S.\$6,095,703) at March 31, 2001 and 2002 at interest rates ranging from 0.435% to 1.825% and 0.4270% to 0.5650%, respectively.

*Leases*

Rental expenses for equipment, land and office space for the years ended March 31, 2000, 2001 and 2002 amounted to ¥313,823, ¥315,936 and ¥300,612, (U.S.\$2,424,095), respectively. The Company does not have any significant minimum noncancelable rental commitments.

**Note 8. Income taxes**

Income taxes include corporation, enterprise, and inhabitants' taxes which, in the aggregate, resulted in statutory tax rates of approximately 41.74% in 2000, 2001 and 2002, respectively. The difference between income tax expense and the amount computed by applying the statutory income tax rates to income before income taxes is summarized as follows:

|                               | 2000                      | 2001       | 2002       | 2002                                       |
|-------------------------------|---------------------------|------------|------------|--|
|                               | <i>(Thousands of yen)</i> |            |            | <i>(U.S. dollars<br/>in<br/>thousands)</i> |
| Tax at statutory rate         | ¥905,220                  | ¥3,961,626 | ¥1,050,620 | \$ 8,472                                   |
| Tax effect of:                |                           |            |            |  |
| Non-deductible expenses       | 23,512                    | 18,201     | 6,088      | 49   |
| Changes in statutory tax rate | 90,475                    |            |            |  |
| Other items, net              | (56,669)                  | (42,232)   | (22,723)   | (183)                                      |
| Income tax expense            | ¥692,538                  | ¥3,937,595 | ¥1,033,985 | \$ 8,338                                   |

Deferred income taxes reflect the net tax effect of the temporary differences between the amounts of the assets and liabilities recorded for financial and income tax purposes. Significant components of the Company's deferred tax assets as of March 31, 2001 and 2002 were as follows:

|                               | 2001                      | 2002     | 2002                                   |
|-------------------------------|---------------------------|----------|--|
|                               | <i>(Thousands of yen)</i> |          | <i>(U.S. dollars<br/>in thousands)</i> |
| Deferred tax assets:          |                           |          |  |
| Accrued enterprise tax        | ¥372,111                  | ¥ 12,453 | \$ 95                                  |
| Loss on disposal of inventory | 21,108                    | 13,539   | 103                                    |
| Warranty reserve              | 23,374                    | 8,849    | 67                                     |
| Bonus payment reserve         | 53,435                    | 36,485   | 278                                    |



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|                           |          |          |          |
|---------------------------|----------|----------|----------|
| Accrued severance benefit | 20,261   | 19,691   | 150      |
| Other                     | 41,303   | 73,264   | 558      |
|                           |          |          |          |
| Total deferred tax assets | ¥531,592 | ¥164,281 | \$ 1,251 |

Note 9. Employees' and Directors' Retirement Benefits

The Company has a defined benefit pension plan that covers substantially all employees. Benefits under the plan are based on the employees' compensation as of the date of retirement and years of service. The Company's policy is to fund amounts which are actuarially determined to provide the plans with sufficient assets to meet future benefit payment requirements. Assets of the plan are invested in equity securities, debt securities, money market instruments, and insured products.

The Company also provides certain defined benefits to its statutory auditors and directors who are not statutory auditors, directors or employees of SHI, Axcelis or one of their affiliates. Their benefits are based on years of service, compensation at retirement and position. This plan is unfunded.

The reconciliation of beginning and ending balances of the projected benefit obligation and plan assets, and the funded status of the Company's plans are as follows:

|   | 2001                      | 2002       | 2002                                   |
|---|---------------------------|------------|--|
|   | <i>(Thousands of yen)</i> |            | <i>(U.S. dollars<br/>in thousands)</i> |
| <b>Change in projected benefit obligation</b>     |                           |            |  |
| Projected benefit obligation at beginning of year | ¥ 357,750                 | ¥ 447,041  | \$ 3,608                               |
| Service cost                                      | 46,112                    | 52,178     | 421                                    |
| Interest cost                                     | 12,688                    | 12,688     | 102                                    |
| Actuarial gains and losses                        | 40,481                    | 64,445     | 520                                    |
| Foreign currency exchange rate changes            |                           |            | (254)                                  |
| Benefits paid                                     | (9,990)                   | (7,832)    | (63)                                   |
| Projected obligation at end of year               | 447,041                   | 568,520    | 4,334                                  |
| <b>Change in plan assets</b>                      |                           |            |  |
| Fair value of plan assets at beginning of year    | 200,164                   | 273,841    | 2,210                                  |
| Actual return on plan assets                      | (2,236)                   | (14,570)   | (117)                                  |
| Foreign currency exchange rate changes            |                           |            | (148)                                  |
| Contributions                                     | 85,904                    | 77,839     | 628                                    |
| Benefits paid                                     | (9,991)                   | (7,832)    | (63)                                   |
| Fair value of plan assets at end of year          | 273,841                   | 329,278    | 2,510                                  |
| Funded status                                     | (173,200)                 | (239,242)  | (1,824)                                |
| Unrecognized transition obligation                | 96,935                    | 86,164     | 657                                    |
| Unrecognized net (gain) loss                      | (3,651)                   | 57,318     | 437                                    |
| Accrued pension cost                              | ¥ (79,916)                | ¥ (95,760) | \$ (730)                               |

The components of net pension expense of the Company's plans for the years ended March 31, 2002, 2001 and 2000 were as follows:

|                                | 2000                      | 2001    | 2002     | 2002                                       |
|--------------------------------|---------------------------|---------|----------|--|
|                                | <i>(Thousands of yen)</i> |         |          | <i>(U.S. dollars<br/>in<br/>thousands)</i> |
| Service cost                   | ¥49,741                   | ¥46,112 | ¥ 52,178 | \$ 421                                     |
| Interest cost                  | 11,449                    | 12,688  | 12,688   | 102  |
| Expected return on plan assets | 2,279                     | (8,007) | (10,954) | (88)                                       |
| Net amortization and deferrals | 10,771                    | 9,738   | 10,771   | 87   |
| Net pension expense            | ¥74,240                   | ¥60,531 | ¥ 64,683 | \$ 522                                     |

The aggregate accumulated benefit obligation of this plan was as follows:

|  | 2001                      | 2002     | 2002                                   |
|--|---------------------------|----------|--|
|  | <i>(Thousands of yen)</i> |          | <i>(U.S. dollars<br/>in thousands)</i> |
| Aggregate accumulated benefit obligation | ¥315,830                  | ¥372,844 | \$2,841                                |

The discount rates and weighted average rates of increases in future salary levels used in determining the actuarial present value of the projected benefit obligation and the expected long-term rates of return on plan assets for the years ended March 31, 2002, 2001 and 2000 were as follows:

|   | 2000  | 2001  | 2002  |
|---|-------|-------|-------|
| Discount rate   | 3.5%  | 3.0%  | 2.5%  |
| Weighted average rates of increases in future salary levels | 2.67% | 2.67% | 2.67% |
| Expected long-term rates of return on plan assets           | 4.0%  | 4.0%  | 4.0%  |

For purposes of these financial statements, FASB No. 87, "Employees' Accounting for Pensions" was adopted effective March 31, 1999. The Company does not believe that it is feasible to apply FASB No. 87 as of the effective date specified in the pronouncement (for the year ended March 31, 1987). On March 31, 1999, the Company recorded a charge directly to equity in the amount of ¥107,706, which represents the portion of the transition obligation that would have been amortized as of that date had the pronouncement been applied effective for the year ended March 31, 1987. The remaining transition obligation at March 31, 1999 is being amortized over 21 years.

#### Note 10. Shareholders' Equity

On October 1, 2001, an amendment ("Amendment") to the Commercial Code of Japan ("Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares which results in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that share issuances after September 30, 2001 will be of shares with no par value. Before the Amendment, the Company's shares had a par value of ¥50 per share.

The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The Codes also provides to the extent that the sum of additional paid-in capital account and the legal reserve account exceed 25% of the common stock account then the amount of the excess (if any) is available for appropriations by resolution of the shareholders.



AXCELIS TECHNOLOGIES, INC.

INDEX TO EXHIBITS

to Form 10-K for the Year ended December 31, 2001.

These Exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 2.1                | Tax Sharing and Indemnification Agreement between Eaton Corporation and the Company. Incorporated by reference from Exhibit 2.5 of the Company's Registration Statement on Form S-1 (Registration No. 333-36330).   |
| 3.1                | Amended and Restated Certificate of Incorporation of the Company. Incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-1 (Registration No. 333-36330).  |
| 3.2                | Bylaws of the registrant, as amended as of January 23, 2002. Filed with original Form 10-K on March 12, 2002.   |
| 3.3                | Certificate of Designation of Series A Participating Preferred Stock, filed with the Secretary of State of Delaware on July 5, 2000. Incorporated by reference from Exhibit 3.3 of the Company's Form 10-K for the year ended December 31, 2000, filed with the Commission on March 30, 2001. |
| 4.1                | Specimen Stock Certificate. Incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-1 (Registration No. 333-36330).  |
| 4.2                | Rights Agreement between the Company and EquiServe Trust Company, N.A. Incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-1 (Registration No. 333-36330).   |
| 4.3                | Indenture between the Company and State Street Bank and Trust Company, as trustee, including the form of note, dated as of January 15, 2002. Incorporated by reference from Exhibit 4.1 to the Company's Report on Form 8-K filed with the Commission on January 15, 2002.                    |
| 4.4                |   |

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Registration Rights Agreement by and among the Company, Morgan Stanley & Co., Incorporated, Salmomon Smith Barney Inc. and SG Cowen Securities Corporation, dated as of January 15, 2002. Incorporated by reference from Exhibit 4.2 to the Company's Report on Form 8-K filed with the Commission on January 15, 2002.

4.4

Revolving Credit Agreement dated as of October 11, 2001, among the Company, ABN Amro Bank N.V. and the other lenders named therein, as amended. Pursuant to Regulation S-K, Item 601(b)(4)(iii), this exhibit has not been filed, since the total amount does not exceed 10% of the Company's total assets at this time. The Company will furnish a copy of the Credit Agreement to the Commission on request.

10.1\*

2000 Stock Plan, as amended on July 31, 2001. Incorporated by reference from Exhibit 10.1 from the Company's Report on Form 10-Q for the quarter ended June 30, 2001, filed with the Commission on August 14, 2001.

10.2\*

Employee Stock Purchase Plan. Incorporated by reference from Exhibit 10.2 from the Company's Report on Form 10-Q filed with the Commission on November 14, 2000.

10.3

Form of Indemnification Agreement entered into by the Company with each of its directors and executive officers. Incorporated by reference from Exhibit 10.2 of the Company's Registration Statement on Form S-1 (Registration No. 333-36330).

10.4\*

Form of Change in Control Agreement between the registrant and certain of its executive officers. Incorporated by reference from Exhibit 10.3 of the Company's Registration Statement on Form S-1 (Registration No. 333-36330).

10.5\*

Employment Agreement between the Company and Brian R. Bachman. Incorporated by reference from Exhibit 10.4 of the Company's Registration Statement on Form S-1 (Registration No. 333-36330).

10.6\*

Settlement Agreement and Release between the Company and Brian R. Bachman dated January 23, 2002. Filed with original Form 10-K on March 12, 2002.

10.7\*

Employment Agreement between the Company and Mary G. Puma. Incorporated by reference from Exhibit 10.5 of the Company's Registration Statement on Form S-1 (Registration No. 333-36330).

10.8\*\*

Organization Agreement dated December 3, 1982 between Eaton Corporation and Sumitomo Heavy Industries, Ltd. relating to Sumitomo Eaton Nova Corporation, as amended. Incorporated by reference from Exhibit 10.6 of the

Company's Registration Statement on Form S-1 (Registration No. 333-36330).

10.9\*\*

Master License Agreement dated January 16, 1996 between Eaton Corporation and Sumitomo Eaton Nova Corporation. Incorporated by reference from Exhibit 10.7 of the Company's Registration Statement on Form S-1 (Registration No. 333-36330).

21.1

Subsidiaries of the Company. Filed with original Form 10-K on March 12, 2002.

23.1

Consent of Ernst & Young LLP, Independent Auditors. Filed with original Form 10-K on March 12, 2002.

23.2

Consent of Ernst & Young LLP, Independent Auditors, relating to financial statements of Sumitomo Eaton Nova Corporation. Filed herewith.

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Factors affecting future operating results. Filed with original Form 10-K on March 12, 2002.

\*Indicates a management contract or compensatory plan.

\*\*Certain confidential information contained in the document has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended, or Rule 24b-2 promulgated under the Securities and Exchange Act of 1934, as amended