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**Letter of Comment No: 4380**  
**File Reference: 1102-100**

Financial Accounting Standards Board  
Director of Major Project---File Reference No. 1102-100  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Re: Proposed Statement of Financial Accounting Standards, "Share-Based Payments, an amendment to FASB Statements No. 123 and 95"

Brooks Automation, Inc. (the "Company") is a NASDAQ traded Company that supplies hardware and software products primarily to the Semiconductor industry. Our work force of approximately 2,000 employees is comprised of highly trained and technical employees as well as non-skilled labor. Over 75% of our employees are granted stock options as an incentive to promote creativity, productivity and loyalty to the Company. This is to the benefit of all of our shareholders, as it aligns the interest of the employees with those of the shareholders. Additionally, the Company has an Employee Stock Purchase Program ("ESPP") that encourages employees to set aside a portion of their salary to purchase Company stock.

The proposed amendments to FASB Statements No. 123 and 95 are counterproductive for many reasons; key ones are enumerated below:

#### Issues 1 & 2: Recognition of Compensation Expense

The current FASB rules require full pro-forma disclosure of the impact of expensing options. Brooks does not believe that the new proposed amendments would provide investors with any information that would be more informative. In addition, the notion of expensing options allows for a "double hit" to the financial statements. The cost of "in the money options" is now captured in fully diluted EPS, as those options are included in the denominator of the EPS calculation (they are treated as shares outstanding). To now expense the options and also include them in fully diluted shares outstanding results in a double hit. Additionally, as the compensation expense is valued at the date of grant, and not subsequently adjusted, many corporations will have expense in their financial statements for significantly "out of the money" options that will never be exercised. This could actually make the financial statements less meaningful.

The fall out from the proposed amendments is that the Company will be forced to significantly reduce the number of options it grants to employees. Certainly the broad based Company grants would be eliminated, due to the additional administrative burden, combined with the inaccurate financial impact that would be included in our financial statements. The top-level executives would still insist upon and be granted, a level of equity compensation. The employees who would be negatively impacted by these proposed amendments would be the general population. These are the employees who have historically benefited greatly from the options and ESPP. These are the same middle-income employees who have been able to provide college education for their children or buy a first home as a result of the additional income that stock options and ESPP have provided. These purchases in turn, fuel the economy and promote job growth. The proposed



amendments would have a wide spreading negative impact not only on the high tech industry that has historically used options as a motivational tool, but to the economy as a whole.

#### Issue 4: Fair value Measurement

There is no pricing model available to value employee stock options at grant date that will provide consistent, meaningful results to shareholders. As employee stock options are not market traded options, the application of valuation methods such as Black-Scholes or Lattice models do not produce meaningful results. Additionally, these models require a variety of key assumptions and choices within those assumptions that significantly impact the results. Therefore, there will be no uniformity to the option expense numbers that shareholders see in corporate financial statements. In addition, the complexity of the record keeping for stock options under these models (particularly the requirement that graded vesting schedules are in substance separate awards and will need to be tracked separately) will be a burden on management, who could make better use of the time managing the business and enhancing shareholder value.

#### Issue 6: Employee Stock Purchase Plans (ESPPs)

Our ESPP plan may also need to be eliminated. The use of ESPPs has been a mechanism that allows employees to enjoy the benefits of stock ownership and also a way to raise some level of capital. To require any discount greater than 5% to be treated as compensation is a disincentive to both the employee and the Company to maintain the plans.

In summary, stock options have been one of the most important contributors to the success of the semiconductor and high-tech industries because they encourage the growth of entrepreneurial and startup businesses. Our industry has benefited greatly from the use of employee stock options. In this highly technical and intensely competitive industry, employee stock options have been an essential tool for leading companies to retain the key talent they need to remain competitive and for start-up companies to attract the talent they need to compete. The proposed amendment to FASB Statement 123 will harm our industry in a number of ways. The most dynamic economies in Asia have already imitated this highly successful means to motivate and reward employees; in fact, the tax structures in some of these nations provide additional benefits above and beyond the American model.

The unique and important role that employee stock options play in innovation, employee-retention and productivity cannot be underestimated. If the FASB requires companies to expense stock options on financial statements, we believe this will result in a decrease in the number of options granted to employees. There are millions of U.S. workers who receive stock options and are motivated by them. Ample evidence exists to correlate the positive relationship between employee ownership of stock and a company's success. Owning stock options allows employees to be "owners" of the company and to benefit directly from the fruits of their labor. FASB should not, through its accounting rules, threaten this mutually beneficial relationship.

Brooks Automation, Inc. respectfully submits these comments and is available to discuss them with the Committee if requested.



Robert W. Woodbury, Jr.  
Senior Vice President, Chief Financial Officer