AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 30, 2000

REGISTRATION NO. 333-36330

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

AXCELIS TECHNOLOGIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	3559	34-1818596
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

55 CHERRY HILL DRIVE
BEVERLY, MA 01915
(978) 232-4000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

BRIAN R. BACHMAN
AXCELIS TECHNOLOGIES, INC.
55 CHERRY HILL DRIVE
BEVERLY, MA 01915
(978) 232-4000
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

MICHAEL C. MCLEAN	J. ROBERT HORST	JONATHAN JEWETT
KIRKPATRICK & LOCKHART LLP	EATON CORPORATION	SHEARMAN & STERLING
HENRY W. OLIVER BUILDING	1111 SUPERIOR AVENUE	599 LEXINGTON AVENUE
535 SMITHFIELD STREET	CLEVELAND, OHIO 44114	NEW YORK, NEW YORK 10022
PITTSBURGH, PENNSYLVANIA 15222-2312		

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

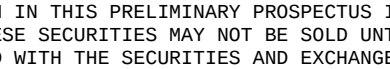
If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION. DATED JUNE 30, 2000.

15,500,000 Shares



Common Stock

This is an initial public offering of shares of common stock of Axcelis Technologies, Inc. All of the 15,500,000 shares of common stock are being sold by Axcelis.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between $20.00 and $22.00. Axcelis has applied to have the common stock approved for quotation on the Nasdaq National Market under the symbol "ACLS".

See "Risk Factors" beginning on page 9 to read about factors you should consider before buying shares of the common stock.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Axcelis	$	$

To the extent that the underwriters sell more than 15,500,000 shares of the common stock, the underwriters have the option to purchase up to an additional 2,325,000 shares from Axcelis at the initial public offering price less the underwriting discount.

Goldman, Sachs & Co. expects to deliver the shares against payment in New York, New York on , 2000.

GOLDMAN, SACHS & CO. MORGAN STANLEY DEAN WITTER

LEHMAN BROTHERS

SALOMON SMITH BARNEY

Prospectus dated , 2000.

INSIDE FRONT COVER

PROSPECTUS SUMMARY

This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, especially "Risk Factors" beginning on page 9.

AXCELIS

We are a leading producer of ion implantation equipment used in the fabrication of semiconductors and, together with our Japanese joint venture, were ranked number one in sales in the world in this category for 1999 by Dataquest Inc. The ion implantation process provides a means for introducing charged ions into the surface of a silicon wafer in order to form the active components of a semiconductor. We also produce dry strip, photostabilization and rapid thermal processing equipment, which is used in semiconductor manufacturing primarily before and after the ion implantation process. In addition, we provide extensive aftermarket service and support, including spare parts, equipment upgrades, maintenance services and customer training. We are a 50-50 joint venture partner in Japan with Sumitomo Heavy Industries, Ltd., or Sumitomo. This joint venture, which is known as Sumitomo Eaton Nova Corporation, or SEN, licenses our technology and is the leading producer of ion implantation equipment in Japan.

Our customers are located in North America, Europe and Asia Pacific. We and SEN serve all of the 20 largest semiconductor manufacturers in the world. We believe that more than 3,200 of our products, including products shipped by SEN, are in use worldwide. We manufacture our equipment at three locations in the United States, and we support customers in 19 countries through 49 support locations in nine countries. SEN manufactures equipment at its Toyo, Japan facility.

Based on our knowledge of the semiconductor equipment manufacturing industry, we believe that we have been at the forefront of technological innovation in the ion implant sector. For example, we believe that we developed the first high current ion implantation system in the late 1970s and the first high energy ion implantation system in the 1980s. In 1999, we installed what we believe is the first 300 millimeter high energy ion implantation system, which we believe will be the next generation of ion implant products. In addition, we pioneered the development of photostabilization in 1983, and we believe that we have developed the only 300 millimeter production photostabilizer in the industry.

The semiconductor industry is continuing to experience growth in demand for semiconductors, or chips, for use in personal computers, telecommunication equipment, digital consumer electronics, wireless communication products and other applications. According to World Semiconductor Trade Statistics, an industry trade association, worldwide sales of semiconductors were $149 billion in 1999. While the semiconductor industry has been highly cyclical, the semiconductor market, as measured by total sales, grew at an average annual compound rate of approximately 12% in the period from 1989 through 1999. World Semiconductor Trade Statistics projects continued growth at higher rates for the next two years. Sales of high energy ion implanters, our largest product line, have grown substantially faster than semiconductor sales over this period.

The increasing demand for semiconductors has required manufacturers to increase chip production. Manufacturers have primarily increased production through efficiency improvements, the addition of manufacturing equipment in existing fabrication facilities and the construction of new fabrication facilities. Efficiency improvements have been derived largely from increased equipment utilization and higher manufacturing yields. In recent years, however, the ability to make significant efficiency gains has diminished. For that reason, as market conditions have improved since early 1999, semiconductor manufacturers have been meeting the increased demand for chips mostly by building new fabrication facilities and by making additional equipment purchases to expand existing fabrication facilities.

Our objective is to enhance our position as a leading producer of ion implantation equipment and to offer on an integrated basis a broad array of products and services used primarily in the

front-end of the chip fabrication process. Key elements of our strategy to achieve our objective include:

- increase ion implantation market penetration;
- maintain strong commitment to research and development;
- capitalize on broad product lines to provide an integrated range of front-end equipment;
- provide lowest cost of ownership;
- provide superior customer service; and
- reduce cycle times in our businesses.

OUR RELATIONSHIP WITH EATON CORPORATION

We are currently a wholly owned subsidiary of Eaton Corporation. On April 26, 2000, Eaton announced its plan to reorganize its semiconductor equipment operations into an independent, publicly held company. Prior to the completion of this offering, Eaton will substantially complete the transfer to us of all of the assets of its semiconductor equipment operations that are not currently owned by us, and we will assume the related liabilities. In connection with the reorganization, we changed our name from Eaton Semiconductor Equipment Inc. to Axcelis Technologies, Inc. After completion of this offering, Eaton will own approximately 83.8% of our outstanding common stock, or 81.8% if the underwriters fully exercise their option to purchase additional shares.

Eaton currently plans to consummate the divestiture of our common stock to its shareholders approximately six months following the completion of this offering by distributing all of its shares of our common stock in a tax-free transaction to Eaton shareholders. Eaton may accomplish this divestiture through a split-off, a spin-off or some combination of both transactions. Eaton will, in its sole discretion, determine the timing, structure and terms of the divestiture of the remaining shares of our common stock that it owns. The planned divestiture by Eaton is subject to receiving a private letter ruling from the Internal Revenue Service that the divestiture will be tax-free to Eaton and its shareholders and that Eaton's contribution of assets to us in connection with our separation from Eaton will qualify as a tax-free reorganization for U.S. federal income tax purposes. Eaton recently filed the private letter ruling request. Eaton is not, however, obligated to consummate the divestiture, and we cannot assure you whether or when it will occur.

On May 3, 2000, our Board of Directors declared a dividend of $300 million payable to Eaton. We have the option of paying this dividend in either cash or notes or in a combination thereof. Any notes issued would bear interest and would have a maturity not to exceed two years. We presently expect to pay all of this dividend in cash.

We will enter into agreements with Eaton providing for the substantial completion of the reorganization of Eaton's semiconductor equipment operations and the separation of our business operations from Eaton prior to the completion of this offering. These agreements will provide for, among other things:

- the transfer from Eaton to us of assets and the assumption by us of liabilities relating to our business, and
- various interim relationships with Eaton.

The agreements regarding the separation of our business operations from Eaton are described more fully in the section entitled "Arrangements With Eaton" included elsewhere in this prospectus. The terms of these agreements, which are made in the context of a parent-subsidiary relationship, may be more or less favorable to us than if they had been negotiated with unaffiliated third parties. See "Risk Factors -- Risks Related to our Separation from Eaton". Our assets and liabilities are described more fully in our combined financial statements and notes to those statements that are included elsewhere in this prospectus.

THE OFFERING

Common stock offered	15,500,000 shares
Common stock to be outstanding immediately after this offering	95,500,000 shares
Common stock to be held by Eaton immediately after this offering	80,000,000 shares
Use of proceeds	We intend to use the estimated net proceeds of $302.0 million from this offering, or $347.2 million if the underwriters fully exercise their option to purchase additional shares, together with available cash, for the payment of a previously declared dividend to Eaton of $300 million and for general corporate purposes.
Nasdaq National Market symbol	"ACLS"

Unless we specifically state otherwise, the information in this prospectus gives effect to a stock split increasing the number of shares of our common stock owned by Eaton from 100 to 80,000,000 effected in the form of a stock dividend that will be payable prior to the completion of this offering and does not take into account the issuance of up to 2,325,000 shares of common stock that the underwriters have the option to purchase. If the underwriters exercise in full their option to purchase additional shares, 97,825,000 shares of common stock will be outstanding immediately after this offering.

The information above does not take into account 21,000,000 shares of our common stock reserved for issuance under our stock plans, of which options to purchase approximately 5,400,000 shares are expected to be granted at the date of this offering at an exercise price equal to the initial public offering price. In addition, we may assume substantially all of the Eaton stock options held by our employees on the date Eaton consummates its divestiture of our company. If the divestiture had been consummated on June 12, 2000, these options to purchase Eaton common shares would have converted into options to purchase 2,088,149 shares of our common stock on that date, based on an assumed initial public offering price of $21.00 per share and the closing price of $74 5/16 per Eaton common share on June 12, 2000.

Our principal executive offices are located at 55 Cherry Hill Drive, Beverly, Massachusetts 01915, and our telephone number is (978) 232-4000. We were incorporated under the laws of the State of Delaware in 1995. Our website is located at http://www.axcelis.com. The information on our website is not a part of this prospectus.

Subject to certain limitations, Eaton has authorized us to use "Eaton" as a trademark. We own the symbolic replicas of our product lines and the following trademarks: Gemini(TM), Fusion 200(TM), Fusion 300(TM), GSD/HE(TM), GSD/VHE(TM), GSD/200E(2)(TM), 8250HT(TM), HE3(TM), ULE2(TM), MC3(TM), Axcelis(TM), SMART(TM), Fusion PS3(TM), Fusion ES3(TM), GSD/HE(MC)(TM), FusionGemini(TM), Summit(TM) and Summit 300(TM). All other trademarks or trade names referred to in this prospectus are the property of their respective owners.

SUMMARY HISTORICAL COMBINED FINANCIAL DATA

The following tables present our summary historical combined financial data. The information set forth below should be read together with "Management's Discussion and Analysis" and our historical combined financial statements and notes to those statements included elsewhere in this prospectus. Our statements of combined operations data set forth below for the years ended December 31, 1997, 1998 and 1999 and the combined balance sheet data as of December 31, 1998 and 1999 are derived from our audited combined financial statements included in this prospectus which have been audited by Ernst & Young LLP, independent auditors, whose report is also included in this prospectus.

The statements of combined operations data for the years ended December 31, 1995 and 1996 and the combined balance sheet data as of December 31, 1995, 1996 and 1997 are derived from our unaudited combined financial statements that are not included in this prospectus. The statements of combined operations data for the three months ended March 31, 1999 and 2000 and the combined balance sheet data as of March 31, 2000 are derived from unaudited combined financial statements included in this prospectus and, in the opinion of management, include all adjustments, consisting only of normal recurring accruals, that are necessary for a fair presentation of our financial position and operating results for these periods. The historical financial information may not be indicative of our future performance and does not reflect what our financial position and operating results would have been had we operated as a separate, stand-alone entity during the periods presented.

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1998	1999	1999	2000
	(UNAUDITED)		(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			(UNAUDITED)	
STATEMENTS OF COMBINED OPERATIONS DATA (1)							
Net sales	$385,080	$448,663	$ 460,010	$ 265,709	$397,267	$ 59,124	$143,051
Gross profit (2)	138,335	157,246	172,802	64,229	157,082	20,768	61,474
Other costs & expenses:							
Selling	34,375	45,600	47,148	42,134	37,946	9,087	11,598
General & administrative	23,326	33,437	38,287	47,075	45,925	9,612	13,030
Research & development	21,802	35,107	70,466	78,656	51,599	12,183	16,125
Amortization of goodwill & intangible assets		100	3,936	9,279	9,279	2,320	2,320
Restructuring charges (2)				24,994			
Write-off of in-process research & development (1)			85,000				
Income (loss) from operations	58,832	43,002	(72,035)	(137,909)	12,333	(12,434)	18,401
Other income (expense):							
Royalty income	8,273	9,590	6,265	7,949	5,854	965	3,823
Equity income (loss) of SEN	7,044	10,148	3,283	(2,132)	1,338	(2,447)	3,340
Other income (expense)-net	(163)	(1,837)	1,123	(1,045)	28	(145)	1,549
Income (loss) before income taxes	73,986	60,903	(61,364)	(133,137)	19,553	(14,061)	27,113
Income taxes (credit)	25,365	14,599	103	(51,090)	5,125	(3,686)	8,251
Net income (loss)	$ 48,621	$ 46,304	$ (61,467)	$ (82,047)	$ 14,428	$(10,375)	$ 18,862
Net income (loss) per share:							
Basic and diluted net income (loss) per share	$ .61	$ .58	$ (.77)	$ (1.03)	$ .18	$ (.13)	$ .24
Shares used in computing basic and diluted net income (loss) per share	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Unaudited pro forma basic and diluted net income per share (3)					$ .15		$ .20
Shares used in computing unaudited pro forma basic and diluted net income per share (3)					95,402		95,402

	DECEMBER 31,					MARCH 31, 2000	
	1995	1996	1997	1998	1999	ACTUAL	PRO FORMA AS ADJUSTED(4)
	(UNAUDITED)		(IN THOUSANDS)			(UNAUDITED)	
COMBINED BALANCE SHEET DATA							
Cash & short-term investments	$ 1,662	$ 2,159	$ 3,479	$ 3,338	$ 3,530	$ 2,803	$ 24,903(5)
Working capital	102,578	112,092	149,041	91,028	169,759	190,004	203,904
Total assets	213,659	279,189	457,567	341,121	422,835	449,332	452,232
Stockholder's net investment	151,112	190,429	349,192	269,161	342,296	363,467	365,467

(Notes on following page)

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NOTES:

(1) On August 4, 1997, we acquired Fusion Systems Corporation, a developer and manufacturer of dry strip and photostabilization systems for use in the semiconductor manufacturing process. The acquisition was accounted for under the purchase method of accounting and, accordingly, our combined financial statements include Fusion's results of operations beginning August 4, 1997. Net income in 1997 was reduced by an $85.0 million write-off of purchased in-process research and development related to the acquisition of Fusion, with no income tax benefit.

(2) Net loss in 1998 reflects a restructuring charge of $42.4 million ($27.5 million aftertax) of which $17.4 million related to inventory writedowns and reduced gross profit and $25.0 million related to workforce reductions and other restructuring actions and was recorded in operating expenses.

(3) Pro forma basic and diluted net income per share amounts are calculated based on 80,000,000 shares of our common stock outstanding that are owned by Eaton prior to this offering, plus an additional 15,402,388 shares of common stock. The number of additional shares is calculated by dividing the $300 million previously declared dividend to Eaton by the assumed initial public offering price of $21.00 per share, reduced by the estimated per share offering expenses.

(4) Pro forma as adjusted amounts give effect to the following actions as though these actions had been taken as of March 31, 2000:

- our sale of 15,500,000 shares of common stock in this offering at an assumed initial public offering price of $21.00 per share, resulting in net proceeds of $302.0 million after deducting an assumed underwriting discount and estimated offering expenses payable by us;

- our payment of a previously declared dividend to Eaton of $300 million;

- our receipt of net proceeds of $11.0 million from the sale of our Austin, Texas facility on May 18, 2000; this facility was closed in the first quarter of 1999;

- our payment of $0.9 million to settle the March 31, 2000 payable to Eaton as a result of Eaton's management of substantially all of our cash receipts and disbursements in the United States since December 31, 1999;

- our receipt of $3.7 million to settle the balance of the March 31, 2000 "Receivables from Eaton Corporation", net of the portion of these receivables to be retained by Eaton;

- the net transfer of approximately $8.0 million of cash from Eaton to us in connection with Eaton's transfer of assets to us; and

- Eaton's retention of $1.5 million of our $2.8 million of cash and short-term investments at March 31, 2000.

See "Management's Discussion and Analysis -- Liquidity and Capital Resources".

(5) During the second quarter of 2000, we estimate that Eaton's management of substantially all of our cash receipts and disbursements in the United States will result in additional cash due us of $30.1 million.

RISK FACTORS

Investing in our common stock involves a high degree of risk and uncertainty. You should carefully consider the risks and uncertainties described below before purchasing our common stock. If any of the following risks actually occur, our business, financial condition or results of operations could be harmed. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

DOWNTURNS IN THE SEMICONDUCTOR INDUSTRY HAVE HAD IN THE PAST, AND MAY HAVE IN THE FUTURE, A SEVERE ADVERSE EFFECT ON OUR SALES AND PROFITABILITY.

Our business depends in significant part upon capital expenditures by semiconductor manufacturers, especially manufacturers that are opening new or expanding existing fabrication facilities. The level of capital expenditures by these manufacturers depends upon the current and anticipated market demand for semiconductors and the products utilizing them, the available manufacturing capacity in manufacturers' fabrication facilities, and the ability of manufacturers to increase productivity in existing facilities without incurring additional capital expenditures.

The semiconductor industry is highly cyclical and has experienced periodic downturns that have had a severe adverse impact on the semiconductor industry and on suppliers to the semiconductor industry, including us. The semiconductor industry has in the past experienced, and will likely experience in the future, periods of oversupply that result in significantly reduced demand for capital equipment, including our systems. When these periods occur, we will be adversely affected. For instance, semiconductor equipment manufacturers were affected by a severe downturn in the semiconductor industry in 1998, during which our net sales declined by $194.3 million, or 42.2%, from the prior year.

We anticipate that a significant portion of our new orders will depend upon demand from semiconductor manufacturers who build or expand fabrication facilities. If existing fabrication facilities are not expanded or new facilities are not built as rapidly as anticipated, demand for our systems may decline, and we may be unable to generate significant new orders for our systems, which would adversely affect our sales levels. In addition, the continued requirements for investments in engineering, research and development and marketing necessary to develop new products and to maintain extensive customer service and support capabilities limit our ability to reduce expenses during downturns in proportion to declining sales. Any future downturns or slowdowns in the semiconductor industry may cause the price of our common stock to decline.

IF WE FAIL TO DEVELOP AND INTRODUCE NEW OR ENHANCED PRODUCTS AND SERVICES FOR SEMICONDUCTOR MANUFACTURERS, WE WILL NOT BE ABLE TO COMPETE EFFECTIVELY.

Rapid technological changes in semiconductor manufacturing processes require the semiconductor equipment industry to respond quickly to changing customer requirements. We believe that our future success will depend in part upon our ability to develop, manufacture and successfully introduce new systems and product lines with improved capabilities and to continue to enhance existing products, including products that process 300 millimeter wafers. Our ability to successfully develop, introduce and sell new and enhanced systems depends upon a variety of factors, including new product selection, timely and efficient completion of product design and development, timely and efficient implementation of manufacturing and assembly processes, product performance in the field and effective sales and marketing. We cannot assure you that we will be successful in selecting, developing, manufacturing and marketing new products or in enhancing our existing products.

Due to the risks inherent in transitioning to new products, we will need to accurately forecast demand for new products while managing the transition from older products. Our inability to develop or meet the technical specifications of any of our new systems or enhancements to our existing systems or to manufacture and ship these systems or enhancements in volume in a timely manner could materially and adversely affect us.

If new products have reliability or quality problems, we may experience reduced orders, higher manufacturing costs, delays in acceptance and payment, and additional service and warranty expense. In the past, we have experienced some delays as well as reliability and quality problems in connection with new product introductions, resulting in some of these consequences.

We cannot assure you that we will successfully develop and manufacture new products or that our new products will be accepted in the marketplace. A failure to successfully introduce new products will have a material adverse effect on us.

We expect to continue to make significant investments in research and development. Future technologies, processes or product developments may render our current product offerings obsolete or we may not be able to develop and introduce new products or enhancements to existing products that satisfy customer needs in a timely manner or achieve market acceptance. The failure to do so could adversely affect us. If we are not successful in marketing and selling advanced processes or equipment to customers with whom we have formed long-term relationships, sales of our products to those customers could be adversely affected.

IF WE FAIL TO COMPETE SUCCESSFULLY IN THE HIGHLY COMPETITIVE SEMICONDUCTOR EQUIPMENT INDUSTRY, OUR SALES AND PROFITABILITY WILL DECLINE.

The market for semiconductor manufacturing equipment is highly competitive. We believe that, to remain competitive, we will require significant financial resources in order to offer a broad range of products, to maintain customer service and support centers worldwide and to invest in product and process research and development.

In the ion implantation market, we compete with a relatively small number of competitors. An acquisition of, or by, one of our competitors in the ion implant sector may result in a substantially strengthened competitor with greater financial, engineering, manufacturing, marketing and customer service and support resources than we have. Competitors with substantially greater financial resources than we may be better positioned to successfully compete in the industry. In addition, there are smaller, emerging semiconductor equipment companies that provide innovative systems with technology that may have performance advantages over our systems.

Competitors are expected to continue to improve the design and performance of their existing products and processes and to introduce new products and processes with improved price and performance characteristics. If competitors enter into strategic relationships with leading semiconductor manufacturers covering products similar to those sold or being developed by us, our ability to sell products to those manufacturers may be adversely affected. We cannot assure you that we will be able to compete successfully with our existing competitors or with new competitors.

WE HAVE BEEN DEPENDENT ON SALES TO A LIMITED NUMBER OF LARGE CUSTOMERS; THE LOSS OF ANY OF THESE CUSTOMERS OR ANY REDUCTION IN ORDERS FROM SUCH CUSTOMERS COULD MATERIALLY AFFECT OUR SALES.

Historically, we have sold a significant proportion of our products and services to a limited number of fabricators of semiconductor products. For example, in 1999, three of our customers, STMicroelectronics N.V., Motorola, Inc. and Texas Instruments Incorporated, accounted for 37.0% of our net sales, and our ten largest customers accounted for 59.1%. None of our customers has entered into a long-term agreement requiring it to purchase our products. Product

sales to certain of our customers may decrease in the near future as those customers complete current purchasing requirements for new or expanded fabrication facilities. Although the composition of the group comprising our largest customers has varied from year to year, the loss of a significant customer or any reduction or delays in orders from any significant customer, including reductions or delays due to customer departures from recent buying patterns, or market, economic or competitive conditions in the semiconductor industry, could adversely affect us. The ongoing consolidation of semiconductor manufacturers may increase the adverse effect of losing a significant customer.

OUR QUARTERLY FINANCIAL RESULTS MAY FLUCTUATE SIGNIFICANTLY AND MAY FALL SHORT OF ANTICIPATED LEVELS, WHICH COULD CAUSE OUR STOCK PRICE TO DECLINE.

We derive most of our revenues from the sale of a relatively small number of expensive products to a small number of customers. The list prices on these products range from $150,000 to over $4.0 million. At our current sales level, each sale, or failure to make a sale, could have a material effect on us in a particular quarter. Our lengthy sales cycle, coupled with customers' competing capital budget considerations, make the timing of customer orders uneven and difficult to predict. In a given quarter, a number of factors can adversely affect our revenues and results, including changes in our product mix, increased fixed expenses per unit due to reductions in the number of products manufactured, and higher fixed costs due to increased levels of research and development and expansion of our worldwide sales and marketing organization. In addition, our backlog at the beginning of a quarter typically does not include all orders required to achieve our sales objectives for that quarter and is not a reliable indicator of our future sales. As a result, our net sales and operating results for a quarter depend on our shipping orders as scheduled during that quarter as well as obtaining new orders for products to be shipped in that same quarter. Any delay in scheduled shipments or in shipments from new orders could materially and adversely affect us, which could cause our stock price to decline significantly. Due to the foregoing factors, we believe that period-to-period comparisons of our operating results should not be relied upon as an indicator of our future performance.

WE ARE DEPENDENT UPON OUR JAPANESE JOINT VENTURE AND SUMITOMO FOR ACCESS TO THE JAPANESE SEMICONDUCTOR EQUIPMENT MARKET.

In 1982, we established our SEN joint venture with Sumitomo to provide us with additional manufacturing capacity for our ion implantation products and local access to the Japanese semiconductor equipment market. Under our arrangements with Sumitomo, our ion implantation products may be sold in Japan only through the joint venture. We receive our 50% proportionate share of the equity income or loss from SEN. As part of the joint venture arrangement, we have entered into a separate license agreement with SEN, last renewed in 1996, under which SEN is entitled to use our ion implantation technology in sales of ion implanters to semiconductor manufacturers in Japan. We receive substantial income from this license agreement. The license agreement expires on December 31, 2004 and is automatically renewable for successive five-year periods unless either party has provided one year's prior notice of termination. A substantial decline in SEN's sales and income from operations could have a material adverse effect on our net income.

We also have an arrangement with Sumitomo, outside the SEN joint venture, under which it is the exclusive distributor of our dry strip, photostabilization and rapid thermal processing products to semiconductor manufacturers in Japan. This distribution arrangement expires in 2002 and thereafter is renewable from year to year unless either party has given the other party six months prior written notice.

WE ARE SUBSTANTIALLY DEPENDENT UPON SALES OF OUR PRODUCTS AND SERVICES TO CUSTOMERS OUTSIDE THE UNITED STATES.

Sales of our products and services to customers outside the United States, including exports from our U.S. facilities, accounted for approximately 55.4%, 49.4% and 53.5% of our net sales in 1997, 1998 and 1999, respectively. We anticipate that international sales will continue to account for a significant portion of our net sales. Because of our dependence upon international sales, we are subject to a number of factors, including:

- unexpected changes in laws or regulations resulting in more burdensome governmental controls, tariffs, restrictions, embargoes or export license requirements;

- difficulties in obtaining required export licenses;

- volatility in currency exchange rates;

- political and economic instability, particularly in Asia;

- difficulties in accounts receivable collections;

- extended payment terms beyond those customarily offered in the United States;

- difficulties in managing distributors or representatives outside the United States;

- difficulties in staffing and managing foreign subsidiary operations; and

- potentially adverse tax consequences.

Substantially all of our sales to date have been denominated in U.S. dollars. Our products become less price competitive in countries with currencies that are declining in value in comparison to the dollar. This could cause us to lose sales or force us to lower our prices, which would reduce our gross margins. If it becomes necessary for us to make sales denominated in foreign currencies, we will become more exposed to the risk of currency fluctuations. Our equity income and royalty income from SEN are denominated in Japanese yen.

WE MAY NOT BE ABLE TO MAINTAIN AND EXPAND OUR BUSINESS IF WE ARE NOT ABLE TO RETAIN, HIRE AND INTEGRATE ADDITIONAL QUALIFIED PERSONNEL.

Our business depends on our ability to attract and retain qualified, experienced employees. There is substantial competition for experienced engineering, technical, financial, sales and marketing personnel in our industry. In particular, we must attract and retain highly skilled design and process engineers. Competition for such personnel is intense, particularly in the areas where we are based, including the Boston metropolitan area and the Rockville, Maryland area, as well as in Taiwan and Singapore. If we are unable to retain our existing key personnel, or attract and retain additional qualified personnel, we may from time to time experience inadequate levels of staffing to develop, manufacture and market our products and perform services for our customers. As a result, our growth could be limited due to our lack of capacity to develop and market our products to our customers, or we could fail to meet our delivery commitments or experience deterioration in service levels or decreased customer satisfaction, all of which could adversely affect us and cause the value of our common stock to decline.

OUR DEPENDENCE UPON A LIMITED NUMBER OF SUPPLIERS FOR MANY COMPONENTS AND SUB-ASSEMBLIES COULD RESULT IN INCREASED COSTS OR DELAYS IN MANUFACTURE AND SALES OF OUR PRODUCTS.

We rely to a substantial extent on outside vendors to manufacture many of the components and subassemblies of our products. We obtain many of these components and subassemblies from either a sole source or a limited group of suppliers. Because of our reliance on outside vendors generally, and on a limited group of suppliers in particular, we may be unable to obtain an adequate supply of required components on a timely basis, on price and other terms acceptable to us, or at all. For example, we recently incurred additional costs to obtain an

adequate supply of certain electrical components on a timely basis from a sole supplier due to increased demand for that supplier's products.

In addition, we often quote prices to our customers and accept customer orders for our products prior to purchasing components and subassemblies from our suppliers. If our suppliers increase the cost of components or subassemblies, we may not have alternative sources of supply and may not be able to raise the price of our products to cover all or part of the increased cost of components.

The manufacture of some of these components and subassemblies is an extremely complex process and requires long lead times. As a result, we have in the past and may in the future experience delays or shortages. If we are unable to obtain adequate and timely deliveries of our required components or subassemblies, we may have to seek alternative sources of supply or manufacture these components internally. This could delay our ability to manufacture or to ship our systems on a timely basis, causing us to lose sales, incur additional costs, delay new product introductions and suffer harm to our reputation.

WE MAY INCUR COSTLY LITIGATION TO PROTECT OUR PROPRIETARY TECHNOLOGY, AND IF UNSUCCESSFUL, WE MAY LOSE A VALUABLE ASSET OR EXPERIENCE REDUCED MARKET SHARE.

We rely on a combination of patents, copyrights, trademark and trade secret laws, non-disclosure agreements and other intellectual property protection methods to protect our proprietary technology. Despite our efforts to protect our intellectual property, our competitors may be able to legitimately ascertain the non-patented proprietary technology embedded in our systems. If this occurs, we may not be able to prevent their use of this technology. Our means of protecting our proprietary rights may not be adequate and our patents may not be sufficiently broad to prevent others from using technology that is similar to or the same as our technology. In addition, patents issued to us have been, or might be challenged, and might be invalidated or circumvented and any rights granted under our patents may not provide adequate protection to us. Our competitors may independently develop similar technology, duplicate features of our products or design around patents that may be issued to us. As a result of these threats to our proprietary technology, we may have to resort to costly litigation to enforce or defend our intellectual property rights. For example, on February 3, 2000, we filed suit in California Superior Court against Advanced Ion Beam Technology and Jiong Chen, a principal of that company, alleging misappropriation of trade secrets, unfair competition, common law misappropriation and breach of contract. Mr. Chen worked for us as a principal scientist from 1994 until January 1999. During that period, he worked with proprietary ion beam technology, which we believe he later used in violation of an employee confidentiality agreement. A further example is that we recently defended a reexamination before the United States Patent and Trademark Office of a patent, expiring in 2005, which relates to ion implantation equipment having a significant market share. A second request for reexamination of this patent, which has not yet been acted upon by the United States Patent and Trademark Office, has recently been filed by the same requester.

WE MIGHT FACE INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS OR PATENT DISPUTES THAT MAY BE COSTLY TO RESOLVE AND, IF RESOLVED AGAINST US, COULD BE VERY COSTLY TO US AND PREVENT US FROM MAKING AND SELLING OUR SYSTEMS.

From time to time, claims and proceedings have been or may be asserted against us relative to patent validity or infringement matters. Our involvement in any patent dispute or other intellectual property dispute or action to protect trade secrets, even if the claims are without merit, could be very expensive to defend and could divert the attention of our management. Adverse determinations in any litigation could subject us to significant liabilities to third parties, require us to seek costly licenses from third parties and prevent us from manufacturing and selling our systems. Any of these situations could have a material adverse effect on us and cause the value of our common stock to decline.

RISKS RELATED TO OUR SEPARATION FROM EATON

WE CURRENTLY USE EATON'S OPERATIONAL AND ADMINISTRATIVE INFRASTRUCTURE, AND OUR ABILITY TO SATISFY OUR CUSTOMERS AND OPERATE OUR BUSINESS WILL BE ADVERSELY AFFECTED IF WE DO NOT DEVELOP OUR OWN INFRASTRUCTURE QUICKLY AND COST-EFFECTIVELY.

We currently use Eaton's services and systems to support our operations, including services and systems associated with voice and data transmission and other data-related operations, accounts receivable, accounts payable, fixed assets, payroll, general accounting, financial accounting consolidation, cash management, human resources, tax, legal and real estate. Certain of these systems are proprietary to Eaton and are very complex. Some of these services and systems are being modified to enable us to separately monitor, process, support and record information important to our business. These modifications, however, may result in unexpected system failures or the loss or corruption of data.

We are in the process of creating or acquiring our own processes, services and systems to replace some of the services and systems provided to us by Eaton. We may be delayed, or we may not be successful, in implementing these systems and transitioning from Eaton's systems to ours.

Any failure or significant downtime in Eaton's or our own information systems could prevent us from taking customer orders, shipping products or billing customers and could harm our business. In addition, Eaton's and our information systems require the services of employees with extensive knowledge of these information systems and the business environment in which we operate. In order to successfully implement and operate our systems, we must be able to attract and retain a significant number of highly skilled employees.

IF EATON DOES NOT CONSUMMATE ITS DIVESTITURE OF OUR COMPANY, WE WILL NOT BE ABLE TO OPERATE OUR BUSINESS WITHOUT EATON'S CONTROL AND OUR STOCK PRICE MAY DECLINE.

Eaton currently intends to consummate its divestiture of our company approximately six months after this offering. However, it will not be obligated to do so, and we cannot assure you as to whether or when the divestiture will occur. Any divestiture of the shares of our common stock by Eaton will be subject, among other factors, to obtaining approval by the Eaton board of directors and a ruling from the Internal Revenue Service that the divestiture will be tax-free to Eaton and its shareholders and that the contribution of assets from Eaton to us as part of the separation from Eaton will qualify as a tax-free reorganization. At the time of this offering, we will not know what the ruling from the Internal Revenue Service regarding the tax treatment of the separation and the divestiture will be. If Eaton does not receive a favorable tax ruling, it is not likely to make the divestiture in the expected time frame or at all.

In addition, until this divestiture occurs, the risks discussed below relating to Eaton's control of us and the potential business conflicts of interest between Eaton and us will continue to be relevant to our stockholders. If Eaton does not divest its shares of our common stock, we might face significant difficulty hiring and retaining key personnel, many of whom are attracted by the potential of operating our business as a fully independent entity.

If the divestiture is delayed or not completed at all, the liquidity of our shares in the market will be severely constrained unless and until Eaton elects to sell some or all of its significant ownership interest. There are no limits on these sales except for limits under the Securities Act of 1933, as amended, and the sale or potential sale by Eaton could adversely affect market prices for our common stock. In addition, because of the limited liquidity until the divestiture of its shares of our common stock by Eaton occurs, relatively small trades of our stock could have a disproportionate effect on our stock price.

WE WILL BE CONTROLLED BY EATON AS LONG AS IT OWNS A MAJORITY OF OUR COMMON STOCK, AND OUR OTHER STOCKHOLDERS WILL BE UNABLE TO AFFECT THE OUTCOME OF STOCKHOLDER VOTING DURING THAT TIME.

After the completion of this offering, Eaton will own approximately 83.8% of our outstanding common stock, or approximately 81.8% if the underwriters exercise in full their option to purchase additional shares. As long as Eaton owns a majority of our outstanding common stock, Eaton will continue to be able to elect our entire board of directors and to remove any director, with or without cause, without calling a special meeting. Investors in this offering will not be able to affect the outcome of any stockholder vote prior to the planned divestiture of our stock to Eaton shareholders. As a result, Eaton will control all matters affecting us, including:

- the composition of our board of directors and, through it, any determination with respect to our business direction and policies, including the appointment and removal of officers;
- the allocation of business opportunities that may be suitable for us and Eaton;
- any determinations with respect to mergers or other business combinations;
- our acquisition or disposition of assets;
- our financing;
- changes to the agreements providing for our separation from Eaton;
- the payment of dividends on our common stock; and
- determinations with respect to our tax returns.

Eaton is not prohibited at any time from selling a controlling interest in us to a third party.

OUR HISTORICAL FINANCIAL INFORMATION MAY NOT BE REPRESENTATIVE OF OUR RESULTS AS A SEPARATE COMPANY.

Our combined financial statements have been carved out from the consolidated financial statements of Eaton using the historical bases of assets, liabilities and operating results of the Eaton semiconductor equipment operations business that we comprise. Accordingly, the historical financial information we have included in this prospectus does not necessarily reflect what our financial position, operating results and cash flows would have been had we been a separate, stand-alone entity during the periods presented. Eaton did not operate or account for us as a separate, stand-alone entity for the periods presented. Our costs and expenses include direct charges and an allocation from Eaton for centralized corporate services and infrastructure costs including, for example, services and systems associated with voice and data transmission and other data-related operations, accounts receivable, accounts payable, fixed assets, payroll, general accounting, financial accounting consolidation, cash management, human resources, legal and real estate as well as other functions associated with Eaton's corporate governance and operations support.

This allocation is based on Eaton's internal expense allocation methodology which charges these expenses to operating locations based both on net working capital, excluding short-term investments and short-term debt, and on property, plant and equipment - net. While we believe this allocation methodology is reasonable and allocated costs are representative of the operating expenses that would have been incurred had we operated on a stand-alone basis, the historical financial information is not necessarily indicative of what our financial position, operating results and cash flows will be in the future. We have not made adjustments to our historical financial information to reflect any significant changes that may occur in our cost structure and operations as a result of our separation from Eaton, including increased costs associated with being a publicly traded, stand-alone company.

WE WILL NOT BE ABLE TO RELY ON EATON TO FUND OUR FUTURE CAPITAL REQUIREMENTS, AND FINANCING FROM OTHER SOURCES MAY NOT BE AVAILABLE ON AS FAVORABLE TERMS AS EATON COULD OBTAIN.

In the past, our capital needs have been satisfied by Eaton. However, following our separation, Eaton will no longer provide funds to finance our working capital or other cash

requirements. We cannot assure you that financing from other sources, if needed, will be available on favorable terms.

We believe our capital requirements will vary greatly from quarter to quarter, depending on, among other things, capital expenditures, fluctuations in our operating results, financing activities, acquisitions and investments and inventory and receivables management. We believe that the portion of the proceeds from this offering that we will retain, together with available cash and our future cash flow from operations, will be sufficient to satisfy our working capital, capital expenditure and research and development requirements for the foreseeable future. We cannot assure you, however, that the underlying assumed levels of sales and expenses will prove to be accurate. In addition, in the future, we may require or choose to obtain additional debt or equity financing in order to finance acquisitions or other investments in our business. Future equity financings would be dilutive to the existing holders of our common stock. We cannot raise additional equity capital without Eaton's consent prior to Eaton's divestiture of our common stock to Eaton shareholders, and following any divestiture, we would be restricted in raising substantial amounts of equity capital under our tax sharing and indemnification agreement with Eaton, as well as by market conditions. Future debt financings could involve restrictive covenants that may limit the manner in which we conduct our business. In addition, we will likely not be able to obtain debt financing with interest rates as favorable as those that Eaton could obtain.

WE MAY HAVE POTENTIAL BUSINESS CONFLICTS OF INTEREST WITH EATON WITH RESPECT TO OUR PAST AND ONGOING RELATIONSHIPS AND, BECAUSE OF EATON'S CONTROLLING OWNERSHIP, WE MAY NOT RESOLVE THESE CONFLICTS ON THE MOST FAVORABLE TERMS TO US.

Conflicts of interest may arise between Eaton and us in a number of areas relating to our past and ongoing relationships, including:

- sales or distributions by Eaton of all or any portion of our common stock owned by Eaton;
- agreements between Eaton and us associated with the divestiture, including under the trademark license agreement and the master separation and distribution agreement;
- labor, tax, employee benefit, indemnification and other matters arising from our separation from Eaton;
- employee retention and recruiting;
- the nature, quality and pricing of transitional services Eaton has agreed to provide us; and
- business opportunities that may be attractive to both Eaton and us.

Nothing restricts Eaton from competing with us.

We may not be able to resolve any potential conflicts and, even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party. The agreements we have entered into with Eaton may be amended upon agreement between the parties. While we are controlled by Eaton, Eaton may be able to require us to agree to amendments to these agreements that may be less favorable to us than the current terms of the agreements.

OUR DIRECTORS AND EXECUTIVE OFFICERS MAY HAVE CONFLICTS OF INTEREST BECAUSE OF THEIR OWNERSHIP OF EATON COMMON STOCK AND EATON STOCK OPTIONS AND BECAUSE SOME ALSO ARE DIRECTORS OR EXECUTIVE OFFICERS OF EATON.

Some of our directors and executive officers have a substantial amount of their personal financial portfolios in Eaton common stock and options to purchase Eaton common stock. Their options to purchase Eaton common stock may not convert into options to purchase our common stock if the divestiture does not occur or for other reasons. Ownership of Eaton common stock and options by our directors and officers after our separation from Eaton could create, or appear to create, potential conflicts of interest when directors and officers are faced with decisions that could have different implications for Eaton and us.

Our directors who are also directors or executive officers of Eaton will have obligations to both companies and may have conflicts of interest with respect to matters potentially or actually involving or affecting us. We anticipate that immediately after the offering four of our directors will also be directors of Eaton and that two of these persons will be executive officers of Eaton, although at the time of any divestiture of Eaton's ownership interest in our company no more than three of our directors will be directors of Eaton.

IF THE TRANSITIONAL SERVICES BEING PROVIDED TO US BY EATON ARE NOT SUFFICIENT TO MEET OUR NEEDS, OR IF WE ARE NOT ABLE TO REPLACE THESE SERVICES AFTER OUR AGREEMENTS WITH EATON EXPIRE, WE MAY BE UNABLE TO MANAGE CRITICAL OPERATIONAL FUNCTIONS OF OUR BUSINESS.

Eaton has agreed to provide transitional services to us, including services related to:

- voice and data transmission and other data related operations;
- accounts receivable, accounts payable, fixed assets, payroll, general accounting and financial accounting consolidation;
- cash management;
- human resources;
- tax;
- legal; and
- real estate.

Although Eaton is contractually obligated to provide us with these services, these services may not be provided at the same level as when we were part of Eaton, and we may not be able to obtain the same benefits. The transition periods covered by these agreements vary but are generally less than two years. After the expiration of these various arrangements, we may not be able to replace the transitional services or enter into appropriate leases in a timely manner or on terms and conditions, including cost, as favorable as those we will receive from Eaton.

RISKS RELATED TO THE SECURITIES MARKETS AND OWNERSHIP OF OUR COMMON STOCK

SUBSTANTIAL SALES OF OUR COMMON STOCK MAY OCCUR IN CONNECTION WITH THE DIVESTITURE, WHICH COULD CAUSE OUR STOCK PRICE TO DECLINE.

If Eaton divests all of the shares of our common stock it owns to Eaton shareholders after this offering, substantially all of these shares will be eligible for immediate resale in the public market. We are unable to predict whether significant amounts of common stock will be sold in the open market in anticipation of, or following, this distribution, or by Eaton if the divestiture does not occur. We are also unable to predict whether a sufficient number of buyers will be in the market at that time. Any sales of substantial amounts of common stock in the public market, or the perception that such sales might occur, whether as a result of this divestiture or otherwise, could adversely affect the market price of our common stock. Eaton has the sole discretion to determine the timing, structure and terms of its divestiture of our common stock, all of which may also affect the level of market transactions in our common stock.

OUR SECURITIES HAVE NO PRIOR MARKET, AND WE CANNOT ASSURE YOU THAT OUR STOCK PRICE WILL NOT DECLINE AFTER THE OFFERING.

Before this offering, there has not been a public market for our common stock, and an active public market for our common stock may not develop or be sustained after this offering. The market price of our common stock could be subject to significant fluctuations after this offering. Among the factors that could affect our stock price are:

- quarterly variations in our operating results;
- changes in revenue or earnings estimates or publication of research reports by analysts;

- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- actions by institutional stockholders or by Eaton prior to its divestiture of our stock;
- general market conditions; and
- domestic and international economic factors unrelated to our performance.

The stock markets in general, and the markets for high technology stocks in particular, have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. Moreover, in recent years the stock prices of many companies in the semiconductor industry have been volatile and have declined substantially due to the worldwide semiconductor downturn. These broad market fluctuations may adversely affect the trading price of our common stock. In particular, we cannot assure you that you will be able to resell your shares at or above the initial public offering price, which will be determined by negotiations between the representatives of the underwriters and us.

PROVISIONS IN OUR CHARTER DOCUMENTS AND DELAWARE LAW AND THE TERMS OF THE TAX SHARING AND INDEMNIFICATION AGREEMENT BETWEEN US AND EATON MAY DELAY OR PREVENT AN ACQUISITION OF US, WHICH COULD DECREASE THE VALUE OF YOUR SHARES.

Our certificate of incorporation, bylaws and shareholder rights plan contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors, although these provisions have little significance while we are controlled by Eaton. These provisions include a classified board of directors and limitations on actions by our stockholders by written consent. In addition, our board of directors has the right to issue preferred stock without stockholder approval, which could be used to dilute the stock ownership of a potential hostile acquirer. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. Although we believe these provisions provide an opportunity to receive a higher bid by requiring any potential acquirers to negotiate with our board of directors, these provisions apply even if the offer may be considered beneficial by some stockholders.

If Eaton decides to divest its remaining ownership in us after the offering and receives a private letter ruling from the Internal Revenue Service to the effect that such a divestiture will be tax-free, we will be limited in our ability to merge or consolidate with any other person or enter into any transaction or to issue equity securities that would result in one or more persons acquiring a 40% or greater interest in us during the two-year period following any such divestiture under the terms of our tax sharing and indemnification agreement with Eaton.

PURCHASERS IN THIS OFFERING WILL EXPERIENCE IMMEDIATE DILUTION IN NET TANGIBLE BOOK VALUE PER SHARE.

Purchasers of our common stock in this offering will experience immediate dilution of $17.92 in net tangible book value per share.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

You should not rely on forward-looking statements in this prospectus. This prospectus contains forward-looking statements that involve risks and uncertainties. We use words such as "anticipates," "believes," "plans," "expects," "future," "intends," "may," "will," "should," "estimates," "predicts," "potential," "continue" and similar expressions to identify these forward-looking statements. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in "Risk Factors," "Management's Discussion and Analysis" and elsewhere in this prospectus. This prospectus also contains forward-looking statements attributed to third parties relating to their estimates regarding the growth of our markets. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, as well as those of the markets we serve, levels of activity, performance, achievements and prospects to be materially different from those expressed or implied by the forward-looking statements. We do not have any intention or obligation to update forward-looking statements, even if new information, future events or other circumstances make them incorrect or misleading.

OUR SEPARATION FROM EATON

OVERVIEW

We are currently a wholly owned subsidiary of Eaton. On April 26, 2000, Eaton announced a plan to reorganize its semiconductor equipment operations into an independent, publicly held company. Prior to the completion of this offering, Eaton will substantially complete the transfer to us of all of the assets of its semiconductor equipment operations that are not currently owned by us and we will assume the related liabilities, and we will enter into arrangements with Eaton relating to various interim relationships between us. In connection with the reorganization, we changed our name from Eaton Semiconductor Equipment Inc. to Axcelis Technologies, Inc. After the completion of the offering, Eaton will own approximately 83.8% of our outstanding common stock, or 81.8% if the underwriters fully exercise their option to purchase additional shares.

HISTORY OF OUR BUSINESS

Our ion implantation products were initially developed and offered by Eaton in 1980 and constitute our principal product offering. In 1982, we entered into our SEN joint venture to provide us with additional manufacturing capacity for our ion implantation products and local access for these products to the Japanese semiconductor equipment market. Our semiconductor equipment products also include dry strip, photostabilization and rapid thermal processing products. We introduced our rapid thermal processing products in 1996 and we entered the photoresist removal and photostabilization product market through our acquisition of Fusion in August 1997. Fusion pioneered the development of photostabilization in 1983.

BENEFITS OF THE SEPARATION

We believe that we will realize benefits from Eaton's reorganization of its semiconductor equipment operations and our complete separation from Eaton, including the following:

GREATER STRATEGIC FOCUS. In addition to our semiconductor equipment manufacturing business, Eaton generates significant revenue from its other business segments, including electrical power distribution and control equipment, truck transmissions and clutches, engine components, hydraulic products and a wide variety of controls. Our focus will be solely on developing businesses and strategic opportunities for the semiconductor equipment business. This effort will be supported by our own board of directors, management team and employees.

INCREASED SPEED AND RESPONSIVENESS. As a smaller company than Eaton we will focus on one line of business, and we expect to make decisions more quickly, deploy resources more rapidly and efficiently and operate with more agility than we could as a part of a larger organization. We expect to be more responsive to our customers and suppliers.

BETTER INCENTIVES FOR EMPLOYEES AND GREATER ACCOUNTABILITY. We expect the motivation of our employees and the focus of our management to be strengthened by incentive compensation programs tied to the market performance of our common stock. The separation will enable us to offer our employees compensation directly linked to the performance of our business, which we expect to enhance our ability to attract and retain qualified personnel.

MORE CAPITAL PLANNING FLEXIBILITY. As a separate company, we will have enhanced capital planning flexibility. We will be able to have direct access to the capital markets to issue debt or equity securities and to use our own stock to facilitate growth through acquisitions and will no longer have to compete with other business units of Eaton for funding from Eaton.

SEPARATION AND TRANSITIONAL ARRANGEMENTS

In May 2000, our Board of Directors declared a dividend of $300 million payable to Eaton. We have the option of paying this dividend in either cash or notes or in a combination thereof.

Any notes issued would bear interest and would have a maturity not to exceed two years. We presently expect to pay all of this dividend in cash.

We have entered into agreements with Eaton providing for the completion of the reorganization of Eaton's semiconductor equipment operations and the separation of our business from Eaton. These agreements generally provide for, among other things:

- the transfer from Eaton to us of assets and the assumption by us of liabilities relating to our business; and
- various interim relationships between us and Eaton.

THE DIVESTITURE BY EATON OF OUR COMMON STOCK

After completion of this offering, Eaton will own approximately 83.8% of the outstanding shares of our common stock, or approximately 81.8% if the underwriters fully exercise their option to purchase additional shares. Eaton currently plans to consummate its divestiture of us approximately six months after this offering by distributing all of its shares of our common stock in a tax-free transaction to Eaton shareholders. Eaton may accomplish this through a split-off, a spin-off or some combination of both transactions. Eaton is not, however, obligated to consummate the divestiture, and we cannot assure you as to whether or when it will occur.

Eaton has advised us that it has not yet determined definitively either when it expects to consummate the divestiture or the structure or terms under which it would accomplish the divestiture. Eaton has advised us that it would not consummate the divestiture if its board of directors determines that a complete separation is no longer in the best interest of Eaton and its shareholders. Eaton presently expects to consummate the divestiture unless one of the following circumstances or events were to occur:

- the Internal Revenue Service fails to issue a ruling that the divestiture will be tax-free to Eaton and its shareholders and that Eaton's contribution of assets to us in connection with the separation will qualify as a tax-free reorganization for U.S. federal income tax purposes;
- there is a court order or regulation prohibiting or restricting the consummation of the divestiture; or
- Eaton concludes that the divestiture would have a material adverse effect on it or its shareholders.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately $302.0 million, or $347.2 million if the underwriters fully exercise their option to purchase additional shares, based on an assumed initial public offering price of $21.00 per share and after deducting an assumed underwriting discount and estimated offering expenses payable by us.

We intend to use the net proceeds of this offering, together with cash from other sources available to us:

- to pay the previously declared $300 million dividend to Eaton in cash; and

- for general corporate purposes, including funding our capital expenditure program, our working capital requirements and other liabilities.

See "Management's Discussion and Analysis -- Liquidity and Capital Resources" for a discussion of the other cash we expect to have available to us.

We have budgeted our capital expenditures for the last three quarters of 2000 at approximately $24.0 million. We expect to use a significant portion of these budgeted capital expenditures to construct an advanced demonstration and application development center at our Beverly, Massachusetts facility and to expand our manufacturing and research facilities in Rockville, Maryland.

DIVIDEND POLICY

After completion of this offering, we currently intend to retain any future earnings to fund the development and growth of our business. Therefore, we do not anticipate paying any cash dividends in the foreseeable future, other than the previously declared dividend to Eaton described under "Use of Proceeds".

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2000. Our capitalization is presented:

- on an actual basis;
- on a pro forma basis to give effect to the previously declared dividend to Eaton of $300 million; and
- on a pro forma as adjusted basis to reflect our receipt of the estimated net proceeds of $302.0 million from the sale of shares of our common stock in this offering and the other transactions described in note (4) to the "Prospectus Summary -- Summary Historical Combined Financial Data", as well as to reflect the payment of the previously declared $300 million dividend to Eaton.

You should read the information set forth below together with "Selected Historical Combined Financial Data", "Management's Discussion and Analysis -- Liquidity and Capital Resources" and our historical combined financial statements and the notes to those statements included elsewhere in this prospectus.

	MARCH 31, 2000		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
		(IN THOUSANDS) (UNAUDITED)	
Cash & short-term investments	$ 2,803	$ 2,803	$ 24,903(1)
Payable to Eaton (2)	$ --	$300,000	$ --
Stockholder's net investment:			
Preferred stock, par value $0.001; 30,000,000 shares authorized, no shares issued and outstanding	--	--	--
Common stock, par value $0.001; 300,000,000 shares authorized, 80,000,000 shares issued and outstanding, 95,500,000 shares issued and outstanding (pro forma as adjusted)(3)	--	--	96
Additional paid-in capital	--	--	371,378
Parent company investment (2)	369,474	69,474	--
Accumulated other comprehensive income (loss)	(6,007)	(6,007)	(6,007)
Total stockholder's net investment	363,467	63,467	365,467
Total capitalization	$363,467	$363,467	$365,467

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NOTES:

(1) During the second quarter of 2000, we estimate that Eaton's management of substantially all of our cash receipts and disbursements in the United States will result in additional cash due us of $30.1 million.

(2) On May 3, 2000, our Board of Directors declared a dividend of $300 million payable to Eaton. We have the option of paying this dividend in either cash or notes or in a combination thereof. We presently expect to pay all of this dividend in cash.

(3) On June 14, 2000, our Board of Directors declared a stock split, to be effected in the form of a stock dividend, increasing the number of outstanding shares of our common stock owned by Eaton from 100 to 80,000,000.

DILUTION

Our net tangible book value at March 31, 2000 was approximately $292.6 million, or $3.66 per share. Pro forma net tangible book value per share is determined by dividing our pro forma net tangible book value, which is total tangible assets less total liabilities after giving effect to the payment of a previously declared $300 million dividend to Eaton, by the 80,000,000 shares of common stock outstanding immediately before this offering. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma net tangible book value per share of our common stock immediately afterwards. After giving effect to our sale of 15,500,000 shares of common stock in this offering at an assumed initial public offering price of $21.00 per share and after deducting an assumed underwriting discount and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at March 31, 2000 would have been approximately $294.6 million, or $3.08 per share. This represents an immediate increase in pro forma net tangible book value of $3.17 per share to our existing stockholder and an immediate dilution in pro forma net tangible book value of $17.92 per share to new investors purchasing shares of our common stock in this offering. The following table illustrates this dilution per share:

Assumed initial public offering price per share.....		$21.00
Pro forma net tangible book value per share as of March 31, 2000.....	$(0.09)	
Increase in pro forma net tangible book value per share attributable to new investors.....	3.17	
Pro forma, as adjusted, net tangible book value per share after this offering.....		3.08
Dilution in pro forma net tangible book value per share to new investors.....		$17.92

The discussion and table above assume no issuance of shares reserved for future issuance under our 2000 Employee Stock Purchase Plan. As of March 31, 2000, there were no options outstanding to purchase shares of our common stock. To the extent that any options are granted and exercised, there will be further dilution to new investors. We currently plan to grant options to purchase approximately 5,400,000 shares of our common stock to employees at the initial public offering price, none of which options will be immediately exercisable. In addition, we may assume substantially all of the Eaton stock options held by our employees on the date Eaton consummates its divestiture of our company. If the divestiture had been consummated on June 12, 2000, these options to purchase Eaton common shares would have been converted into options to purchase 2,088,149 shares of our common stock, based on an assumed initial public offering price of $21.00 per share and on the closing price of $74 5/16 per Eaton common share on June 12, 2000.

SELECTED HISTORICAL COMBINED FINANCIAL DATA

The following tables present our selected historical combined financial data. The information set forth below should be read together with "Management's Discussion and Analysis" and our historical combined financial statements and notes to those statements included elsewhere in this prospectus. Our statements of combined operations data set forth below for the years ended December 31, 1997, 1998 and 1999 and the combined balance sheet data as of December 31, 1998 and 1999 are derived from our audited combined financial statements included in this prospectus which have been audited by Ernst & Young LLP, independent auditors, whose report is also included in this prospectus.

The statements of combined operations data for the years ended December 31, 1995 and 1996 and the combined balance sheet data as of December 31, 1995, 1996 and 1997 are derived from our unaudited combined financial statements that are not included in this prospectus. The statements of combined operations data for the three months ended March 31, 1999 and 2000 and the combined balance sheet data as of March 31, 2000 are derived from unaudited combined financial statements included in this prospectus and, in the opinion of management, include all adjustments, consisting only of normal recurring accruals, that are necessary for a fair presentation of our financial position and operating results for these periods. The historical financial information may not be indicative of our future performance and does not reflect what our financial position and operating results would have been had we operated as a separate, stand-alone entity during the periods presented.

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1998	1999	1999	2000
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)						
	(UNAUDITED)					(UNAUDITED)	
STATEMENTS OF COMBINED OPERATIONS DATA(1)							
Net sales	$385,080	$448,663	$460,010	$ 265,709	$397,267	$ 59,124	$143,051
Gross profit (2)	138,335	157,246	172,802	64,229	157,082	20,768	61,474
Other costs & expenses:							
Selling	34,375	45,600	47,148	42,134	37,946	9,087	11,598
General & administrative	23,326	33,437	38,287	47,075	45,925	9,612	13,030
Research & development	21,802	35,107	70,466	78,656	51,599	12,183	16,125
Amortization of goodwill & intangible assets		100	3,936	9,279	9,279	2,320	2,320
Restructuring charges (2)				24,994			
Write-off of in-process research & development (1)			85,000				
Income (loss) from operations	58,832	43,002	(72,035)	(137,909)	12,333	(12,434)	18,401
Other income (expense):							
Royalty income	8,273	9,590	6,265	7,949	5,854	965	3,823
Equity income (loss) of SEN	7,044	10,148	3,283	(2,132)	1,338	(2,447)	3,340
Other income (expense)-net	(163)	(1,837)	1,123	(1,045)	28	(145)	1,549
Income (loss) before income taxes	73,986	60,903	(61,364)	(133,137)	19,553	(14,061)	27,113
Income taxes (credit)	25,365	14,599	103	(51,090)	5,125	(3,686)	8,251
Net income (loss)	$ 48,621	$ 46,304	$(61,467)	$ (82,047)	$ 14,428	$(10,375)	$ 18,862

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1995	1996	1997	1998	1999	1999	2000
	(UNAUDITED)	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				(UNAUDITED)	
Net income (loss) per share:							
Basic and diluted net income (loss) per share	$ .61	$ .58	$ (.77)	$ (1.03)	$ .18	$ (.13)	$ .24
Shares used in computing basic and diluted net income (loss) per share	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Unaudited pro forma basic and diluted net income per share (3)					$ .15		$ .20
Shares used in computing unaudited pro forma basic and diluted net income per share (3)					95,402		95,402

	DECEMBER 31,					MARCH 31,
	1995	1996	1997	1998	1999	2000
		(UNAUDITED)		(IN THOUSANDS)		(UNAUDITED)
COMBINED BALANCE SHEET DATA						
Cash & short-term investments	$ 1,662	$ 2,159	$ 3,479	$ 3,338	$ 3,530	$ 2,803
Working capital	102,578	112,092	149,041	91,028	169,759	190,004
Total assets	213,659	279,189	457,567	341,121	422,835	449,332
Stockholder's net investment	151,112	190,429	349,192	269,161	342,296	363,467

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NOTES:

(1) On August 4, 1997, we acquired Fusion, a developer and manufacturer of dry strip and photostabilization systems for use in semiconductor manufacturing processes. The acquisition was accounted for under the purchase method of accounting and, accordingly, our combined financial statements include Fusion's results of operations beginning August 4, 1997. Net income in 1997 was reduced by an $85.0 million write-off of purchased in-process research and development related to the acquisition of Fusion, with no income tax benefit.

(2) Net loss in 1998 reflects a restructuring charge of $42.4 million ($27.5 million aftertax) of which $17.4 million related to inventory writedowns and reduced gross profit and $25.0 million related to workforce reductions and other restructuring actions and was recorded in operating expenses.

(3) Pro forma basic and diluted net income per share amounts are calculated based on 80,000,000 shares of our common stock outstanding that are owned by Eaton prior to this offering, plus an additional 15,402,388 shares of common stock. The number of additional shares is calculated by dividing the $300 million previously declared dividend to Eaton by the assumed initial public offering price of $21.00 per share, reduced by the estimated per share offering expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of our financial condition and results of operations should be read together with our combined financial statements and notes to those statements included elsewhere in this prospectus.

OVERVIEW

We are a leading producer of ion implantation equipment used in the fabrication of semiconductors and, we also produce dry strip, photostabilization and rapid thermal processing equipment, which is used in semiconductor manufacturing primarily before and after the ion implantation process. In addition, we provide extensive aftermarket service and support, including spare parts, equipment upgrades, maintenance services and customer training. We are a 50-50 joint venture partner in Japan with Sumitomo.

SEPARATION FROM EATON

We are currently a wholly owned subsidiary of Eaton. Prior to the completion of this offering, Eaton will substantially complete the transfer to us of all of the assets of its semiconductor equipment operations that are not currently owned by us, and we will assume the related liabilities. We will also enter into various other agreements with Eaton which provide for transitional services and support, including those associated with voice and data transmissions and other data-related operations, accounts receivable, accounts payable, fixed assets, payroll, general accounting, financial accounting consolidation, cash management, human resources, tax, legal and real estate. Under these agreements, we will reimburse Eaton for its direct and indirect costs of providing these services until the divestiture, and thereafter, for a limited time, we will reimburse Eaton for its costs plus an additional fee. The transition periods covered by these agreements vary, but are generally less than two years from the date of the completion of this offering. The agreements do not necessarily reflect the costs of obtaining these services from unrelated third parties or of providing the applicable services in-house. However, management believes that purchasing these services from Eaton provides an efficient means of obtaining these services during the transition period. We must also negotiate new agreements with various third parties as a separate, standalone entity. There can be no assurance that the terms we will be able to negotiate for these agreements will be as favorable as those we enjoy as part of Eaton. See "Arrangements with Eaton" for a more detailed discussion of the agreements entered into between our company and Eaton.

OUR BUSINESS

Our business depends in significant part upon capital expenditures by semiconductor manufacturers, especially manufacturers that are opening new fabrication facilities or expanding existing facilities. These expenditure patterns are based on many factors, including anticipated market demand for semiconductors and the products utilizing them, the available manufacturing capacity in manufacturers' fabrication facilities, the development of new technologies and global economic conditions. We have benefited from the recent growth of the global semiconductor industry, and we expect it to continue to expand over the long term. Although our business is not seasonal, we operate in a cyclical industry. We expect the industry to continue its historically cyclical nature.

The cyclicality in the semiconductor capital equipment market over the last several years resulted in a decline in net sales beginning in late 1997 and continuing through late 1998, with orders and backlog under continuous pressure. This situation was the combined result of an oversupply of memory chips, a decline in personal computer demand and the effects of the Asian financial crisis. Typical of our industry, we have relatively high fixed costs, and our ongoing need to make investments in engineering, marketing, and research and development limit our ability to

reduce expenses during downturns. As a result, a decline in our sales, whether attributable to a downturn in the semiconductor industry or otherwise, could have a disproportionate effect on our business.

In response to the severe downturn in the semiconductor industry that began in late 1997, we undertook a restructuring in the third quarter of 1998 and incurred a related charge of $42.4 million. Key elements of this restructuring included the closure of our Austin, Texas manufacturing facility, workforce reductions involving 475 employees, almost half of whom were employed in Austin, the relocation of ion implantation production and engineering from Austin to our Beverly, Massachusetts facility and a charge for asset write-downs, primarily inventory, to estimated market value. On May 18, 2000, we sold our idle Austin facility for net proceeds of $11.0 million, a price that approximated book value. See Notes 5 and 8 to our combined financial statements.

We derive a substantial majority of our net sales from the sale of ion implantation systems. These sales accounted for more than 80.0% of our net sales for each of the three years ended December 31, 1999 and for the three months ended March 31, 2000.

In August 1997, we acquired Fusion, which develops and manufactures dry strip and photostabilization systems for use within the semiconductor manufacturing process. This acquisition was accounted for using the purchase method of accounting, under which goodwill of $49.8 million, which is being amortized over 15 years with no tax benefit, was recorded. Our combined statements of operations include the results of Fusion beginning in August 1997. The acquisition of Fusion also included $85.0 million allocable to in-process research and development. This amount was expensed at the date of acquisition, with no tax benefit, because the technological feasibility of certain projects had not been established and no alternative commercial use had been identified.

We have a 50% interest in SEN, our joint venture with Sumitomo. This joint venture manufactures ion implantation equipment under license from us for sale to semiconductor manufacturers in Japan. We account for the results of this joint venture based on the equity method of accounting, which means that we record our pro rata share of the joint venture's earnings or losses in our statement of combined operations under "Other income (expense)". We also receive royalty income from the joint venture based on a percentage of net sales of specific products sold by SEN. Summary financial information for SEN is presented in Note 17 to our combined financial statements.

Historically we have sold a significant proportion of our products and services to a limited number of fabricators of semiconductor products. In 1999, three of our customers, STMicroelectronics N.V., Motorola, Inc. and Texas Instruments Incorporated, accounted for 37.0% of our net sales. Also, we derive most of our revenues from the sale of a relatively small number of expensive products to our customers. The list prices on our principal products range from $150,000 to over $4.0 million. Our lengthy sales and installation cycle, coupled with customers' competing capital budget considerations, make timing of customer orders uneven and difficult to predict. As a result, our net sales and operating results for any given period will depend on our shipment and installation of orders as scheduled during that period as well as obtaining new orders for products to be shipped in that same period.

We recognize sales of systems upon shipment to the customer and the costs of installation at the customer's site are accrued at the time of shipment. See Note 3 to our combined financial statements. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition". SAB No. 101, as amended, articulates certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements and requires compliance by issuers no later than the fourth quarter of 2000. We have concluded that our existing revenue recognition policy continues to be

appropriate and in accordance with generally accepted accounting principles and SAB 101 as currently written.

BASIS OF PRESENTATION

The combined financial statements include our assets, liabilities, revenues and expenses based on Eaton's historical amounts. Prior to January 1, 2000, substantially all of our cash receipts and disbursements in the United States were processed through Eaton's centralized cash management system and were recorded in Parent Company investment. Since December 31, 1999, substantially all of these amounts have been recorded as a receivable from or payable to Eaton. At March 31, 2000, a net amount of $0.9 million was payable to Eaton by us for these transactions and was included in "Receivables from Eaton Corporation" in our March 31, 2000 combined balance sheet. This payable became a receivable of approximately $19.4 million at May 31, 2000 and we expect this receivable to increase to approximately $29.1 million at June 30, 2000. We plan to settle this receivable in cash at or shortly after the closing of this offering.

The remaining balance of the "Receivables from Eaton Corporation" at March 31, 2000 was $9.2 million and represented primarily cash generated by us in Europe that was processed through Eaton's European centralized cash management system. Approximately $5.5 million of this receivable, as well as $1.5 million of our $2.8 million of cash and short-term investments at March 31, 2000, will be retained by Eaton and will not be available to us. The resulting $3.7 million balance of this receivable will also be settled in cash at or shortly after the closing of this offering. Subsequent to March 31, 2000, in connection with Eaton's contribution of assets to us, we received a cash transfer from Eaton, which after offsets, we expect to net to approximately $8.0 million.

Our combined statements of operations include those expenses originally recorded by us or directly charged to us by Eaton. Further, the statements include an allocation of Eaton's general corporate expenses to reflect the services provided or benefits received by us. This allocation is based on Eaton's internal expense allocation methodology, which charges these expenses to operating locations based both on net working capital, excluding short-term investments and short-term debt, and on property, plant, and equipment-net. We believe that this is a reasonable method of allocating these expenses.

In the opinion of management, all adjustments necessary for a fair presentation of combined financial position, operating results and cash flows for the stated periods have been made. However, Eaton did not operate or account for us as a separate, stand-alone entity for the periods presented and, as a result, the financial information included herein may not reflect our combined financial position, operating results and cash flows as they would have been reported if we had been a separate, stand-alone entity during the periods presented or in the future. The financial information presented in this prospectus does not reflect any significant changes that may occur in our operations as a result of our becoming a stand-alone entity and this offering.

RESULTS OF OPERATIONS

The following table sets forth combined statements of operations data expressed as a percentage of net sales for the periods indicated:

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	37.6	24.2	39.5	35.1	43.0
Other costs & expenses:					
Selling	10.3	15.9	9.5	15.4	8.1
General & administrative	8.3	17.7	11.6	16.2	9.1
Research & development	15.3	29.6	13.0	20.6	11.3
Amortization of goodwill & intangible assets	0.9	3.5	2.3	3.9	1.6
Restructuring charges		9.4			
Write-off of in-process research & development	18.5				
Income (loss) from operations	(15.7)	(51.9)	3.1	(21.0)	12.9
Other income (expense):					
Royalty income	1.4	3.0	1.5	1.6	2.7
Equity income (loss) of SEN	0.7	(0.8)	0.3	(4.1)	2.3
Other income (expense)-net	0.2	(0.4)		(0.3)	1.1
Income (loss) before income taxes	(13.4)	(50.1)	4.9	(23.8)	19.0
Income taxes (credit)		(19.2)	1.3	(6.3)	5.8
Net income (loss)	(13.4)%	(30.9)%	3.6%	(17.5)%	13.2%

FIRST QUARTER 2000 COMPARED TO FIRST QUARTER 1999 (UNAUDITED)

NET SALES

Net sales were $143.1 million in the first quarter of 2000, an increase of $84.0 million, or 142.0%, as compared to net sales of $59.1 million in the first quarter of 1999. The increase in net sales was attributable to continued high levels of capital spending by our semiconductor manufacturing customers, resulting in increased demand for our products and services.

Sales of ion implant products and services accounted for $115.8 million in total sales in the first quarter of 2000, an increase of $68.8 million, or 146.4%, as compared to $47.0 million in the first quarter of 1999. Sales of other products and services, including dry strip products, photostabilization products and rapid thermal processing systems, accounted for $27.3 million in total sales in the first quarter of 2000, an increase of $15.2 million, or 125.6%, as compared to $12.1 million in the first quarter of 1999.

GROSS PROFIT

Gross profit was $61.5 million in the first quarter of 2000, an increase of $40.7 million, or 196.0%, as compared to gross profit of $20.8 million in the first quarter of 1999. The increase in gross profit was primarily attributable to increased products and services sales volume. Gross profit as a percentage of net sales increased to 43.0% in the first quarter of 2000 from 35.1% in the first quarter of 1999. This increase was due primarily to improved capacity utilization as a result of higher sales volume and, to a lesser extent, to a more favorable product mix of ion implant sales.

SELLING

Selling expense was $11.6 million in the first quarter of 2000, an increase of $2.5 million, or 27.6%, as compared to $9.1 million in the first quarter of 1999. The increase in selling expense was primarily due to increased headcount expenses of $2.0 million and increased commissions of $0.5 million associated with increased net sales. As a percentage of net sales, selling expense decreased to 8.1% in the first quarter of 2000 as compared to 15.4% in the first quarter of 1999, as costs were spread over a higher revenue base.

GENERAL AND ADMINISTRATIVE

General and administrative expense, including the allocation of Eaton general corporate expenses to our business, was $13.0 million in the first quarter of 2000, an increase of $3.4 million, or 35.6%, as compared with $9.6 million in the first quarter of 1999. The increase in general and administrative expense was primarily attributable to increased personnel costs associated with a greater number of employees. As a percentage of net sales, general and administrative expense decreased to 9.1% in the first quarter of 2000 as compared with 16.2% in the first quarter of 1999 as these costs were spread over a higher revenue base. The allocation of Eaton general corporate expense was $4.0 million in the first quarter of 2000 as compared to $3.2 million in the first quarter of 1999. Following the separation, Eaton will provide transitional services under the terms of a transitional services agreement described under "Arrangements with Eaton".

RESEARCH AND DEVELOPMENT

Research and development expense was $16.1 million in the first quarter of 2000, an increase of $3.9 million, or 32.4%, as compared to $12.2 million in the first quarter of 1999. As a percentage of net sales, research and development expense decreased to 11.3% in the first quarter of 2000 from 20.6% in the first quarter of 1999, as costs were spread over a higher revenue base. We continue to invest significantly in both current product enhancements and new product development.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS

Amortization of goodwill and intangible assets was $2.3 million in the first quarter of 2000, consistent with the first quarter of 1999.

INCOME (LOSS) FROM OPERATIONS

Income from operations was $18.4 million in the first quarter of 2000 as compared to a loss from operations of $12.4 million in the first quarter of 1999, primarily as a result of the factors described above.

OTHER INCOME (EXPENSE)

Total other income-net was $8.7 million in the first quarter of 2000 as compared to expense of $1.6 million in the first quarter of 1999. Other income consists primarily of royalty income and equity income from SEN. Royalty income, primarily from SEN, was $3.8 million in the first quarter of 2000 as compared to $1.0 million in the first quarter of 1999. Equity income attributable to SEN was $3.3 million in the first quarter of 2000 compared to a loss of $2.4 million in the first quarter of 1999. Both increases in 2000 were due to increased SEN sales volume due primarily to the recovery in the Japanese semiconductor market, which began in late 1999.

INCOME TAXES (CREDIT)

Income taxes were $8.3 million in the first quarter of 2000 as compared with an income tax credit of $3.7 million in the first quarter of 1999. Our effective income tax rate was 30.4% in the first quarter of 2000 as compared to 26.2% in the first quarter of 1999. The 1999 rate was lower

than the U.S. federal statutory rate primarily because of benefits associated with research and development credits taken in that year. See Note 13 to our combined financial statements.

NET INCOME (LOSS)

Net income increased to $18.9 million in the first quarter of 2000 as compared to a loss of $10.4 million in the first quarter of 1999, principally as a result of the factors discussed above.

1999 COMPARED TO 1998

NET SALES

Net sales in 1999 were $397.3 million, an increase of $131.6 million, or 49.5%, as compared to net sales of $265.7 million in 1998. The increase in net sales was attributable to the increased demand for our principal products and services resulting from the semiconductor industry's recovery, which began in the second half of 1999. Our third quarter 1999 net sales increased 125.4% over the third quarter of 1998, and fourth quarter 1999 net sales increased 193.7% over the fourth quarter of 1998.

Sales of our ion implant systems and services accounted for $322.0 million in total sales in 1999 as compared to $219.9 million in 1998, an increase of 46.4% over 1998. Sales of other products and services, including dry strip products, photostabilization products and rapid thermal processing systems, increased by 64.4% in 1999 over 1998.

International sales, including exports from our three United States manufacturing facilities to customers in Europe and Asia Pacific and the sale of products and services directly by our foreign branches, totalled $212.4 million in 1999, an increase of $81.1 million, or 61.8%, as compared to $131.3 million in 1998. Excluding export sales from the United States, our sales in Europe were $35.5 million, a decrease of 11.9% from 1998, reflecting a lower volume of sales of service contracts, spares and upgrades. Sales in Asia Pacific were $18.4 million, an increase of 63.5% over 1998, primarily as a result of the economic recovery in Asia Pacific and increased sales of our products in Taiwan, Singapore and South Korea.

GROSS PROFIT

Gross profit was $157.1 million in 1999, an increase of $92.9 million, or 144.6%, as compared with gross profit of $64.2 million in 1998. Of this increase, $31.9 million resulted from increased sales while $43.6 million was due primarily to improved capacity utilization resulting from higher product sales volume. In addition, gross profit in 1998 was reduced by $17.4 million of restructuring charges for inventory writedowns. The increase in gross profit as a percentage of net sales to 39.5% in 1999 from 24.2% in 1998 was due to improved capacity utilization, increased sales and the absence of restructuring charges in 1999.

SELLING

Selling expense was $37.9 million in 1999, a decline of $4.2 million, or 9.9%, as compared to $42.1 million in 1998. The reduction in selling expense between years was driven principally by headcount savings attributable to our cost reduction strategy that was initiated in the second quarter of 1998 and continued into the second quarter of 1999. As a percentage of net sales, selling expense decreased to 9.5% in 1999 as compared to 15.9% in 1998.

GENERAL AND ADMINISTRATIVE

General and administrative expense, including the allocation of Eaton general corporate expenses to our business, was $45.9 million in 1999, a decrease of $1.2 million, or 2.4%, as compared with $47.1 million in 1998. As a percentage of net sales, general and administrative expense decreased to 11.6% in 1999 as compared with 17.7% in 1998 as these costs were spread over a higher revenue base. The allocation of Eaton general corporate expense was $15.0 million in 1999 as compared to $14.8 million in 1998.

RESEARCH AND DEVELOPMENT

Research and development expense was $51.6 million in 1999, a decrease of $27.1 million, or 34.4%, as compared to $78.7 million in 1998. As a percentage of net sales, research and development expense was 13.0% in 1999 and 29.6% in 1998. Approximately $17.2 million of the decrease in expense was attributable primarily to synergy savings associated with the closing of our Austin, Texas facility and the subsequent transfer of Austin's ion implant engineering activities to our Beverly, Massachusetts facility. The balance of the decrease was attributable to a reallocation of our research and development efforts following our 1998 restructuring and the completion of certain research projects.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS

Amortization of goodwill and intangible assets was $9.3 million in 1999, consistent with 1998.

INCOME (LOSS) FROM OPERATIONS

Income from operations was $12.3 million in 1999 as compared to a loss from operations of $137.9 million in 1998, primarily as a result of the factors described above.

OTHER INCOME (EXPENSE)

Total other income-net was $7.2 million in 1999, an increase of $2.4 million, or 51.3%, as compared to $4.8 million in 1998. Other income primarily consisted of royalty income and equity income from SEN. Royalty income, more than half of which was from SEN, was $5.9 million in 1999, as compared to $7.9 million in 1998, or a decrease of 26.4%. The decrease in 1999 was due to income in 1998 from a large one-time royalty payment from an unrelated party. Equity income attributable to SEN was $1.3 million in 1999 as compared to a loss of $2.1 million in 1998. This increase primarily reflects a 19.4% increase in SEN sales volume in 1999 as compared to 1998 as a result of improvements in the Japanese semiconductor market.

INCOME TAXES (CREDIT)

Income tax expense was $5.1 million in 1999 as compared with an income tax credit of $51.1 million in 1998, which was generated by our loss from operations in that year. The effective tax rate for 1999 was 26.2% and included a credit for research activities, as compared to an effective tax rate of 38.4% in 1998. See Note 13 to the combined financial statements.

NET INCOME (LOSS)

Net income increased to $14.4 million in 1999 as compared to a loss of $82.0 million in 1998, principally as a result of the factors discussed above.

1998 COMPARED TO 1997

NET SALES

Net sales in 1998 were $265.7 million, a decline of $194.3 million, or 42.2%, as compared with net sales of $460.0 million in 1997. The decrease in net sales was largely attributable to the severe worldwide downturn in the semiconductor industry that began in late 1997.

Sales of our ion implant systems and services accounted for $219.9 million of total sales in 1998, a decrease of $195.3 million, or 47.0%, as compared to $415.2 million in 1997, caused mainly by decreasing demand for semiconductors which led to excess capacity at manufacturers of semiconductors and lower capital spending. Sales of other products and services, including dry strip products, photostabilization products and rapid thermal processing systems, increased by 2.1% in 1998 compared to 1997 due to the inclusion of a full year of sales from Fusion in 1998 as compared to approximately five months of sales in 1997.

International sales, including exports from our United States facilities to customers in Europe and Asia Pacific and the sale of products and manufacturing services directly by our foreign

operations totaled $131.3 million in 1998, a decrease of 48.4% as compared to 1997. Excluding export sales from the United States, our sales in Europe were $40.3 million, an increase of 16.4% as compared to 1997 reflecting a higher volume of sales of service contracts, spares and upgrades. Sales in Asia Pacific were $11.3 million, a decrease of 29.6% from 1997, primarily as a result of the economic crisis in Asia.

GROSS PROFIT

Gross profit was $64.2 million in 1998, a decrease of $108.6 million, or 62.8%, as compared to $172.8 million in 1997. Of this decrease, $73.1 million was primarily the result of a reduced volume of product sales, while $18.2 million resulted from excess capacity costs associated with the semiconductor industry downturn. Gross profit was also affected by restructuring charges of $17.4 million in 1998 related to the writedown of inventory, as described in Note 5 to our combined financial statements. As a percentage of net sales, gross profit decreased to 24.2% in 1998 from 37.6% in 1997, primarily due to the $17.4 million restructuring charges and the downturn in the semiconductor industry.

SELLING

Selling expense was $42.1 million in 1998, a decline of $5.0 million, or 10.6%, as compared to $47.1 million in 1997. Decreases in selling expense of $9.6 million were primarily the result of product volume decreases offset in part by the full year impact in 1998 of the acquisition of Fusion in August 1997. As a percentage of net sales, selling expense increased to 15.9% in 1998 from 10.3% in 1997.

GENERAL AND ADMINISTRATIVE

General and administrative expense, including the allocation of Eaton general corporate expenses to our business, was $47.1 million in 1998, an increase of $8.8 million, or 23.0%, as compared with $38.3 million in 1997, primarily as a result of the full year impact of the Fusion acquisition. As a percentage of net sales, general and administrative expense increased to 17.7% in 1998 compared with 8.3% in 1997, primarily due to spreading fixed costs over a smaller sales base. The allocation of Eaton general corporate expense was $14.8 million in 1998 as compared to $11.8 million in 1997, with the increase principally reflecting an increased asset base associated with the acquisition of Fusion.

RESEARCH AND DEVELOPMENT

Research and development expense was $78.7 million in 1998, an increase of $8.2 million, or 11.6%, as compared to $70.5 million in 1997. As a percentage of net sales, research and development expense was 29.6% in 1998 as compared to 15.3% in 1997, primarily resulting from a significant decrease in sales in 1998. The increase reflected our continued commitment to new product development and the enhancement of existing product capabilities, notwithstanding the downturn in sales volume in 1998.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS

Amortization of goodwill and intangible assets increased to $9.3 million in 1998 as compared to $3.9 million in 1997. This increase reflected a full year of amortization resulting from the acquisition of Fusion in August 1997.

RESTRUCTURING CHARGES

Restructuring charges of $25.0 million in 1998, not including the $17.4 million related to inventory writedowns, which was included in cost of products sold, related primarily to workforce reductions, non-cash asset writedowns, and other restructuring actions. The charge for workforce reductions of $7.1 million included the termination of approximately 475 employees, primarily manufacturing personnel. As of December 31, 1998, approximately 300 employees had been terminated in this program. In addition, the ion implant equipment manufacturing facility in

Austin, Texas was closed and production was transferred to Beverly, Massachusetts. The writedown of this plant to estimated selling price represented approximately $2.1 million of asset writedowns. The phase-out of this plant was concluded in the first quarter of 1999. On May 18, 2000, we sold the Austin facility for net proceeds of $11.0 million, a price that approximated book value. See Notes 5 and 8 to our combined financial statements.

WRITE-OFF OF IN-PROCESS RESEARCH AND DEVELOPMENT

Results for 1997 included an $85.0 million write-off of purchased in-process research and development, with no tax benefit, related to the acquisition of Fusion. This amount was expensed at the date of acquisition because technological feasibility of certain projects had not been established and no alternative commercial use had been identified. See Note 4 to our combined financial statements.

LOSS FROM OPERATIONS

Loss from operations was $137.9 million in 1998 as compared to a loss from operations of $72.0 million in 1997, primarily as a result of the factors described above.

OTHER INCOME (EXPENSE)

Total other income-net was $4.8 million in 1998 as compared to $10.7 million in 1997, a decrease of 55.3%, and consisted primarily of royalty and equity income (loss) from SEN. Royalty income, primarily from SEN, was $7.9 million in 1998, as compared to $6.3 million in 1997. We also benefited from a one-time royalty payment from an unrelated party in 1998. We recorded an equity loss of $2.1 million in 1998 attributable to SEN as compared to income of $3.3 million in 1997, which primarily reflected lower SEN sales and earnings in 1998 as a result of the downturn in the Japanese semiconductor market.

INCOME TAXES (CREDIT)

Income tax credit was $51.1 million in 1998 as compared with income tax expense of $0.1 million in 1997. The effective income tax rate for 1998 was 38.4% as compared to 0.2% in 1997. The pretax loss in 1997 included a nondeductible charge of $85.0 million in connection with the write-off of acquired in-process research and development costs resulting from the acquisition of Fusion. See Notes 4 and 13 to our combined financial statements.

NET LOSS

We reported a net loss of $82.0 million in 1998 as compared to a net loss of $61.5 in 1997, reflecting the factors described above.

QUARTERLY RESULTS OF OPERATIONS

The following tables present our combined operating results for each of the four quarters in 1998 and 1999 and for the first quarter in 2000, in dollars and as a percentage of net sales. The information for each of these quarters is unaudited and has been prepared on the same basis as the audited combined financial statements included in this prospectus. In the opinion of management, all necessary adjustments, consisting only of normal recurring accruals, have been included to fairly present the unaudited quarterly results. This data should be read together with our combined financial statements and the notes to those statements included in this prospectus.

The historical financial information may not be indicative of our future performance and does not reflect what our financial position and operating results would have been had we operated as a separate, stand-alone entity during the periods presented.

	(UNAUDITED) THREE MONTHS ENDED								
	MARCH 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998	MARCH 31, 1999	JUNE 30, 1999	SEPT. 30, 1999	DEC. 31, 1999	MARCH 31, 2000
	(IN THOUSANDS)								
STATEMENTS OF COMBINED OPERATIONS DATA									
Net sales	$ 79,178	$ 93,829	$ 48,217	$ 44,485	$ 59,124	$98,814	$108,658	$130,671	$143,051
Gross profit (1)	25,979	33,878	(4,346)	8,718	20,768	41,512	42,260	52,542	61,474
Other costs & expenses:									
Selling	11,216	11,577	10,589	8,752	9,087	8,485	10,085	10,289	11,598
General & administrative	11,025	12,388	11,069	12,593	9,612	9,751	10,608	15,954	13,030
Research & development	22,205	19,670	18,997	17,784	12,183	12,549	12,347	14,520	16,125
Amortization of goodwill & intangible assets	2,319	2,320	2,320	2,320	2,320	2,320	2,320	2,319	2,320
Restructuring charges (1)			25,529	(535)					
Income (loss) from operations	(20,786)	(12,077)	(72,850)	(32,196)	(12,434)	8,407	6,900	9,460	18,401
Other income (expense):									
Royalty income	5,022	1,341	292	1,294	965	1,760	1,455	1,674	3,823
Equity income (loss) of SEN	(1,071)	468	(1,627)	98	(2,447)	(1,302)	4,981	106	3,340
Other income (expense)-net	(131)	(132)	1,136	(1,918)	(145)	(447)	(259)	879	1,549
Income (loss) before income taxes	(16,966)	(10,400)	(73,049)	(32,722)	(14,061)	8,418	13,077	12,119	27,113
Income taxes (credit)	(6,510)	(3,991)	(28,032)	(12,557)	(3,686)	2,206	3,428	3,177	8,251
Net income (loss) (1)	$(10,456)	$ (6,409)	$(45,017)	$(20,165)	$(10,375)	$ 6,212	$ 9,649	$ 8,942	$ 18,862
AS A PERCENTAGE OF NET SALES									
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit (1)	32.8	36.1	(9.0)	19.6	35.1	42.0	38.9	40.2	43.0
Other costs & expenses:									
Selling	14.2	12.3	22.0	19.6	15.4	8.6	9.3	7.9	8.1
General & administrative	13.9	13.2	23.0	28.3	16.2	9.9	9.8	12.2	9.1
Research & development	28.0	21.0	39.4	40.0	20.6	12.7	11.3	11.1	11.3
Amortization of goodwill & intangible assets	2.9	2.5	4.8	5.2	3.9	2.3	2.1	1.8	1.6
Restructuring charges (1)			53.0	(1.2)					
Income (loss) from operations	(26.2)	(12.9)	(151.2)	(72.3)	(21.0)	8.5	6.4	7.2	12.9
Other income (expense):									
Royalty income	6.3	1.4	0.6	2.9	1.6	1.8	1.3	1.3	2.7
Equity income (loss) of SEN	(1.3)	0.5	(3.3)	0.2	(4.1)	(1.3)	4.6	0.1	2.3
Other income (expense)-net	(0.2)	(0.1)	2.4	(4.3)	(0.3)	(0.5)	(0.2)	0.6	1.1
Income (loss) before income taxes	(21.4)	(11.1)	(151.5)	(73.5)	(23.8)	8.5	12.1	9.2	19.0
Income taxes (credit)	(8.2)	(4.3)	(58.1)	(28.2)	(6.3)	2.2	3.2	2.4	5.8
Net income (loss) (1)	(13.2)%	(6.8)%	(93.4)%	(45.3)%	(17.5)%	6.3%	8.9%	6.8%	13.2%

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(1) Net loss in the third quarter of 1998 reflects a restructuring charge of $42.9 million ($27.9 million aftertax), of which $17.4 million related to inventory writedowns and reduced gross profit and $25.5 million related to

workforce reductions and other restructuring actions and was recorded in operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

Historically, Eaton has managed substantially all of our cash on a centralized basis. Cash receipts associated with our business have been transferred to Eaton on a periodic basis and Eaton has provided funds to cover our disbursements. Accordingly, the cash and short-term investment balances presented in the accompanying combined balance sheets do not represent balances required or generated by our operations; rather they primarily relate to cash and highly liquid short-term investments maintained for working capital purposes, primarily at international locations.

Prior to January 1, 2000, substantially all of our cash receipts and disbursements in the United States were processed through Eaton's centralized cash management system and were recorded in Parent Company investment. Since December 31, 1999, substantially all of these amounts have been recorded as a receivable from or payable to Eaton. At March 31, 2000, a net amount of $0.9 million was payable to Eaton by us for these transactions and was included in "Receivables from Eaton Corporation" in our March 31, 2000 combined balance sheet. This payable became a receivable of approximately $19.4 million at May 31, 2000 and we expect this receivable to increase to approximately $29.1 million at June 30, 2000. We plan to settle this receivable in cash at or shortly after the closing of this offering.

The remaining balance of the "Receivables from Eaton Corporation" at March 31, 2000 was $9.2 million and represented primarily cash generated by us in Europe that was processed through Eaton's European centralized cash management system. Approximately $5.5 million of this receivable, as well as $1.5 million of our $2.8 million of cash and short-term investments at March 31, 2000, will be retained by Eaton and will not be available to us. The resulting $3.7 million balance of this receivable will also be settled in cash at or shortly after the closing of this offering. Subsequent to March 31, 2000, in connection with Eaton's contribution of assets to us, we received a cash transfer from Eaton that, after offsets, we expect to net to approximately $8.0 million. On May 18, 2000, we sold our Austin, Texas facility for net proceeds of $11.0 million in cash. We closed this plant in the first quarter of 1999.

After giving pro forma effect to the foregoing transactions, including the payments we will receive upon settlement of receivables at or shortly after the closing of this offering, we would have had $43.4 million of cash and short-term investments at May 31, 2000. This cash, together with the net proceeds from this offering of an estimated $302.0 million, reduced by the payment of the $300 million dividend to Eaton, will be available to us for working capital and other corporate purposes. See "Use of Proceeds".

Net working capital was $190.0 million at March 31, 2000 as compared to $169.8 million at December 31, 1999, $91.0 million at December 31, 1998 and $149.0 million at December 31, 1997. The current ratio at those dates was 3.6 as compared to 3.6, 2.6 and 2.7, respectively. The increase in accounts receivable and inventory was the primary cause of the increase in working capital at March 31, 2000 and resulted from increasing sales volume and higher levels of production beginning in the second half of 1999 and continuing into the first quarter of 2000.

Cash (used in) provided by operating activities was ($2.9 million) for the three months ended March 31, 2000 as compared to ($39.1 million) in 1999, $12.2 million in 1998 and ($6.7 million) in 1997. The cash used in operating activities in 1999 and the first quarter of 2000 was primarily the result of increased accounts receivable and the build-up of inventory balances by period end, resulting from expanding sales volume partially offset by higher accounts payable and improved earnings performance.

Budgeted capital expenditures for 2000 are $24.1 million, a significant portion of which will be used to build a 140,000 square foot expansion of our Beverly, Massachusetts facility to house an advanced process development, product demonstration and customer training center for all the equipment we produce, and an expansion of our Rockville, Maryland manufacturing and

research facilities. We had capital expenditures of $0.3 million in the first quarter of 2000, $16.9 million in 1999, $15.0 million in 1998 and $14.2 million in 1997. The amount of our future capital requirements will depend on a number of factors, including the timing and rate of the expansion of our business. We anticipate increased capital expenditures to support anticipated worldwide sales growth.

Our joint venture arrangements provide that any SEN financing must be approved by Sumitomo and us. In recent years, SEN has satisfied its capital needs with unsecured short-term bank financing. Following our separation from Eaton, lenders to SEN may require our guarantee or impose other terms and conditions less favorable to SEN than in the past.

We currently believe that the portion of the net proceeds being retained by us, together with available cash and our cash flow from operations, will provide sufficient capital to fund our operations for at least the next 18 months. We cannot assure you, however, that the underlying assumed levels of sales and expenses will prove to be accurate. We may need to raise additional funds through public or private financings or other arrangements in order to:

- support more rapid expansion of our business than we anticipate;

- develop and introduce new or enhanced products or services;

- respond to competitive pressures;

- invest in or acquire businesses or technologies; or

- respond to unanticipated requirements or developments.

We cannot be certain that financing will be available to us on favorable terms when we need it. We do not intend to raise additional equity capital prior to the complete divestiture by Eaton of our common stock to Eaton shareholders and for two years following any divestiture, we would be restricted in raising substantial amounts of equity capital under our tax sharing and indemnification agreement with Eaton. If additional funds are raised through the issuance of equity securities, dilution to existing stockholders may result. Future debt financings could involve restrictive covenants that may limit the manner in which we conduct our business. If sufficient funds are not available, we may not be able to introduce new products and services, expand the development of our product platform or compete effectively in any of our markets, any of which could materially harm our business, financial condition and operating results.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK DISCLOSURE

We are subject to various inherent financial risks attributable to operating in a global economy.

INTEREST RATE SENSITIVITY

As of December 31, 1999 and March 31, 2000, we had cash and short-term investments of $3.5 million and $2.8 million, respectively. See "Management's Discussion and Analysis -- Liquidity and Capital Resources" for a discussion of the cash that we expect to have available after the offering.

FOREIGN CURRENCY EXCHANGE RISK

Historically, our exposure to foreign exchange rate risk has been managed on an enterprise-wide basis as part of Eaton's risk management strategy. Substantially all of our sales are billed in U.S. dollars, thereby reducing the impact of fluctuations in foreign exchange rates on our results. Our investment in SEN and our royalty and equity income from SEN are subject to foreign currency exchange risks. We are currently evaluating our exchange rate risk management strategy.

EQUITY SECURITY PRICE RISK

We do not own any equity security investments which are subject to price risk and, therefore, we do not currently have any direct equity price risk.

EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

In 1998, Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities", was issued. This Statement requires all derivatives to be recognized on the balance sheet at fair value. We must adopt the standard by the first quarter of 2001. We expect that the adoption of the standard will have an immaterial effect on earnings and financial position, if any.

In December 1999, the SEC issued SAB 101, "Revenue Recognition". We have concluded that our existing revenue recognition policy continues to be appropriate and in accordance with generally accepted accounting principles and SAB 101 as currently written. See Note 3 to our combined financial statements.

YEAR 2000

We were included in Eaton's Year 2000 compliance program under which Eaton incurred substantial program costs. We believe that our significant vendors and service providers are Year 2000 compliant and have not, to date, been made aware that any of them have experienced Year 2000 disruptions in their systems. Accordingly, we do not anticipate incurring material expenses or experiencing any material operational disruptions as a result of any Year 2000 problems. Based on operations since January 1, 2000, we have not experienced any significant business disruptions related to the Year 2000 issue.

BUSINESS

OVERVIEW OF OUR BUSINESS

We are a leading producer of ion implantation equipment used in the fabrication of semi-conductors in the United States, Europe and Asia Pacific. Our Japanese joint venture licenses our technology and is the leading producer of ion implantation equipment in Japan. We also produce dry strip, photostabilization and rapid thermal processing equipment, which is used in semiconductor manufacturing primarily before and after the ion implantation process. In addition, we provide extensive aftermarket service and support, including spare parts, equipment upgrades, maintenance services and customer training.

INDUSTRY OVERVIEW

The semiconductor industry is continuing to experience growth in demand for semiconductors, or chips, for use in personal computers, telecommunication equipment, digital consumer electronics, wireless communication products and other applications. Semiconductors are tiny silicon slivers that contain complete electronic circuits. Most semiconductors are built on a base of silicon, called a wafer, and consist of two main structures. The lower structure is made up of the active components, typically transistors or capacitors, and the upper structure consists of the circuitry that connects the active components.

According to World Semiconductor Trade Statistics, an industry trade association, total worldwide sales of semiconductors were $149 billion in 1999. While the semiconductor industry has been highly cyclical, the worldwide semiconductor market, as measured by total sales, grew at an average annual compound rate of approximately 12% in the period from 1989 through 1999. World Semiconductor Trade Statistics projects continued growth at higher rates for the next two years. A significant factor in the growth in demand for semiconductors has been the continuous technological innovation in chip design and manufacture, which has enabled semiconductor manufacturers to produce chips with greater functionality at a lower cost per function. For example, the semiconductor industry historically has been able to double the number of transistors on a given space of silicon every 18 to 24 months.

The increasing demand for semiconductors has required manufacturers to increase chip production. Manufacturers have primarily increased production through efficiency improvements, the addition of manufacturing equipment in existing fabrication facilities and the construction of new fabrication facilities. Efficiency improvements have been derived largely from increased equipment utilization and higher manufacturing yields. In recent years, however, their ability to make significant efficiency gains has diminished. For that reason, as market conditions have improved since early 1999, semiconductor manufacturers have been meeting the increased demand for chips mostly by building new fabrication facilities, which usually cost $1.0 billion or more, and by making additional equipment purchases to expand existing fabrication facilities.

When new fabrication facilities are built, customers have an opportunity to increase the size of the wafer. By increasing the wafer size, semiconductor manufacturers can produce more chips per wafer, thus reducing the overall manufacturing cost per chip. The more advanced wafer fabrication facilities are currently using circular wafers with a diameter of 200 millimeters, up from the 100 millimeter diameter wafers used 10 to 15 years ago. Currently, some semiconductor manufacturers are commencing pilot production lines using 300 millimeter wafers. It is anticipated that additional manufacturers will add 300 millimeter production capabilities within the next two to five years, which will lead to demand for equipment with 300 millimeter capability.

During the period 1992 through 1998, the most recent semiconductor equipment cycle, growth in sales of high current and high tilt/medium current ion implantation equipment has been lower than the growth in chip sales, while the growth in sales of high energy implanters has been substantially higher. See "Products and Services". Over the past ten years, based on Dataquest

data, sales of ion implantation equipment as a whole have grown faster during periods of high capital spending by semiconductor manufacturers, particularly spending for new fabrication facilities.

Given the magnitude of the investment needed to build a new fabrication facility, independent semiconductor manufacturers, or foundries, have emerged to serve semiconductor producers who design but do not manufacture chips. In addition, foundries manufacture semiconductors for producers who choose to outsource part of their demand. Foundries, which are predominantly located in Taiwan and Singapore, have become significant purchasers of semiconductor equipment. Dataquest forecasts a worldwide rise in semiconductor capital equipment purchases this year of over 40%, and we are fully participating in what we believe will be a multi-year industry rebound.

OUR BUSINESS STRATEGY

Our objective is to enhance our position as a leading producer of ion implantation equipment and to offer on an integrated basis a broad array of products and services used primarily in the front-end of the chip fabrication process. Key elements of our strategy to achieve our objective include:

INCREASE ION IMPLANTATION MARKET PENETRATION. We seek to increase our share of the ion implantation market by leveraging our competitive strengths in advanced ion implant technology and by capitalizing on key trends toward smaller, faster, more complex chips, such as those used in personal computers, cellular phones and other electronic products. As the market leader in high energy, the fastest growing ion implant sector, we intend to continue to broaden the applications served by our high energy products to capture a greater percentage of the total ion implantation market. We also have broadened our high current product line to include ultra low energy implantation to capitalize on the trend towards faster chips. In addition, we intend to continue to invest in our high tilt/medium current products in order to offer the complete range of ion implantation products.

MAINTAIN STRONG COMMITMENT TO RESEARCH AND DEVELOPMENT. Semiconductor manufacturing processes continue to undergo rapid technological change. Based on our knowledge of the semiconductor equipment manufacturing industry, we believe that we have been, and must continue to be, at the forefront of technological innovation in the ion implant sector. Based on our knowledge of the semiconductor equipment manufacturing industry, we believe that we developed the first high current ion implantation system in the late 1970s and the first high energy ion implantation system in the 1980s. In 1999, we installed what we believe is the first 300 millimeter high energy ion implantation system, which we believe will be the next generation of ion implant products. We also plan to continue to devote substantial research and development resources to our dry strip, photostabilization and rapid thermal processing systems. We pioneered the development of photostabilization in 1983, and we believe that we have developed the only 300 millimeter production photostabilizer in the industry. SEN devotes substantial resources to research and development and we receive a non-exclusive, royalty-free license for the ion implant technology developed by SEN.

CAPITALIZE ON BROAD PRODUCT LINES TO PROVIDE AN INTEGRATED RANGE OF FRONT-END EQUIPMENT. In addition to our broad offering of ion implantation systems, we offer a range of products utilized in semiconductor manufacturing primarily before and after the ion implantation process. The high degree of interaction among these individual process steps affects overall process quality, throughput and cost. We believe that semiconductor manufacturers will increasingly seek integrated solutions from their equipment suppliers and we intend to highlight the productivity, high degree of interaction and cost advantages of our broad product line.

PROVIDE LOWEST COST OF OWNERSHIP. Total cost of ownership is an important criterion customers apply when selecting semiconductor capital equipment. We seek to provide the lowest

cost of ownership by developing products with the best combination of reliability, advanced technology, high throughput and high yield. For example, we have expanded the range of steps that our most capable high energy machines can perform and, at the same time, we have developed a lower cost high energy machine for those customers with limited need for the broad functionality of our most capable machines. All of our ion implantation systems are designed on a common platform, utilizing the same wafer handling robot, ion source, vacuum system and operator interface. Our dry strip and photostabilization equipment also share the same wafer handling platform. These common platforms reduce our design and production time and costs, and overall cost of ownership for our customers by minimizing training, spare parts inventory and maintenance.

PROVIDE SUPERIOR CUSTOMER SERVICE. Prompt and effective field support is critical to our sales efforts, due to the complexity of our machines and the substantial operational and financial commitments made by our customers when they purchase our equipment. We intend to increase our sales and customer support infrastructure in all our markets, particularly in Taiwan, Singapore and South Korea, to capitalize on growth opportunities. Furthermore, we continually seek to improve our responsiveness to customer needs. For example, our SMART internet-based parts supply system streamlines the replenishment of customers' inventory, and we are expanding our Beverly, Massachusetts facility to provide training and education to our customers on advanced processes for all our products.

REDUCE CYCLE TIMES IN OUR BUSINESS. We seek to improve our operating efficiencies by, among other things, reducing cycle times across our business. For example, we recently made available to those customers who select it additional modular testing of our ion implantation products, which avoids the need to assemble, test and disassemble a complete unit prior to shipment. This "ship from cell" process has enabled us to cut approximately four weeks from the average period from receipt of an order to shipment of the product to those customers. We have also sought to reduce the development cycle for new products through a collaborative process whereby our engineering, manufacturing and marketing personnel work closely together with one another and with our customers at an earlier stage in the development process.

PRODUCTS AND SERVICES

We are a leading producer of ion implantation equipment. We also offer other products and services, including dry strip, photostabilization and rapid thermal processing products used to produce semiconductor devices. We provide extensive aftermarket service and support to our customers, including spare parts, equipment upgrades, maintenance services and customer training.

The dollar amount (in millions) and percentage of our net sales attributable to ion implantation systems and services and to other products and services were as follows for the periods indicated:

	YEAR ENDED DECEMBER 31,						THREE MONTHS ENDED MARCH 31,			
	1997		1998		1999		1999		2000	
							(UNAUDITED)			
Ion implantation systems and services	$415.2	90.3%	$219.9	82.8%	$322.0	81.0%	$47.0	79.5%	$115.8	80.9%
Other products and services	44.8	9.7	45.8	17.2	75.3	19.0	12.1	20.5	27.3	19.1
Total	$460.0	100.0%	$265.7	100.0%	$397.3	100.0%	$59.1	100.0%	$143.1	100.0%

ION IMPLANTATION SYSTEMS

Ion implantation is a principal step in the manufacturing process for semiconductors. An ion implanter is a large, technically advanced machine that injects charged ions, or dopants, such as

arsenic, boron or phosphorus, into a silicon wafer through an accurately controlled electric field, with a precisely defined amount of energy ranging between several hundred and three million volts. Certain areas of the silicon wafer are blocked off by a material known as photoresist so that the dopants will only enter the wafer where needed. The dopants change the electrical properties of the silicon wafer to create the active components of a chip. The amount of energy determines the depth to which the dopant penetrates the wafer, and the amount of dopant or dose determines how much the electrical properties of the silicon wafer are changed.

There are three types of ion implantation machines: high energy, high current and high tilt/medium current. Each type of machine produces chips with varying degrees of computing speed, miniaturization and power consumption. Most complex chips require implant steps from each type of machine and the manufacturer determines the optimal combination of machines based on the performance requirements of the chips being produced. We have designed our products to enhance the manufacturers' flexibility in combining machines during the implant process.

A high energy implanter is typically used to implant dopant deep in the wafer, which allows improved isolation of adjoining circuits on the same chip. High energy implanters enable a closer stacking of circuits, which results in more functionality for the consumer. As a result, in recent years the use of high energy implanters has expanded into the manufacture of virtually all types of chips. They are used in the manufacture of smaller, more complex chips, such as those used in cellular phones and other hand held devices because they enable more functionality with less power consumption. They are also increasingly used in the manufacture of chips that are used in personal computers because they permit greater computing power from a chip of a given size.

For implants that require high dose and medium to very shallow depth, a high current implanter is most often used. In some applications, very shallow, high-dose implants result in faster chips, an important feature for microprocessors, digital signal processors and other chips.

Most ion implant steps occur with the ion beam perpendicular to the wafer. A high tilt/medium current implanter, however, is primarily used for the implant step that requires the ion beam to be positioned at an angle to the wafer to implant dopants below preexisting features. The use of the high tilt/medium current implanter extends into some high energy applications to allow customers greater flexibility in selecting the most optimal combination of implanters for their needs.

The following table shows the 1999 estimated overall market size for high energy, high current and high tilt/medium current implanter machines (excluding aftermarket sales and service revenues), the estimated annual compound growth rate for each of these markets from 1992 to 1998, the 1999 estimated combined market share for our sales and SEN's sales of each product line and the 1999 estimated average selling price for industry sales of each product line. All data in the table has been supplied by Dataquest.

	TYPES OF ION IMPLANTERS		
	HIGH ENERGY	HIGH CURRENT	HIGH TILT/ MEDIUM CURRENT
	(DOLLARS IN MILLIONS)		
1999 Overall market size.....	$187	$287	$174
1992-1998 Annual compound growth rate.....	39.2%	4.6%	12.6%
1999 Axcelis/SEN market share.....	87.7%	41.5%	9.4%
1999 Industry average selling price...	$3.5-4.0	$2.5-3.5	$2.0-3.0

We manufacture a complete line of high energy, high current and high tilt/medium current implanters, which is broader than that of our competitors. The following chart lists our principal products:

TYPE OF ION IMPLANTER	CORE PRODUCTS	RECENTLY INTRODUCED PRODUCTS
HIGH ENERGY	GSD/HE - Permits multiple implant steps in one process, or chaining, thus increasing throughput - More than 80% of our GSD/HE customers use it for one or more medium current applications - Broadest application coverage GSD/VHE - Highest energy range available - Also used by customers for R&D	HE(MC) - Lower cost alternative to GSD/HE HE3 - For use with 300 millimeter wafers
HIGH CURRENT	GSD/200E(2) - High dose implants - High productivity at low cost	LED - Increased performance at low energy ULE2 - Ultra-low energy
HIGH TILT/ MEDIUM CURRENT	8250HT - Energy purity - Process flexibility	MC3 - For use with 300 millimeter wafers

Our implanters have been designed with a process overlap that allows customers to tailor the combination of high energy, high current and high tilt/medium current implanters to their specific needs. High energy and high current implanters can be used to cover most high tilt/medium current applications, and the high tilt/medium current implanter can be used for some high energy applications. All of our ion implantation systems share certain of the same modular subsystems for efficiency and convenience. The subsystems for wafer handling robot, ion source, vacuum system and operator interface are common among our three implanters. This common platform reduces our design and production time and costs, and overall cost of ownership for our customers by minimizing training, spare parts inventory and maintenance.

Our high energy and high current machines process wafers in batches of 13 to 25 wafers, while, as is common in the industry, our high tilt/medium current machines process one wafer at a time. In addition, our high energy implanters can perform several implants without reloading the wafers, a process known as chaining. We believe that the ability of our high energy machines to process wafers in batches and to chain has contributed to the high growth of that product line.

We intend to continue to broaden the applications served by our high energy products and have recently introduced our HE(MC) implanter to provide a lower cost alternative for those customers with a limited need for the broad functionality of our most capable high energy machines. We also recently introduced our next generation HE3 implanter designed specifically to process 300 millimeter wafers. Two HE3 machines have been installed in 300 millimeter wafer pilot production lines. Our GSD/HE product is the industry's only ion implantation product to be rated "best product" and was the "Grand Award" winner among semiconductor capital equipment products, an award sponsored by Semiconductor International, an industry publication.

We believe that we developed the first high current ion implantation system. We were ranked number one in this product sector in 1999, according to Dataquest. We have recently introduced our LED implanter, which extends the energy range of our GSD/200E(2) implanter to lower energies than can be achieved with traditional high current implanters. The ULE2 is an ultra low energy, high current implanter. These machines respond to the demand for high dose, ultra shallow implants that increase chip speed at acceptable machine throughput rates.

Our high tilt/medium current ion implanter complements our high energy and high current implanters. Our 8250HT targets high tilt applications that cannot be performed with high energy or high current implanters and extends into some high energy applications to allow customers a flexible combination of implanters. We target our 8250HT high tilt/medium current machine for the relatively few steps that our high energy and high current machines cannot complete. The most important step is an angular implant designed to insert dopants below preexisting features on the wafer. Our recently introduced MC3 high tilt/medium current implanter is designed to process 300 millimeter wafers.

During the past three years, we have also produced a small number of ion implanters used in the production of laptop computer screens and other flat panel displays. We also continue to service the machines that have been installed. Our net sales from the sale and service of these implanters were approximately 1% or less of net sales in each of the last three years.

OTHER PRODUCTS

We also produce dry strip, photostabilization and rapid thermal processing equipment, which is used in semiconductor manufacturing primarily before and after the ion implantation process. We introduced our rapid thermal processing products in 1996 and we entered the dry strip and photostabilization product markets through our acquisition of Fusion in August 1997. Fusion pioneered the development of photostabilization in 1983.

We estimate that, in 1999, the market for photostabilizer equipment was $18 million and our market share was approximately 75%. Dataquest reports that, in 1999, the market for dry strip equipment was $227 million and our market share was 14% and that the market for rapid thermal processing equipment was $331 million and our market share was 2%.

DRY STRIP AND PHOTOSTABILIZATION SYSTEMS. In the process steps prior to ion implantation, certain areas of the silicon wafer are blocked off to ensure that only defined areas of the wafer are processed. First, a light sensitive, polymer-based liquid, called photoresist, is spread in a uniformly thin film on the wafer. After baking to solidify the liquid, light is passed through a stencil, which projects an image on the photoresist by means of a lithographic tool. Thereafter, photostabilization uses ultraviolet light to harden the photoresist in order to provide better performance for the subsequent implant step. After the implant step, the used photoresist must be removed. The primary means of removing excess photoresist and residue is called dry strip. Our dry strip machines, often called ashers, use microwave energy to turn process gases into plasma, which then acts on the surface of the wafer to remove the photoresist and unwanted residue. Dry strip and photostabilization are also used in conjunction with several other steps in the manufacturing process.

The following chart lists our principal products in each category:

PRODUCT LINE	CORE PRODUCTS	RECENTLY INTRODUCED PRODUCTS
DRY STRIP	FUSIONGEMINI PLASMA ASHER - High ash rates with low damage FUSIONGEMINI PLASMA ASHER ES - Adds additional capability for dry residue removal	FUSION ES3 - Comprehensive dry strip and residue removal with 300 millimeter capability
PHOTOSTABILIZERS	FUSIONGEMINI PHOTOSTABILIZER - Propriety ultraviolet light source; high throughput	FUSION PS3 - Industry's only 300 millimeter production-ready photostabilizer

Our FusionGemini dual chamber platform is the foundation for both our dry strip and our photostabilizer products. Fusion pioneered photostabilization technology, and we believe that our products remain the industry standard. Our dry strip tools are capable of removing bulk photoresist from the wafer, as well as the residue left behind after bulk strip. This reduces or eliminates the need for further wet chemical stripping by eliminating the use of hazardous chemicals traditionally used for this step. Manufacturing cost is further reduced by the fact that our ashers do not require side access, conserving expensive cleanroom space. Our Fusion ES3 dry strip product, a 300 millimeter dry strip machine, was tested by Sematech, an industry association of semiconductor manufacturers, and met Sematech's 300 millimeter requirements. Satisfaction of Sematech's standard requirements indicates that our Fusion ES3 product has achieved a level of performance required by many semiconductor manufacturers. We are not a member of Sematech.

Our photostabilizers are used by a majority of integrated circuit manufacturers worldwide because of our proprietary ultraviolet light source and the high throughput of the FusionGemini dual chamber platform. Our recently introduced Fusion PS3 machine has 300 millimeter wafer capability and we believe that it is the only 300 millimeter production-ready photostabilizer available on the market. It has been installed in 300 millimeter pilot production facilities.

RAPID THERMAL PROCESSING SYSTEMS. At a number of points during the manufacturing process, silicon wafers need to be heated rapidly, often to 900 degrees centigrade or higher, in order to complete chemical or electronic reactions. For example, high temperature treatment is needed after all the dopants have been implanted in the wafer so that the dopants will settle into the correct atomic state. This heating process is referred to as rapid thermal processing, or RTP.

Our RTP machine employs a patented design to process a single wafer in a hot wall vertical reactor. The reactor has three zones that are heated by heating coils, as well as an actively cooled base, which create a uniform temperature gradient from top to bottom. The resulting stable temperature profile is inherently repeatable, accurate and reliable. Rapid heating and cooling of the wafer is achieved by simply adjusting the vertical position of the wafer within the reactor. Most other RTP equipment manufacturers use more expensive lamp-based RTP systems, which require frequent lamp replacement and require expensive control systems. For this reason, we believe our RTP machines have lower overall operating costs than these lamp-based systems.

The following chart lists our principal RTP products:

PRODUCT LINE	CORE PRODUCTS	RECENTLY INTRODUCED PRODUCTS
RTP SYSTEMS	SUMMIT - Accommodates 0.18m devices - Repeatable, accurate temperature gradient	SUMMIT 300 - 300 millimeter capability

Our Summit series of RTP systems has a flexible design, offering both single and dual chamber systems. Its engineering incorporates recent developments in furnace design, temperature measurement, emission correction techniques and wafer handling. Our recently introduced Summit 300 has 300 millimeter wafer capability.

AFTERMARKET SUPPORT AND SERVICES

We offer our customers extensive aftermarket service and support throughout the lifecycle of the equipment we manufacture. We believe that more than 3,200 of our products, including products shipped by SEN, are in use worldwide. The service and support that we provide include spare parts, equipment upgrades, maintenance services and customer training. At March 31, 2000, we offered aftermarket service at 49 locations in nine countries; 13 of these were combined sales and service offices, and the balance were service-only offices, mostly located in our principal customers' fabrication facilities.

Our customer support network includes approximately 500 sales and marketing personnel and service engineers, including field service engineers, spare parts support staff and applications engineers. An additional 300 persons located at our three manufacturing facilities work with our customers to provide advanced equipment support, applications support, customer training and documentation.

Most of our customers maintain spare parts inventories for our machines. In 1997, we launched a web-based spare parts management and replenishment tracking program, or SMART, to facilitate internet communication with our customers. The implementation of our SMART program has helped us to achieve reduced order fulfillment costs and cycle times.

Our process technology center in Beverly, Massachusetts is available to customers for developing and testing advanced ion implantation and RTP processes, and our process technology center in Rockville, Maryland is available to customers for developing and testing dry strip and photostabilization processes. At these facilities, we also make available to our customers advanced testing and analysis equipment. In addition, we are constructing a 140,000 square foot addition to the Beverly facility, which will house an advanced process development, product demonstration and customer training center for all of the equipment we produce.

The ability to provide prompt and effective field support is critical to our sales efforts, due to the substantial operational and financial commitments made by customers that purchase our systems. Our customer support programs, combined with our research and development efforts, have served to encourage use of our systems in production applications and have accelerated penetration of certain key accounts.

SALES AND MARKETING

We primarily sell our equipment and services through our direct sales force. At March 31, 2000, we had 13 sales offices in seven countries. Aftermarket service and support is also offered at all of these offices. In the United States, we conducted sales and marketing activities from seven locations. Outside of the United States, our sales offices are located in Taiwan, South Korea, Germany, Singapore, Italy and France. In addition, isolated sales are made in smaller markets through distributors and manufacturers representatives. At March 31, 2000, we had approximately 500 sales and marketing personnel and service engineers. Our sales objective is to work closely with customers to secure purchase orders for multiple systems as they expand existing facilities and build new wafer facilities. We believe that our marketing efforts are enhanced by the technical expertise of our research and development personnel. At March 31, 2000, over 44% of our workforce consisted of engineers, scientists and technical personnel.

In Japan, we market our products through two channels: one, we sell our ion implant products only through our SEN joint venture, which sells its machines and services directly to

semiconductor fabricators; and two, we sell our photostabilizers, dry strip and rapid thermal processing products to semiconductor fabricators through an exclusive distribution agreement with Sumitomo entered into in 1999. The distribution agreement also provides for the parties to discuss the manufacture and sale of these products through SEN if the parties agree that sales volume will justify manufacturing these products in Japan in the future. In 1999, sales under the distribution agreement accounted for only 0.47% of our net sales. The distribution arrangement expires in 2002 and thereafter is renewable from year to year, unless either party has given the other party six months prior written notice.

The semiconductor fabrication industry is currently experiencing significant growth in Asia, particularly in Taiwan, Singapore and South Korea. As a result, we have also increased our focus on markets in Asia outside of Japan by increasing our sales and customer support personnel focused on those countries. We intend to make additional investments in this region over the next few years.

International sales, including export sales from our U.S. manufacturing facilities to foreign customers and sales by our foreign subsidiaries and branches, accounted for 53.5% of total net sales in 1999, 49.4% in 1998 and 55.4% in 1997. We expect that international sales will continue to account for a significant portion of our net sales. International sales are subject to various risks that are described under "Risk Factors--Risks Relating to Our Business--A Decline in Our International Sales Could Harm Our Business". Substantially all of our sales are denominated in U.S. dollars. SEN's sales are denominated in Japanese yen.

CUSTOMERS

In 1999, the top 20 semiconductor manufacturers accounted for approximately 75% of total semiconductor industry capital spending. These manufacturers are from the four largest semiconductor manufacturing regions in the world: the United States, Asia Pacific (Taiwan, South Korea and Singapore), Japan and Europe. We and SEN serve all of the 20 largest semiconductor manufacturers. We believe that more than 3,200 of our products, including products shipped by SEN, are in use worldwide.

Net sales to our ten largest customers accounted for 48.7%, 37.6% and 59.1% of net sales, respectively, in 1997, 1998 and 1999. We expect that sales of our products to relatively few customers will continue to account for a high percentage of net sales for the foreseeable future. In 1999, net sales to STMicroelectronics N.V., Motorola, Inc. and Texas Instruments Incorporated accounted for 15.9%, 10.6% and 10.5%, respectively, of our net sales. No other customer accounted for as much as 10% of our net sales in 1999. In 1997 and 1998, no single customer accounted for as much as 9.0% of our net sales.

SEN JOINT VENTURE

In 1982, we established our SEN joint venture with Sumitomo to provide us with additional manufacturing capacity for our ion implant products and local access to the Japanese semiconductor equipment market. Under our arrangements with Sumitomo, our ion implant products may be sold in Japan only through the joint venture. SEN may sell its products outside Japan only with our consent and through us as exclusive distributor. There are isolated sales of our equipment into Japan to our non-Japanese customers and isolated sales of SEN equipment outside of Japan primarily to its Japanese customers and their joint ventures. SEN manufactures ion implantation equipment at its Toyo, Japan location under the license from us described below. From time to time, we sell ion implantation equipment and other products to SEN. In 1999, our net sales of products to SEN amounted to $6.7 million.

As part of the joint venture arrangement, we have entered into a separate license agreement with SEN, last renewed in 1996, under which we have granted SEN an exclusive license in Japan to use our current and future ion implantation technology and to manufacture, use and sell

products using our current and future ion implantation patents. We have also granted SEN a non-exclusive license to sell ion implantation products outside of Japan. We received royalty income from SEN under the license agreement of $6.2 million in 1997, $4.0 million in 1998 and $3.8 million in 1999. The license agreement expires on December 31, 2004 and is automatically renewable for successive five year periods unless either party has provided one year's prior notice of termination.

SEN has the right to use the name "EATON" as part of its corporate name under a corporate name agreement with Eaton that has been assigned to us. We have the right, however, to terminate that agreement at any time upon 60 days' notice and we are obligated under our trademark license agreement with Eaton to terminate the corporate name agreement on December 31, 2004. SEN also has the right to use in Japan the trademarks "EATON" and "NOVA" on its ion implantation products under SEN's separate trademark license agreement with Eaton that also has been assigned to us. SEN does not, however, have the right to use "EATON" in logo format. The SEN trademark license agreement requires SEN to pay us semiannual royalties equal to 0.5% of net sales. SEN must maintain quality and reliability standards, and we are entitled to terminate our trademark agreement with SEN at any time for cause and we are obligated under our trademark license agreement with Eaton to terminate the SEN trademark license agreement on December 31, 2004.

RESEARCH AND DEVELOPMENT

Our industry continues to experience rapid technological change, requiring us to frequently introduce new products and enhancements. Our ability to remain competitive in this market will depend in part upon our ability to develop new and enhanced systems and to introduce these systems at competitive prices and on a timely and cost effective basis.

We devote a significant portion of our personnel and financial resources to research and development programs and seek to maintain close relationships with our customers to remain responsive to their product needs. We have also sought to reduce the development cycle for new products through a collaborative process whereby our engineering, manufacturing and marketing personnel work closely together with one another and with our customers at an earlier stage in the process. We also use 3D, computer-aided design, finite element analysis and other computer-based modeling methods to test new designs. We conduct our research and development programs at our facilities in Beverly and Peabody, Massachusetts and in Rockville, Maryland. SEN also conducts research and development in Toyo, Japan.

Our product development efforts have led to numerous industry breakthroughs, including the first production high current implantation system, the first production high energy implanter and the first photostabilizer.

An important focus of our current research and development efforts is directed at machines capable of processing 300 millimeter wafers. Our 300 millimeter high energy ion implanter, the HE3, and our 300 millimeter photostabilizer, the PS3, were installed by Semiconductor 300 in 1999 in its Dresden, Germany pilot production facility.

Our expenditures for research and development during 1997, 1998 and 1999 were $70.5 million, $78.7 million and $51.6 million, respectively, or 15.3%, 29.6% and 13.0% of net sales, respectively. Our budgeted research and development expenditures for 2000 are approximately $69.0 million, of which $16.1 million was spent in the first quarter of 2000. The increase in research and development expenditures in 2000 as compared to 1999 primarily reflected our research focus to develop products capable of processing 300 millimeter wafers. We expect in future years that research and development expenditures will continue to represent a substantial percentage of net sales.

MANUFACTURING

We manufacture our products at facilities in Beverly and Peabody, Massachusetts and in Rockville, Maryland. In addition, SEN manufactures products at its facility in Toyo, Japan.

Our Beverly, Massachusetts facility manufactures our high energy, high current and high tilt/medium current ion implantation systems. In 1999, we completed an 80,000 square foot expansion of this facility.

We manufacture photoresist removal and curing systems in our Rockville, Maryland facility, including our photostabilizer and dry strip product lines. We currently manufacture our rapid thermal processing products in our Peabody, Massachusetts facility, but we are considering relocating the Peabody facility to our Beverly plant.

Our manufacturing facilities employ advanced manufacturing methods and technologies, including lean manufacturing, Six Sigma controls and processes and web-enabled inventory purchase systems. We manufacture our products in cleanroom environments that are similar to the cleanrooms used by semiconductor manufacturers for wafer fabrication. The majority of our systems is designed and tailored to meet the customer's specifications as outlined in the contract between the customer and us.

To ensure that the customer's specifications are satisfied, per contract terms, the systems are tested at our 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. These environmental conditions include power requirements, toxic gas usage, air handling requirements including humidity and temperature, equipment bay configuration, wafer characteristics and other factors. These procedures are intended to reduce installation and production qualification times and the amount of particulates and other contaminants in the assembled system, which in turn improves yield and reduces downtime for the customer.

After testing, the system is disassembled and packaged to maintain cleanroom standards during shipment. Installation is itself not a complex process and does not require specialized skills. It is typically performed by a team of assemblers from the customer and ourselves. It includes placing and leveling the equipment at its installation site, connecting it to sources of gas, water and electricity and recalibrating it to specifications that had previously been tested and met.

We purchase materials, components and subassemblies, such as pumps, machine components, power supplies and other electrical components, from various suppliers. These items are either standard products or built to our specifications. Some of the components and subassemblies included in our products are obtained either from a sole source or a limited group of suppliers, which could result in disruptions to our operations. We have installed a web-based supply chain system in order to increase efficiency and cut costs associated with obtaining materials and components. This system electronically exchanges information with our vendors as to purchase orders, forecasts and automatic delivery updates.

We have a demonstrated history of customer acceptance subsequent to shipment and installation of our systems. We believe that the customer's post delivery acceptance provisions and installation process are routine from a commercial standpoint because the process is a replication of pre-shipment procedures. We have never failed to successfully complete a system installation. However, should an installation not be successfully completed, our contractual provisions do not provide for forfeitures, refunds or other purchase price concessions beyond those prescribed by the provisions of the Uniform Commercial Code applicable generally to these transactions.

COMPETITION

The semiconductor equipment market is highly competitive and is characterized by a small number of large participants. We compete in four principal product markets primarily at the front-end of the semiconductor manufacturing process: ion implantation, dry strip, photostabilization and rapid thermal processing.

A substantial investment is required by customers to install and integrate capital equipment into a semiconductor production line. As a result, once a semiconductor manufacturer has selected a particular vendor's capital equipment for a production line, we believe that most manufacturers continue to rely heavily on the incumbent supplier's equipment for that production line. However, we believe that, although the existing suppliers have some advantage in supplying a new fabrication facility for the same manufacturer, the manufacturer will also take into account technological advances and other competitive factors in deciding from whom to buy.

In addition to the importance of preexisting relationships, significant competitive factors in the semiconductor equipment market include price/cost of ownership, performance, customer support, breadth of product line, distribution and financial viability. Price wars have not been common in our industry.

ION IMPLANTATION

We are a leading producer of ion implantation equipment used in the fabrication of integrated circuits and, together with our Japanese joint venture, were ranked number one in sales in the world in this category for 1999 by Dataquest. In high energy equipment, where we have a commanding market position, our principal competitor is Varian Semiconductor Equipment Associates, Inc. ("Varian"). In high current products, we and Applied Materials Inc. have substantial market shares and Varian has a smaller share. In high tilt/medium current equipment, where we have a small market share, Varian has a commanding market position. SEN is the largest manufacturer of ion implantation equipment in Japan and competes with Nissin Electric Co., Ltd., Varian, Ulvac Technologies, Inc. and Applied Materials Inc. for sales in that market.

DRY STRIP, PHOTOSTABILIZATION AND RAPID THERMAL PROCESSING

Our principal competitors in the dry strip product market are GaSonics International Corp., Mattson Technology Inc., KEM and Canon Inc., and our principal competitor in photostabilization is Ushio Inc.. Our chief competitors in the rapid thermal processing equipment market are Applied Materials Inc., Steag AG and Dainippon Screen Mfg. Co., Ltd.

INTELLECTUAL PROPERTY

We rely on patent, copyright, trademark and trade secret protection, as well as contractual restrictions, in the United States and in other countries to protect our proprietary rights in our products and our business. At March 31, 2000, we had 134 patents in the United States and 232 patents in other countries, as well as 416 patent applications (63 in the United States and 353 in other countries) on file with various patent agencies worldwide. We intend to file additional

patent applications as appropriate. Although patents are important to our business, we do not believe that we are substantially dependent on any single patent or any group of patents.

We have trademarks, both registered and unregistered, that are maintained to provide customer recognition for our products in the marketplace. We have a license from Eaton to use the Eaton trademark and logo for a fixed period of time in connection with the sale of semiconductor manufacturing equipment. See "Arrangements with Eaton--Trademark License Agreement".

We have agreements with third parties, mostly as licensor, that provide for the licensing of patented or proprietary technology. These agreements include royalty-bearing licenses and technology cross-licenses. Our license agreement with SEN is described above under "SEN Joint Venture". No other license is material to us.

There has been substantial litigation regarding patent and other intellectual property rights in semiconductor-related industries. For example, on February 3, 2000, we filed suit in California Superior Court against Advanced Ion Beam Technology and Jiong Chen, a principal of that company, alleging misappropriation of trade secrets, unfair competition, common law misappropriation and breach of contract. Mr. Chen worked for us as a principal scientist from 1994 until January 1999. During that period, he worked with proprietary ion beam technology, which we believe he later used in violation of an employee confidentiality agreement. We also have recently defended a reexamination before the United States Patent and Trademark Office of a patent, expiring in 2005, which relates to ion implantation equipment having a significant market share. On June 22, 2000, the United States Patent and Trademark Office issued a decision confirming the patentability of our claims in the patent with certain amendments that we believe are not material, thus concluding this challenge to the validity of our patent. A second request for reexamination of this patent, which has not yet been acted upon by the United States Patent and Trademark Office, has recently been filed by the same requester. While this patent is important to us, we do not believe that this second request for reexamination is likely to materially affect us.

We can give no assurance that we, our licensors, licensees, customers or suppliers will not be subject to claims of patent infringement or claims to invalidate our patents, and that any such claim will not be successful and require us to pay substantial damages or delete certain features from our products or both.

BACKLOG

As of March 31, 2000, our backlog was $166.1 million, as compared to $93.8 million, $27.8 million and $67.1 million, respectively, for year end 1999, 1998 and 1997. Our policy is to include in backlog only those orders for which we have accepted purchase orders. All orders are subject to cancellations or rescheduling by customers with limited or no penalties. Due to possible changes in system delivery schedules, cancellations of orders and delays in systems shipments, our backlog at any particular date is not necessarily indicative of our actual sales for any succeeding period. In addition, our backlog at the beginning of a quarter typically does not include all orders required to achieve our sales objectives for that quarter and is not a reliable indicator of our future sales.

PROPERTIES

We have a total of 35 properties, of which 26 are located in the United States and the remainder are located in Asia and Europe, including offices in Taiwan, Singapore, South Korea, Italy, Germany, France and the United Kingdom. Of these properties, two are owned and 33 are leased. We own our 54,600 square foot corporate headquarters in Beverly, Massachusetts located adjacent to our Beverly manufacturing facility.

Our manufacturing facilities are listed below:

FACILITY LOCATION	PRINCIPAL USE	SQUARE FOOTAGE (OWNED/LEASED)
Beverly, Massachusetts	Manufacturing of ion implantation products and research and development	310,200 (owned)
Peabody, Massachusetts	Manufacturing of rapid thermal processing products	20,000 (leased)
Rockville, Maryland	Manufacturing of photoresist and photostabilization products	151,000 (leased)

Our Japanese joint venture manufactures ion implantation products in a 300,300 square foot owned facility located in Toyo, Japan.

The Beverly facility includes an 11,000 square foot demonstration line, which is used to develop next-generation application solutions for specific customers, as well as to demonstrate the full range of our integrated process equipment. We also have a process technology center in Rockville, Maryland that is available to customers for developing and testing dry strip and photostabilization processes.

We are building a 140,000 square foot facility in Beverly, Massachusetts which will house an advanced process development, product demonstration and customer training center with all of the equipment we produce, and we are expanding our manufacturing and research facilities in Rockville, Maryland. In 1998, as part of our restructuring, we closed our Austin, Texas ion implant manufacturing facility and transferred production to our Beverly, Massachusetts facility. On May 18, 2000, we sold our Austin facility for net proceeds of $11.0 million, a price that approximated book value.

We do not believe there is any material, long-term, excess capacity in our facilities, although utilization is subject to change based on customer demand. We believe that our manufacturing facilities and equipment generally are well-maintained, in good operating condition, suitable for our purposes, and adequate for our present operations. Our Beverly, Massachusetts and Rockville, Maryland facilities are ISO 9001 certified.

EMPLOYEES

As of March 31, 2000, we had 1,717 full-time and 165 temporary employees worldwide, of which 1,663 were employed in North America, 119 in Asia and 100 in Western Europe. At that date, more than 44% of our workforce consisted of scientists, engineers and technicians. All of our employees have entered into confidentiality and noncompetition agreements with us. At that date, none of our employees based in the United States was represented by a union, and we have never experienced a work stoppage, slowdown or strike. Our employees based in Germany are subject to collective bargaining agreements. We consider our relationship with our employees to be good.

ENVIRONMENTAL

We are subject to environmental laws and regulations in the countries in which we operate that regulate, among other things: air emissions; water discharges; and the generation, use, storage, transportation, handling and disposal of solid and hazardous wastes produced by our manufacturing, research and development and sales activities. As with other companies engaged in like businesses, the nature of our operations exposes us to the risk of environmental liabilities, claims, penalties and orders. We believe, however, that our operations are in substantial

compliance with applicable environmental laws and regulations and that there are no pending environmental matters that would have a material impact on our business.

LEGAL PROCEEDINGS

From time to time, a number of lawsuits, claims and proceedings have been or may be asserted against us relating to the conduct of our business, including those pertaining to patent validity or infringement, commercial, employment and employee benefits matters. While the outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to us, we do not believe that the disposition of any such pending matters is likely to materially affect us.

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The names, ages at May 1, 2000 and positions of our directors, nominees for director, executive officers and key employees as of the completion of the offering are set forth below.

NAME	AGE	POSITION
Brian R. Bachman	55	Chief Executive Officer and Vice Chairman of the Board
Mary G. Puma	42	President, Chief Operating Officer and Secretary, Director Nominee
Stephen R. Hardis	64	Chairman of the Board
Alexander M. Cutler	48	Director
Ned C. Lautenbach	56	Director Nominee
Philip S. Paul	61	Director Nominee
Naoki Takahashi	54	Director Nominee
Gary L. Tooker	60	Director Nominee
Kevin M. Bisson	39	Vice President and Chief Financial and Accounting Officer
Michael Davies	54	Director of Human Resources
Craig Halterman	37	Director of Information Technology
Michael J. Luttati	45	Senior Vice President -- General Manager, Implant Systems Division
Ted S. Miller	42	Vice President and General Manager -- Global Customer Service
Robert A. Mionis	37	Senior Vice President -- Worldwide Operations
Kevin O'Connor	41	Senior Vice President -- Human Resources
John Poate	58	Chief Technology Officer
Jan-Paul van Maaren	38	Director of Business Development

Set forth is certain biographical information about our directors, executive officers and key employees:

BRIAN R. BACHMAN has been our Chief Executive Officer and Vice Chairman since April 2000, and a director of our company since May 2000. He is also Senior Vice President and Group Executive-Hydraulics, Semiconductor Equipment and Specialty Controls of Eaton, a position that he has held since December 1995. Mr. Bachman will resign as an officer of Eaton effective at the time of this offering. From 1991 to 1995, he was vice president and general manager for the Standard Products Business Group of Philips Semiconductors B.V. Prior to joining Philips, Mr. Bachman held positions with FMC Corporation, General Electric Co. and TRW Inc. and was president of General Semiconductor, Inc., a subsidiary of Square D Co., and was a group General Manager with ITT Industries Inc. He is a member of the Board of Directors of Keithley Instruments, Inc., the Board of Governors of Electronic Industries Association and the Board of the Vocational Guidance Services. He also serves on Northwestern University's Kellogg McCormick Master of Management in Manufacturing Program Advisory Board.

MARY G. PUMA has been our President, Chief Operating Officer and Secretary since May 2000 and is a nominee for director of our company. Prior to her current position, she also served as our Vice President from February 1999 to May 2000. In 1998, she became General Manager and Vice President of our implant systems division. In May 1996, she joined Eaton as General

Manager of the Commercial Controls Division. Prior to joining Eaton, Ms. Puma spent 15 years in various marketing and general management positions for General Electric Co.

STEPHEN R. HARDIS is our Chairman of the Board and is also Chairman and Chief Executive Officer of Eaton. He will retire as Chairman and Chief Executive Officer of Eaton effective July 31, 2000. He became Eaton's Chairman in January 1996 and its Chief Executive Officer in September 1995. Prior to that, Mr. Hardis served as Eaton's Vice Chairman from 1986 and its Executive Vice President -- Finance and Administration from 1979. Mr. Hardis is a director of American Greetings Corp., Lexmark International Group, Inc., Marsh & McLennan Companies, Inc., Nordson Corp. and The Progressive Corporation.

ALEXANDER M. CUTLER is a director of our company and he also has served as President and Chief Operating Officer of Eaton since 1995. He will become Chairman and Chief Executive Officer of Eaton effective August 1, 2000. Mr. Cutler served as Eaton's Executive Vice President and Chief Operating Officer -- Controls from 1993 to 1995, as its Executive Vice President -- Operations from 1991 and as President of its Industrial Group from 1986. He is also a director of Eaton and KeyCorp.

NED C. LAUTENBACH is a nominee for director of our company and is a partner of Clayton, Dubilier & Rice, Inc., an investment firm specializing in structuring leveraged buyouts. Before joining CD&R, Mr. Lautenbach was employed by International Business Machines Corp. from 1968 until his retirement in 1998. At IBM, he held several executive positions, including Vice President, President of IBM Asia Pacific, Senior Vice President, Chairman of IBM World Trade Corporation, Senior Vice President and Group Executive, Sales and Distribution, and was a member of IBM's Corporate Executive Committee. He is a director of Eaton, ChoicePoint, Inc., Dynatech Corporation, Fidelity Mutual Funds and Fairfield University.

PHILIP S. PAUL is a nominee for director of our company. He has been Chairman of Paul Capital Partners., L.L.C., a private equity investment firm, and registered investment advisor, since 1991. He is also Managing Partner of Top Tier Investments, L.L.C., a venture capital firm. Previously, Mr. Paul was Chairman and Chief Executive Officer of Hillman Ventures, Inc., a venture capital firm. Mr. Paul serves on the Boards of Advisors of various venture capital funds, including New Enterprise Associates, Bay Partners, U.S. Venture Partners, and Den Danske Bank's private equity group. He is a director of Soma Networks, Inc., Telecore, Inc., and S.E.D. Ventures, a French investment firm.

NAOKI TAKAHASHI is a nominee for director of our company. In April 2000, he became Director, Senior Vice President and General Manager of the Precision Products Division of Sumitomo. Prior to that, Mr. Takahashi held a number of senior level positions in the Corporate Technology Operations Group of Sumitomo.

GARY L. TOOKER is a nominee for director of our company. Mr. Tooker is the former Chairman and Chief Executive Officer of Motorola, Inc. Mr. Tooker served as Vice Chairman of Motorola, Inc., a manufacturer of electronics equipment, from July 1999 to December 1999. Prior to that, he was Motorola's Chairman from 1997, Vice Chairman and Chief Executive Officer from 1993, President from 1990, Chief Operating Officer from 1988, Senior Executive Vice President and Chief Corporate Staff Officer from 1986 and in other capacities from 1962. Mr. Tooker is a director of Eaton and Motorola, Inc.

KEVIN M. BISSON has been our Vice President and Chief Financial and Accounting Officer since May, 2000. From January to May 2000, he was our Director of Finance. Prior to joining our company, Mr. Bisson was Director of Finance for Hamilton Sundstrand Corporation, a subsidiary of United Technologies Corporation, beginning in 1999. For more than ten years prior thereto, he held various other financial management positions at UTC.

MICHAEL DAVIES has been our Director of Worldwide Human Resources since 1998 and has announced that he plans to retire later in 2000. Prior to joining our company, Mr. Davies was

employed by Analog Devices Inc., most recently serving as Director of Human Resources for Analog's Global Field Organizations from 1995 to 1998. Mr. Davies held various other senior human resources positions with Analog from 1983 to 1995.

CRAIG HALTERMAN has been our Director of Information Technology since the beginning of 2000. Prior to joining our company, Mr. Halterman was Information Technology Director at Honeywell/Allied Signal in its space and defense systems business since 1997. Prior to that, Mr. Halterman held various information technology positions at The Dow Chemical Co., Thomson Consumer Electronics, General Electric Co. and RCA Consumer Electronics.

MICHAEL J. LUTTATI will be our Senior Vice President -- General Manager, Implant Systems Division effective as of the separation date. Mr. Luttati has been our General Manager of Implant Systems and Director of Worldwide Sales since 1999. Prior to joining our company, Mr. Luttati served as Vice President, North America Sales Operations of Teradyne Inc. from 1996 to 1998 and, from 1981 to 1996, he held several other sales and marketing positions with Teradyne.

TED S. MILLER will be our Vice President and General Manager-- Global Customer Service effective as of the separation date. Mr. Miller has been our Director of Global Customer Service since the beginning of 2000. Prior to joining our company, Mr. Miller most recently served as Division Marketing Manager, Global Customer Service at Teradyne, Inc. and since 1980, he held various other marketing and other positions at Teradyne, including ten years experience in the semiconductor service segment.

ROBERT A. MIONIS will be our Senior Vice President -- Worldwide Operations effective as of the separation date. Mr. Mionis has served as our Director of Worldwide Operations since March 1999 and was our Global Operations Director for our implant systems operations from April 1998. Prior to joining our company, Mr. Mionis served AlliedSignal Inc. as Director of Operations and GE Aerospace in various management positions.

KEVIN O'CONNOR will be our Senior Vice President -- Human Resources effective as of July 1, 2000. Mr. O'Connor was the principal of a consultant firm providing human resources advice to several privately held technology firms in the United States from March 2000 until July 2000. From December 1996 until March 2000, he was Vice President -- Global Human Resources for Iomega Corporation. From 1993 until December 1996, Mr. O'Connor was Vice President, Human Resources -- Americas/Asia for Dell Computer Corporation.

JOHN POATE will be our Chief Technology Officer effective June 19, 2000. Prior to joining us, Dr. Poate was Dean of the College of Science and Technology of the New Jersey Institute of Technology, and was Dean of the College of Liberal Arts since 1997. From 1971 to 1997, he held several senior research positions, including head of silicon processing research, with Bell Laboratories.

JAN-PAUL VAN MAAREN has been our Director of Business Development since May 1999. He joined our company in October 1997 and was our Director of Technology and Business Development until 1998 and our Director of Global Customer Service until 1999. Dr. van Maaren was employed by Honeywell Inc. from 1992 to 1997 in various senior marketing management positions with Honeywell's Home and Building Controls Division. He also worked as a senior scientist for the Institute for Atomic and Molecular Physics in the Netherlands from 1985 to 1990.

BOARD STRUCTURE AND COMPENSATION

Our board of directors will be divided into three classes serving staggered three year terms following the completion of this offering. Mr. Cutler's and Mr. Tooker's initial terms will expire in 2001. Mr. Hardis', Mr. Bachman's and Mr. Lautenbach's initial terms will expire in 2002. Ms. Puma's, Mr. Takahashi's and Mr. Paul's initial terms will expire in 2003.

Upon their election to the board, Messrs. Paul (Chairman), Lautenbach, Takahashi and Tooker will serve as the committee to administer the option portion of the 2000 Plan (as described below) that is intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code. Mr. Hardis will join the administrative committee August 1, 2000.

Each non-employee director will receive grants of non-qualified stock options under the 2000 Plan as compensation for their services. In addition, the non-employee Chairman of our Board will receive annual cash compensation in the amount of $200,000.

AUDIT COMMITTEE

Upon their election to the board, Messrs. Paul (Chairman), Lautenbach and Tooker will be members of our audit committee following completion of this offering. Our audit committee reviews our auditing, accounting, financial reporting and internal control functions and makes recommendations to the board of directors for the selection of independent accountants. In addition, the committee will monitor the quality of our accounting principles and financial reporting as well as the independence of and the non-audit services provided by our independent accountants. In discharging its duties, the audit committee:

- assists directors in fulfilling the Board's responsibility for the quality of financial reporting;
- reviews and approves the scope of the annual audit and the independent accountant's fees;
- reviews the annual audit and the annual and quarterly financial statements;
- meets independently with our internal auditing personnel, our independent accountants and our senior management; and
- reviews the general scope of our accounting, financial reporting, annual audit and internal audit programs, matters relating to internal control systems as well as the results of the annual audit.

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

All of our common stock is currently owned by Eaton, and thus none of our officers, directors or director nominees own any of our common stock. To the extent our directors and officers own shares of Eaton common stock at the time of the divestiture, they will participate in the divestiture on the same terms as other holders of Eaton common stock.

The following table sets forth the number of Eaton common shares beneficially owned on December 31, 1999 by each director, each director nominee, each executive officer named in the Summary Compensation Table in the "Executive Compensation" section below, and all of our directors, director nominees and executive officers as a group. The total number of Eaton common shares outstanding as of December 31, 1999 was 74,033,679.

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES OF EATON BENEFICIALLY OWNED(1,2)		DEFERRED SHARE UNITS(3)	TOTAL NUMBER OF SHARES AND DEFERRED SHARE UNITS
	NUMBER	PERCENTAGE		
B. R. Bachman	77,993(4)	*	6,354	84,347
M. G. Puma	21,712	*	0	21,712
S. R. Hardis	386,543(4)	*	182,877	569,420
A. M. Cutler	289,899(4,5)	*	46,907	336,806
N. C. Lautenbach	9,662	*	1,794	11,456
P. S. Paul	0	*	0	0
N. Takahashi	0	*	0	0
G. L. Tooker	12,662(6)	*	1,063	13,725
All directors and executive officers as a group (eight persons)	798,471		238,995	1,037,466

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* Represents holdings of less than one percent.

(1) Each person has sole voting and investment power with respect to the shares listed, unless otherwise indicated.

(2) Includes shares which the person has the right to acquire within 60 days of March 31, 2000 upon the exercise of outstanding options as follows: B.R. Bachman, 75,950; M.G. Puma, 21,440; S.R. Hardis, 328,386; A.M. Cutler, 264,676; and all directors and executive officers as a group, 690,452.

(3) The Eaton director plan and the Eaton Long Term Incentive Plan permits directors and officers, respectively, to defer receipt of a portion of cash compensation otherwise due them. At least 50% of deferred amounts due to be paid after retirement are converted to Eaton share units and earn Eaton share price appreciation and dividend equivalents.

(4) Includes shares held under the Eaton Share Purchase and Investment Plan as of January 31, 2000.

(5) Includes 1,000 shares held by a trust for the benefit of Mr. Cutler's children, which was created under the Ohio Uniform Gift to Minors Act. Mr. Cutler's wife is the trustee of the trust and shares voting and investment power with respect to such shares with Mr. Cutler.

(6) Includes 3,000 shares held in the Tooker Family Trust. Mr. Tooker's wife is trustee of the trust and shares voting and investment power with respect to such shares with Mr. Tooker.

EXECUTIVE COMPENSATION

The following table sets forth compensation information for our chief executive officer and our other executive officers who, based on salary and bonus compensation from Eaton and its subsidiaries, were the most highly compensated in 1999. All information set forth in this table reflects compensation earned by these individuals for services with Eaton and its subsidiaries in 1999.

SUMMARY COMPENSATION TABLE

			LONG-TERM COMPENSATION		
	ANNUAL COMPENSATION		AWARDS	PAYOUTS	
NAME AND PRINCIPAL POSITION	SALARY($)	BONUS($)	SECURITIES UNDERLYING OPTIONS(#)	LONG-TERM INCENTIVE PAYOUTS	ALL OTHER COMPENSATION($)(1)
B. R. Bachman.....	$380,040	$364,656	35,000	$414,037	$14,560
M. G. Puma.....	224,700	264,839	21,000	81,700	$12,522

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(1) All Other Compensation contains several components. The Eaton Corporation Share Purchase and Investment Plan permits an employee to contribute from 1% to 6% of salary to the matching portion of the plan. Eaton makes a matching contribution which, except in special circumstances, ranges between $0.25 and $1.00 for each dollar contributed by the participating employee, as determined under a formula designed to reflect Eaton's quarterly earnings per share. The amount contributed during 1999 for each named executive officer was as follows: B.R. Bachman, $4,392 and M.G. Puma, $4,357. Under an Eaton program, certain executives may acquire an automobile. Under this program for 1999, the approximate cost to Eaton for each named executive officer was: B.R. Bachman, $9,486 and M.G. Puma, $7,459. Eaton provides certain executives, including the named executive officers, with the opportunity to acquire individual whole-life insurance. The annual premiums paid by Eaton during 1999 for each of the named executive officers were as follows: B.R. Bachman, $682 and M.G. Puma, $706.

GRANTS OF STOCK OPTIONS

The following table shows all grants of options to acquire shares of Eaton common stock to the executive officers named in the Summary Compensation Table in 1999.

					POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK APPRECIATION FOR OPTION TERM(1)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)	% OF TOTAL OPTIONS GRANTED TO EATON EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE	5%($)	10%($)
B. R. Bachman	35,000	1.62	$71.41	1/26/09	$1,574,591	$3,973,697
M.G. Puma	21,000	0.97	71.41	1/26/09	943,097	2,389,992

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(1) Potential realizable values are net of exercise price, but before deduction for taxes associated with exercise. These amounts represent certain assumed rates of appreciation only, based on Securities and Exchange Commission rules, and do not represent our estimate of future stock prices. No gain to an optionee is possible without an increase in stock price, which will benefit all stockholders commensurately. A zero percent gain in stock price will result in zero dollars for the optionee. Actual realizable values, if any, on stock option exercises are dependent on the future performance of our common stock, overall market conditions and the option holders' continued employment through the vesting period.

EXERCISES OF STOCK OPTIONS

The following table shows aggregate exercises of options to purchase Eaton common stock in 1999 by the executive officers named in the Summary Compensation Table in the "--Executive Compensation" section above.

NAME	SHARES ACQUIRED ON EXERCISE(#)	VALUE REALIZED($)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END ($) (1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
B.R. Bachman	0	0	64,400	97,000	$429,475	$94,200
M.G. Puma	0	0	15,995	39,005	104,499	36,971

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(1) Based on fair market value of $72.625 per share as of December 31, 1999, the closing sale price of Eaton's common stock on that date as reported on the New York Stock Exchange.

EMPLOYMENT ARRANGEMENTS

We intend to enter into employment agreements with Mr. Bachman and Ms. Puma effective as of the date of this offering. Each agreement provides for a three-year term of employment. Mr. Bachman's agreement can be extended by mutual consent of the parties. Ms. Puma's is self-extending unless one party notifies the other that the agreement will not be extended. The agreements provide that neither employee may compete with us for a period of 12 months after termination of his or her active employment or the remaining term of his or her agreement whichever is longer, and neither may reveal confidential information for a specified period of time. In the event the agreement and the employee's employment is terminated prior to the end of the term for reasons other than cause, death, disability or voluntary resignation, or, in the case of Mr. Bachman, his agreement is not extended, the employee is entitled to receive all compensation accrued to date, acceleration of vesting of options and other equity rights and base compensation and target bonus, for Mr. Bachman, for the greater of 12 months or the then remaining term or, for Ms. Puma, two years, in each case from the date of termination of employment.

Mr. Bachman's starting base salary will be $600,000 per year and he will have an annual target incentive compensation of 50% of that amount. Ms. Puma will receive $380,000 in initial base salary and will have an annual target incentive compensation opportunity of 45% of base salary. Actual incentive compensation for any year may be greater or less if actual performance is greater or less than the target. Base salary and incentive opportunities can be increased by our Board of Directors. The agreements provide that both executives will also participate in the 2000 Plan (as described below), the defined contribution/401(k) Savings Plan and the welfare benefit plans which we sponsor. At the time of the offering, Mr. Bachman and Ms. Puma will be granted options under the 2000 Plan to purchase shares of our common stock at the initial public offering price for the number of shares determined by dividing $12,000,000 and $8,000,000, respectively, by the per share option value indicated by the Black-Scholes option valuation model.

Ms. Puma has been granted a credit line by Eaton in the maximum amount of $500,000. The outstanding balance on that line as of May 1, 2000 was $175,000. We intend to make comparable credit line arrangements for Ms. Puma and to assume the outstanding balance on that line.

We also intend to enter into change in control agreements with several of our senior officers, including Mr. Bachman and Ms. Puma. These agreements would provide that in the event there was both a change in control and a termination of employment within three years of that change in control for reasons other than voluntary resignation, cause, death or disability, the covered employee would be entitled to severance compensation. Under the change in control agreement,

a resignation by a covered employee for reasons of a demotion or reduction in compensation, benefits or position is a termination by us and is not a voluntary resignation. If severance compensation is payable, severance consists of (i) a cash payment equal to the sum of (a) incentive compensation for the completed portion of the incentive period and (b) the amount determined by multiplying the employee's then salary and average bonus by three, and (ii) continuation of our medical, life and other welfare benefits for three years. We will also reimburse the employee for the effects, including federal, state and local income tax consequences, of any excise tax due on severance compensation.

TREATMENT OF EATON OPTIONS

As of March 31, 2000, our employees held options to purchase 579,286 shares of Eaton common stock at a weighted average exercise price per share of $72.88. The price of Eaton common stock on that date was $78.00.

If Eaton completes its divestiture of our shares of common stock by means of a spin-off to its shareholders, we intend to assume substantially all of the Eaton options held by our employees on the date of the divestiture. These assumed options would convert at the date of the spin-off by our granting options to our employees to purchase our common stock and cancelling their rights to acquire Eaton shares. The conversion would be done in such a manner that (1) the aggregate intrinsic value of the options immediately before and after the exchange are the same, (2) the ratio of the exercise price per option to the market value per share is not reduced, and (3) the vesting provisions and option period of the Axcelis options do not accelerate or extend the original vesting terms and option period of the Eaton options. Performance vesting provisions would change, as appropriate, to focus on our performance, as opposed to Eaton's performance. No option will be exercisable, however, if the effect of that exercise would prevent us from filing a consolidated federal income tax return with Eaton. If we do not assume substantially all of the Eaton options held by our employees on the date of the divestiture, we intend to make equitable arrangements to preserve the economic value of substantially all Eaton options held by our employees, if the financial reporting consequences are not materially adverse.

INCENTIVE PLANS

2000 STOCK PLAN

Our board of directors adopted the 2000 Stock Plan, referred to as the "2000 Plan," on June 12, 2000, and our sole stockholder initially approved our 2000 Plan on June 13, 2000. Our 2000 Plan provides for the grant of incentive stock options to our employees, and for the grant of nonstatutory stock options, restricted stock, stock purchase rights, performance units and other equity-based awards to our employees, directors and consultants.

Number of Shares of Common Stock Available under the 2000 Plan. As of June 12, 2000, a total of 18,500,000 shares of our common stock were reserved for issuance pursuant to the 2000 Plan. No options to acquire shares of our common stock were issued and outstanding as of that date. Our 2000 Plan provides for annual increases in the number of shares available for issuance on the first day of each fiscal year, beginning with our 2001 fiscal year, equal to the lesser of 5% of our outstanding shares of common stock on that date, 5,000,000 shares or a lesser amount determined by our board. The shares represented by the annual increases may not be granted as incentive stock options. No awards under the 2000 Plan will become exercisable or otherwise convertible into our securities if the effect of that exercise or conversion is to cause Eaton to be ineligible to file a consolidated federal income tax return with us, or if the conversion would cause Eaton not to be in control of us for purposes of Section 368(c) of the Internal Revenue Code.

Administration of the 2000 Plan. Our board of directors or, with respect to options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code, the committee described in "Board Structure and Compensation" above) will administer the 2000 Plan. In the case of options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code, the committee will consist of two or more "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code. The administrator has the power to determine the terms of the options or stock purchase rights granted, including the exercise price, the number of shares subject to each option or stock purchase right, the exercisability of the options and the form of consideration payable upon exercise.

Effective upon consummation of the offering, each non-employee director will be granted a fully vested, nonstatutory option with a term of ten years to purchase 24,000 shares of common stock at the initial public offering price. In addition, at such time as a member of our initial Board of Directors first becomes a non-employee director, such person will be granted a nonstatutory stock option to purchase up to 24,000 shares of common stock at an exercise price equal to the then fair market value of our common stock. Thereafter, any then non-employee director will receive an annual grant of a fully vested, nonstatutory option with a term of ten years to purchase 12,000 shares of common stock at an exercise price equal to the then fair market value of our common stock.

Options. The administrator determines the exercise price of options granted under the 2000 Plan, but with respect to nonstatutory stock options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code and all incentive stock options, the exercise price must at least be equal to the fair market value of our common stock on the grant date. The term of an incentive stock option may not exceed ten years, except that with respect to any participant who owns 10% of the voting power of all classes of our outstanding capital stock, the term must not exceed five years and the exercise price must at least equal 110% of the fair market value on the grant date. The administrator determines the term of all other options.

No optionee may be granted an option to purchase more than 1,250,000 shares in any fiscal year, except that in connection with his or her initial service, an optionee may be granted an additional option to purchase up to 1,250,000 shares.

After termination of the employment of an option holder, he or she may exercise his or her option for the period of time stated in the option agreement. Generally, if termination is due to death or disability, the option will remain exercisable until the earlier of the expiration date as provided in the option contract, or the first anniversary of the date of the death or disability or of the date of this offering, whichever is later. If the termination is due to resignation of the optionee or termination by our company, the option will expire immediately upon that event. However, an option may never be exercised later than the expiration of its term.

Restricted Stock. The 2000 Plan permits the administrator to grant restricted shares of common stock to eligible employees. The stock will be subject to such restrictions as the administrator determines appropriate, including lapse of restrictions over time or lapse of restrictions based on attainment of predetermined goals. The administrator may, but is not required to, grant stock purchase rights to participants who receive a grant of restricted stock and timely notify the administrator of his or her electing immediate federal income tax treatment on that grant. The administrator determines the exercise price of stock purchase rights granted under our 2000 Plan. Unless the administrator determines otherwise, the restricted stock purchase agreement will grant us a repurchase option that we may exercise upon the voluntary or involuntary termination of the participant's service with us for any reason, including death or disability. The purchase price for shares we repurchase will generally be the original price paid

by the participant and may be paid by cancellation of any indebtedness of the participant to us. The administrator will determine the date at which our repurchase option will lapse.

Performance Units. The administrator may grant performance units to employees, directors or consultants. Performance units are the right to receive a designated number of shares of common stock and/or cash if performance goals set at the time of the grant of the performance units are actually achieved.

Other Awards. The administrator may grant other awards as the administrator determines appropriate in its discretion.

Transferability of Options and Stock Purchase Rights. Our 2000 Plan generally prohibits transfer or assignment of options or stock purchase rights other than by will or the laws of descent and only the optionee may exercise an option or stock purchase right during his or her lifetime. The administrator may, but is not required to, permit nonstatutory options to be transferable, without payment of any consideration, to certain persons including immediate family members of the option holder or trusts or partnerships created for such family members. Performance units and other awards are not transferable.

Adjustments upon Merger or Asset Sale. Our 2000 Plan provides that in the event of our merger with or into another corporation or a sale of substantially all of our assets, the successor corporation will assume or substitute an equivalent award for each option, stock purchase right, performance unit or other award. If, for any reason, the successor does not agree to assume or substitute an equivalent award for each award, all awards will become vested and exercisable immediately prior to the consummation of the merger transaction. In addition, in the event of a change in control, all then outstanding options shall become completely vested and exercisable and any restrictions on other awards will lapse; performance units and/or other awards are deemed owned and are then payable. If the outstanding options or stock purchase rights are not assumed or substituted for in connection with a merger or sale of assets, the administrator will provide notice to the optionee that he or she has the right to exercise the option or stock purchase right as to all of the shares subject to the option or stock purchase right, including shares which would not otherwise be exercisable, as of a date determined by the administrative prior to such merger.

Amendment and Termination of our 2000 Plan. Our 2000 Plan will automatically terminate in 2010, unless we terminate it sooner. In addition, our board of directors has the authority to amend, suspend or terminate the 2000 Plan, provided such action does not adversely affect any option previously granted under our 2000 Plan.

2000 EMPLOYEE STOCK PURCHASE PLAN

Within one year of the offering, we intend to establish an Employee Stock Purchase Plan, referred to as the "Purchase Plan." The board adopted the Purchase Plan on June 12, 2000, to be implemented within one year of the completion of this offering.

Number of Shares of Common Stock Available under the Purchase Plan. A total of 2,500,000 shares of our common stock will be made available for sale under the Purchase Plan. In addition, our Purchase Plan will provide for annual increases in the number of shares available for issuance on the first day of each fiscal year, beginning with our 2001 fiscal year, equal to 1% of the outstanding shares of our common stock on the first day of the fiscal year, or a lesser amount as may be determined by our board of directors.

Administration of the Purchase Plan. Our board of directors or a committee of our board will administer the Purchase Plan. Our board of directors or its committee will have full and exclusive authority to interpret the terms of the Purchase Plan and determine eligibility.

Eligibility to Participate. All of our employees, other than officers elected by our board of directors, will be eligible to participate in the Purchase Plan if we or any authorized and participating subsidiary customarily employ them on a regular schedule. However, an employee will not be granted the right to purchase stock under the Purchase Plan if:

- immediately after grant the employee owns stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock; or

- the employee's rights to purchase stock under all of our employee stock purchase plans accrues at a rate that exceeds $25,000 worth of stock for each calendar year.

Offering Periods and Contributions. Our Purchase Plan will be intended to qualify under Section 423 of the Code and will contain 24-month offering periods. Each offering period will include four six-month purchase periods. The offering periods generally start on the first trading day on or after January 1 and July 1 of each year, except for the first such offering period which will commence on the first trading day on or after the date Eaton disposes of its ownership interest in our company, and will end on the last trading day on or before June 30, 2002.

Our Purchase Plan will permit participants to purchase common stock through payroll deductions of up to 10% of their eligible compensation, which will include a participant's base salary and commission but will exclude all other compensation paid to the participant. A participant will be allowed to purchase only the lesser of $25,000 worth of our common stock at the prices then offered under the Purchase Plan or 1,500 shares during a six-month purchase period.

Purchase of Shares. Amounts deducted and accumulated by the participant will be used to purchase shares of our common stock at the end of each six-month purchase period. The price will be 85% of the lower of the fair market value of our common stock at either the beginning or end of an offering period. If the fair market value at the end of a purchase period is less than the fair market value at the beginning of the offering period, participants will be withdrawn from the current offering period following their purchase of shares on the purchase date and will be automatically re-enrolled in a new offering period. Participants will be allowed to end their participation at any time during an offering period and any payroll deductions from their checks through that date will be repaid to them in cash. Participation ends automatically upon termination of employment with us.

Transferability of Rights. A participant will not be permitted to transfer rights granted under the Purchase Plan other than by will, the laws of descent and distribution or designation of a beneficiary as provided under the Purchase Plan.

Adjustments upon Merger or Asset Sale. In the event of our merger with or into another corporation or a sale of all or substantially all of our assets, a successor corporation may assume or substitute for each outstanding purchase authorizations. If the successor corporation refuses to assume or substitute for the outstanding purchase authorizations, the offering periods then in progress will be shortened, and a new purchase date will be set prior to the merger or sale of assets.

Amendment and Termination of the Purchase Plan. Our Purchase Plan will terminate in 2010. However, our board of directors will have the authority to amend or earlier terminate the Purchase Plan, except that, subject to exceptions described in the Purchase Plan, no such action may adversely affect any outstanding rights to purchase stock under our Purchase Plan.

ARRANGEMENTS WITH EATON

We have provided below a summary description of the master separation and distribution agreement along with the key related agreements. This description, which summarizes the material terms of the agreements, is not complete. You should read the full text of these agreements, which will be filed with the Securities and Exchange Commission as exhibits to the registration statement of which this prospectus is a part.

MASTER SEPARATION AND DISTRIBUTION AGREEMENT

The master separation and distribution agreement contains the key provisions relating to our separation from Eaton, this offering and the possible divestiture of our shares to Eaton shareholders.

THE SEPARATION. The master separation and distribution agreement provides for the transfer to us of the business, assets and liabilities from Eaton related to our business as described in this prospectus. Prior to the completion of this offering, Eaton will substantially complete the transfer of assets contemplated by the separation agreement. The various ancillary agreements that are exhibits to the separation agreement and which detail the separation and various interim and ongoing relationships between Eaton and us following June 30, 2000, the separation date, include:

- a general assignment and assumption agreement;
- a trademark license agreement;
- an employee matters agreement;
- a tax sharing and indemnification agreement;
- a transitional services agreement;
- a real estate matters agreement; and
- an indemnification and insurance matters agreement.

Generally, to the extent that the terms of any of these ancillary agreements conflict with the separation agreement, the terms of these agreements will govern. These agreements are described more fully below.

THE INITIAL PUBLIC OFFERING. Under the terms of the separation agreement, Eaton will continue to own at least 80.1% of our outstanding common stock immediately following this offering. We are obligated to use our reasonable commercial efforts to satisfy the following conditions to the completion of this offering, any of which may be waived by Eaton:

- the registration statement containing this prospectus must be effective;
- U.S. and foreign securities and blue sky laws must be satisfied;
- our common stock must have been approved for quotation on the Nasdaq National Market;
- all our obligations under the underwriting agreement must be satisfied or waived by the underwriters;
- Eaton must own at least 80.1% of our outstanding common stock following this offering and must be satisfied that any divestiture of all the shares of our common stock will be tax-free to its U.S. shareholders;
- no legal restraints must exist preventing the separation or this offering;
- the separation must have occurred; and
- the separation agreement must not have been terminated.

THE DIVESTITURE. Following completion of this offering, Eaton may divest itself of our common stock through a distribution to Eaton shareholders in a tax-free transaction. Eaton is not

obligated to consummate the divestiture and may, in its sole discretion, determine the form, structure, timing and terms on which it would accomplish the divestiture and whether and when it expects to consummate the divestiture. Eaton intends to consummate the divestiture only if the following conditions are met, any of which may be waived by Eaton:

- the Internal Revenue Service must issue a ruling that the divestiture of Eaton's shares of our common stock will be tax-free to Eaton and its shareholders and that Eaton's contribution of assets to us in connection with the separation will qualify as a tax-free reorganization for U.S. federal income tax purposes;

- all required government approvals must be in effect;

- no legal restraints must exist preventing this divestiture; and

- nothing must have happened prior to the divestiture that would have a material adverse effect on Eaton or its shareholders.

In addition, we have agreed that we will not issue or sell shares of common stock before Eaton's divestiture without Eaton's prior written consent.

COVENANTS WITH EATON. In addition to signing documents that transfer control and ownership of various assets and liabilities of Eaton relating to our business, we have agreed with Eaton to enter into additional transitional service agreements, exchange information, engage in auditing practices and resolve disputes in particular ways.

INFORMATION EXCHANGE. Both Eaton and we have agreed to share information relating to governmental, accounting, contractual and other similar requirements of our ongoing businesses, unless the sharing would be commercially detrimental, violate any law or agreement or waive any attorney-client privilege. In furtherance of this arrangement, both Eaton and we have agreed as follows:

- each party will maintain at its own cost and expense adequate internal accounting and will provide, at the request of the other party, all financial and other data and information as necessary to allow the other party to satisfy its reporting obligations and prepare its financial statements;

- each party will retain records beneficial to the other party for a specified period of time. If the records are going to be destroyed, the destroying party will give the other party an opportunity to retrieve all relevant information from the records, unless the records are destroyed in accordance with adopted record retention policies; and

- each party will use commercially reasonable efforts to provide the other party with directors, officers, employees, other personnel and agents who may be used as witnesses, and books, records and other documents which may reasonably be required, in connection with legal, administrative or other proceedings.

ACCOUNTING AND AUDITING PRACTICES. As long as Eaton is required to consolidate and report on our results of operations and financial position, we and Eaton have agreed that:

- we will inform Eaton of any significant changes in any accounting policy or principle before the changes are implemented;

- Eaton will inform us of any significant changes in accounting estimate or principle before the changes are implemented;

- we will comply with all Eaton financial reporting requirements, policies, and accounting and reporting deadlines, including providing to Eaton on a timely basis all information that Eaton reasonably requires for the preparation of Eaton's annual and quarterly financial statements;

- we will provide any supplemental information required by Eaton for external financial reporting or compliance, and Eaton will provide any supplemental information required by us for external financial reporting or compliance;

- we will not select a different independent accounting firm from that used by Eaton without Eaton's consent;

- we will use all reasonable commercial efforts to enable our auditors to date their opinion on our audited financial statements on the same date as Eaton's auditors date their opinion on Eaton's financial statements; and

- we will grant each other's internal and external auditors and their designees access to each other's records as necessary.

DISPUTE RESOLUTION. If problems arise between us and Eaton, we have agreed to the following procedures:

- the parties will make a good faith effort to first resolve the dispute through negotiation;

- if negotiations fail, the parties will attempt to resolve the dispute through non-binding mediation; and

- if mediation fails, the parties can resort to binding arbitration.

In addition, nothing prevents either party acting in good faith from initiating litigation at any time if failure to do so would cause serious and irreparable injury to one of the parties or to others.

NO REPRESENTATIONS AND WARRANTIES. Neither party is making any promises to the other regarding:

- the value of any asset that Eaton is transferring or has transferred;

- whether there is a lien or encumbrance on any asset Eaton is transferring or has transferred;

- the absence of defenses or freedom from counterclaims with respect to any claim Eaton is transferring; or

- the legal sufficiency of any conveyance of title to any asset Eaton is transferring or has transferred.

CASH. Prior to January 1, 2000, substantially all of our cash receipts and disbursements in the United States were processed through Eaton's centralized cash management system and were recorded in Parent Company investment. Since December 31, 1999, substantially all of these amounts have been recorded as a receivable from or payable to Eaton. At March 31, 2000, a net amount of $0.9 million was payable to Eaton by us for these transactions and was included in "Receivables from Eaton Corporation" in our March 31, 2000 combined balance sheet. This payable became a receivable of approximately $19.4 million at May 31, 2000 and we expect it to increase to approximately $29.1 million at June 30, 2000. We plan to settle this receivable in cash at or shortly after the closing of this offering.

The remaining balance of the "Receivables from Eaton Corporation" at March 31, 2000 was $9.2 million and represented primarily cash generated by us in Europe that was processed through Eaton's European centralized cash management system. Approximately $5.5 million of this receivable, as well as $1.5 million of our $2.8 million of cash and short-term investments at March 31, 2000, will be retained by Eaton and will not be available to us. The resulting $3.7 million balance of this receivable will also be settled in cash at or shortly after the closing of this offering. Subsequent to March 31, 2000, in connection with Eaton's contribution of assets to us, we received a cash transfer from Eaton that we expect, after offsets, to net to approximately $8.0 million.

NO SOLICITATION. Each party has agreed not to directly solicit or recruit employees of the other party without the other party's consent for two years after the divestiture date. However, this prohibition does not apply to general recruitment efforts carried out through public or general solicitation or where the solicitation is employee-initiated.

EXPENSES. It is anticipated that we will bear the costs and expenses associated with the reorganization transactions and associated with this offering and Eaton will bear the costs and

expenses associated with the divestiture. We will each bear our own internal costs incurred in consummating these transactions.

TERMINATION OF THE SEPARATION AGREEMENT. Eaton, in its sole discretion, can terminate the separation agreement and all ancillary agreements at any time prior to the completion of this offering. Both Eaton and we must agree to any early termination of the separation agreement and all ancillary agreements at any time between the completion of this offering and the divestiture.

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

The general assignment and assumption agreement identifies the assets Eaton will transfer to us and the liabilities we will assume from Eaton in the separation, to the extent not transferred prior to the separation date. The agreement also describes when and how these transfers and assumptions will occur.

ASSET TRANSFER. To the extent not transferred prior to the separation date, effective on the separation date, Eaton transferred all of the assets to us that it held related to our business, to the extent that those assets were, prior to the separation date, an Eaton asset.

ASSUMPTION OF LIABILITIES. Effective on the separation date and with no recourse to Eaton, we assumed the actual and contingent liabilities from Eaton which are liabilities related to our business, except as specifically provided to the contrary in an ancillary or other agreement.

EXCLUDED LIABILITIES. The general assignment and assumption agreement also provides that we will not assume specified liabilities, including:

- except for policy deductibles or retention amounts, any liabilities that would otherwise be allocated to us but which are covered by Eaton's insurance policies, unless we are a named insured under such policies; and

- other specified liabilities.

NON-UNITED STATES ASSETS. The transfer of international assets and assumption of international liabilities will be accomplished through agreements entered into between international subsidiaries. The agreement acknowledges that circumstances in various jurisdictions outside of the United States may require the timing of portions of the international separation to be delayed past the separation date. If it is not practicable to transfer specified assets and liabilities on the separation date, the agreement provides that these assets and liabilities will be transferred at such other time as the parties shall agree.

TERMS OF ANCILLARY AGREEMENTS GOVERN. If another ancillary agreement expressly provides for the transfer of an asset or an assumption of a liability, the terms of the other ancillary agreement will determine the manner of the transfer and assumption.

OBTAINING APPROVALS AND CONSENTS. The parties agree to use all commercially reasonable efforts to obtain any required consents, substitutions or amendments required to novate or assign all rights and obligations under any contracts that will be transferred or assumed in the separation, provided that there will be no obligation to pay any consideration to any third party from whom such consents, substitutions or amendments are required.

NONRECURRING COSTS AND EXPENSES. Any nonrecurring costs and expenses that are not allocated in the separation agreement or any other ancillary agreement shall be the responsibility of the party that incurs the costs and expenses.

TRADEMARK LICENSE AGREEMENT

The trademark license agreement governs our use of the "EATON" trademark. We are licensed to use, on a worldwide basis, the Eaton logo and "EATON" trademark in connection with ion implantation, dry strip, photostabilization and rapid thermal processing products. The license is non-exclusive and royalty free. We are required to allow Eaton, upon request and at its expense, to inspect the quality of the goods with the Eaton trademark to ensure conformity with

quality standards. We are not allowed to use any confusingly similar trademarks. The license is for a period of three years and expires June 30, 2003. We are obligated to notify Eaton of any alleged infringement and will indemnify Eaton for our use. We do not have the right to sublicense the Eaton logo or "EATON" trademark except to carry out the terms of an agreement with SEN. The agreement is assignable only with the express permission of Eaton.

EMPLOYEE MATTERS AGREEMENT

We have entered into an employee matters agreement with Eaton to allocate assets, liabilities and responsibilities relating to our current and former employees and their participation in the benefit plans, including stock plans, that Eaton currently sponsors and maintains for our eligible employees.

All of our eligible employees will, in most instances, continue to participate in such Eaton benefit plans on comparable terms and conditions to those provided to such employees prior to the offering until the earlier of our adoption of a comparable plan or the date that Eaton and Axcelis cease to be members of the same controlled group for federal income tax purposes. After such date, we may establish benefit plans for our employees, or elect not to establish comparable plans, if it is not legally or financially practical or competitively advisable.

Once we establish our own benefit plans, we may modify or terminate each plan in accordance with the terms of that plan and our policies. None of our benefit plans will pay benefits that duplicate payments already made under the corresponding Eaton benefit plan at the time of the distribution. Each of our benefit plans will provide that all service, compensation and other benefit determinations that, as of the distribution, were recognized under the corresponding Eaton benefits plan will be taken into account under our corresponding benefit plan.

Except with respect to the Eaton Share Purchase and Investment Plan, a defined contribution plan with 401(k) deferral features, the assets relating to Eaton's employee benefit plans will not be transferred to our related plans.

OPTIONS. We have established a replacement stock option plan for our eligible employees on or before the completion of this offering. Upon the divestiture, we will assume all Eaton options held by our employees. These options then will be converted into options to purchase our common stock. The number of shares and the exercise price of Eaton options that convert into our options will be adjusted using a conversion formula. The conversion formula will be based on the opening per share price of our common stock on the first trading day after the distribution relative to the closing per share price of Eaton common stock on the last trading day before the divestiture. The resulting Axcelis options will maintain vesting provisions and option periods substantially similar to those of the initial grant.

TAX SHARING AND INDEMNIFICATION AGREEMENT

We have entered into a tax sharing and indemnification agreement with Eaton that allocates responsibilities and liabilities for tax matters between us and Eaton. The agreement requires us to pay Eaton for our allocable share of any taxes due with respect to consolidated, combined or unitary tax returns that we file with Eaton for all periods beginning after December 31, 1999, prior to the divestiture date. The agreement also provides for compensation or reimbursement as the case may be, to reflect redeterminations of our tax liability for periods beginning after December 31, 1999 during which we joined in filing consolidated, combined or unitary tax returns with Eaton.

In order to initially satisfy our tax liability for the first quarter of 2000, we will pay Eaton cash in an amount equal to the $8.3 million tax provision shown in our combined financial statements for the quarter. This payment will be made as part of the settlement of the cash management receivable or payable described in note (4) to the "Prospectus Summary -- Summary Historical Combined Financial Data". The ultimate amount of tax liability that we will have to pay Eaton in

respect of this quarter under the tax sharing and indemnification agreement will be based on our allocable share of any taxes due with respect to tax returns that we file with Eaton.

The tax sharing and indemnification agreement also requires us to indemnify Eaton for certain taxes (including interest and penalties), the amount of which could be material to us, including:

- any taxes resulting from our separation from Eaton that are imposed on Eaton due to any action on our part that is not contemplated in the master separation and distribution agreement or any failure to take action required by that agreement.

- any taxes imposed on Eaton that would not have been payable but for the breach by us of any representation, warranty or obligation under the tax sharing and indemnification agreement, the private letter tax ruling request or other agreements; and

- the additional taxes that would result if any acquisition of our stock after the divestiture of our common stock to Eaton's shareholders causes the divestiture not to qualify for tax-free treatment to Eaton and/or its shareholders, regardless of whether Eaton consents to such acquisition.

The tax sharing and indemnification agreement provides that for a period of two years after the divestiture, we will not, without Eaton's prior written consent, liquidate, merge or consolidate with any other person, or enter into any transaction or make any change in our equity structure that may cause the divestiture to be treated as part of a plan pursuant to which one or more persons other than Eaton shareholders acquire a 40 percent or greater interest in our stock.

Each member of a consolidated group for United States federal income tax purposes is jointly and severally liable for the group's federal income tax liability for the period during which it is a member even after it withdraws from the group, and the tax sharing and indemnification agreement does not change this result. Accordingly, we could be required to pay a deficiency in the Eaton group's federal income tax liability for a period during which we were a member of the group even if the tax sharing and indemnification agreement allocates that liability to Eaton or another member. In this event, however, we would have a claim for indemnification from Eaton under this agreement.

The tax sharing and indemnification agreement also assigns responsibilities for administrative matters, such as the filing of returns, payment of taxes due, retention of records, and conduct of audits, examinations or similar proceedings.

TRANSITIONAL SERVICES AGREEMENT

The transitional services agreement governs providing transitional services by Eaton and us to each other, on an interim basis, generally for one year or less after the distribution date, unless extended for up to one additional year for specific services or otherwise indicated in the agreement. The agreement provides for transitional services, systems and support to our operations, including those associated with voice and data transmissions and other data-related operations, accounts receivables, accounts payable, fixed assets, payroll, general accounting, financial accounting consolidations, cash management, human resources, tax, legal and real estate. Services are generally priced at cost prior to the divestiture and thereafter at fair market rates. The transitional services agreement also covers the provision of additional transitional services identified from time to time after the separation date that were inadvertently or unintentionally omitted from the specified services, or that are essential to effectuate an orderly transition under the separation agreement, so long as the provision of such services would not significantly disrupt Eaton's operations or significantly increase the scope of its responsibility under the agreement.

REAL ESTATE MATTERS AGREEMENT

The real estate matters agreement addresses real estate matters relating to the Eaton leased and owned properties that Eaton will transfer to or share with us. The agreement describes the manner in which Eaton will transfer to us various leased and owned properties and the manner in which we will share occupancy of one leased property.

The real estate matters agreement identifies each owned property to be transferred to us and each leased property to be assigned to us. The real estate matters agreement requires both parties to use reasonable efforts to obtain any landlord consents required for the proposed transfers of leased sites, including us agreeing to provide any security required under the applicable lease or by the applicable landlord as a condition to the landlord's release of Eaton from any further liability under the lease.

The real estate matters agreement provides that we may occupy a leased property as a licensee pending receipt of the landlord's consent to the assignment of the lease to us. If the landlord refuses to consent to the assignment, Eaton will use reasonable efforts to obtain the landlord's consent to sublease the property to us. We will indemnify Eaton against all further liabilities under each lease assigned to us. Eaton will pay all reasonable costs required to obtain each landlord's consent to the assignment or sublease.

The real estate matters agreement further provides that we will be required to accept the transfer of all sites allocated to us, even if a site has been damaged by a casualty before the separation date. Transfers with respect to leased sites where the underlying lease is terminated due to casualty or action by the landlord prior to the separation date will not be made, and neither party will have any liability related thereto.

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

GENERAL RELEASE OF PRE-SEPARATION CLAIMS. Effective as of the separation date, subject to specified exceptions, we will release Eaton and its affiliates, agents, successors and assigns, and Eaton will release us, and our affiliates, agents, successors and assigns, from any liabilities arising from events occurring on or before the separation date, including events occurring in connection with the activities to implement the separation. This provision will not impair a party from enforcing the separation agreement or any ancillary agreement.

INDEMNIFICATION. In general, we have agreed to indemnify Eaton and its affiliates, agents, successors and assigns from all liabilities arising from:

- our business, any of our liabilities or any of our contracts;

- any breach by us of the separation agreement or any ancillary agreement; and

- any untrue statement of a material fact or any omission of a material fact in this prospectus or in any other securities filings relating to the divestiture, other than with respect to specified information relating to Eaton.

Eaton has agreed to indemnify us and our affiliates, agents, successors and assigns from all liabilities arising from:

- Eaton's business other than our business and Eaton's liabilities other than our liabilities;

- any breach by Eaton of the separation agreement or any ancillary agreement; and

- any untrue statement of a material fact or any omission of a material fact in this prospectus or in any other securities filings relating to the divestiture with respect to specified information relating to Eaton.

These indemnification provisions do not apply to any liabilities which have been satisfied from insurance collection. The agreement also contains provisions governing notice and indemnification procedures.

LIABILITY ARISING FROM THIS PROSPECTUS. We will bear any liability arising from any untrue statement of a material fact or any omission of a material fact in this prospectus other than with respect to specified information relating to Eaton.

INSURANCE MATTERS. The agreement also contains provisions governing our insurance coverage from the separation date until the divestiture date. In general, we agree to reimburse Eaton for premium expenses related to insurance coverage during this period. Prior to the divestiture, Eaton will maintain insurance policies on our behalf. We will work with Eaton to secure additional insurance if desired and cost effective.

ENVIRONMENTAL MATTERS. We have agreed to indemnify Eaton and its affiliates, agents, successors and assigns from all liabilities arising from environmental conditions or any actions relating to, resulting from, or present at, our properties, facilities or operations, either before or after the separation date. This includes indemnifying Eaton from any liabilities resulting from the transportation of hazardous materials to or from any of our facilities either before or after the separation date.

ASSIGNMENT. The indemnification and insurance matters agreement is not assignable by either party without the prior written consent of the other party.

PRINCIPAL STOCKHOLDER

Prior to this offering, all of the outstanding shares of our common stock will be owned by Eaton. After this offering, Eaton will own about 83.8% of our outstanding common stock, or about 81.8%, if the underwriters fully exercise their option to purchase additional shares of our common stock. Except for Eaton, we are not aware of any person or group that will beneficially own more than 5% of the outstanding shares of our common stock following this offering. None of our executive officers, directors or director nominees currently owns any shares of our common stock, and those who own shares of Eaton common stock will be treated on the same terms as other holders of Eaton stock in any divestiture of our common stock by Eaton to its shareholders. Our executive officers, however, will be granted options to purchase our common stock at the initial public offering price. See "Management -- Stock Ownership of Directors and Executive Officers" for a description of the ownership of Eaton stock by our directors and executive officers.

DESCRIPTION OF CAPITAL STOCK

GENERAL

We are authorized to issue 300,000,000 shares of common stock, $0.001 par value, and 30,000,000 shares of undesignated preferred stock, $0.001 par value. The following description of our capital stock is subject to our certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and to the provisions of applicable Delaware law.

COMMON STOCK

The holders of our common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of our common stock are entitled to receive ratably such dividends, if any, as our board of directors may declare from time to time out of funds legally available for that purpose. See "Dividend Policy". In the event of our liquidation, dissolution or winding up, the holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to the priority of preferred stock, if any, then outstanding. The holders of our common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock.

PREFERRED STOCK

Our board of directors has the authority, without action by the stockholders, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may be greater than the rights of our common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of our common stock until our board of directors determines the specific rights of the holders of the preferred stock. However, the effects might include, among other things:

- restricting dividends on our common stock;
- diluting the voting power of our common stock;
- impairing the liquidation rights of our common stock; or
- delaying or preventing a change in control of us without further action by the stockholders.

At the closing of this offering, no shares of preferred stock will be outstanding, and we have no present plans to issue any shares of preferred stock. See "Rights Plan" below.

ANTI-TAKEOVER EFFECTS OF OUR CERTIFICATE AND BYLAWS AND DELAWARE LAW

Some provisions of Delaware law and our certificate of incorporation and bylaws could make the following more difficult:

- acquisition of us by means of a tender offer;
- acquisition of us by means of a proxy contest or otherwise; or
- removal of our incumbent officers and directors.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection give us the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us and outweigh the

disadvantages of discouraging those proposals because negotiation of those proposals could result in an improvement of their terms.

ELECTION AND REMOVAL OF DIRECTORS. Our board of directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. See "Management-Directors and Executive Officers". This system of electing directors may discourage a third party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult for stockholders to replace a majority of the directors. Under the terms of our bylaws, this provision cannot be changed without a supermajority vote of our stockholders.

STOCKHOLDER MEETINGS. Under our bylaws, only our board of directors, the chairman or the vice chairman of our board of directors, or the chief executive officer, and until Eaton owns less than 50% of our common stock, Eaton, may call special meetings of stockholders.

REQUIREMENTS FOR ADVANCE NOTIFICATION OF STOCKHOLDER NOMINATIONS AND PROPOSALS. Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee of our board of directors. Under the terms of our bylaws, this provision cannot be changed without a supermajority vote of our stockholders.

DELAWARE ANTI-TAKEOVER LAW. We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless the "business combination" or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns or within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the outstanding shares of our common stock. After completion of this offering, Eaton will be an "interested stockholder" subject to these statutory provisions.

ELIMINATION OF STOCKHOLDER ACTION BY WRITTEN CONSENT. Our certificate of incorporation eliminates the right of stockholders other than Eaton to act by written consent without a meeting. Eaton will lose this right once it owns less than 50% of our common stock.

ELIMINATION OF CUMULATIVE VOTING. Our certificate of incorporation and bylaws do not provide for cumulative voting in the election of directors.

UNDESIGNATED PREFERRED STOCK. The authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of us.

AMENDMENT OF CHARTER PROVISIONS. The amendment of any of the above provisions would require approval by holders of at least 75% of our outstanding common stock.

RIGHTS PLAN

Our rights plan may have the effect of delaying or preventing a change in control of our company. This plan attaches to each common share one right that, when exercisable, entitles the holder of a right to purchase one one-hundredth of a share of Preferred Stock at a purchase

price of $110, subject to adjustment. If certain takeover events occur, exercise of the rights would entitle the holders thereof (other than the acquiring person or group) to receive common shares or common stock of a surviving corporation, or cash, property or other securities, with a market value equal to twice the purchase price. These takeover events include a person or group becoming the owner of 20% or more of our outstanding common stock or the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 20% or more of our outstanding common shares. Accordingly, exercise of the rights may cause substantial dilution to a person who attempts to acquire our company.

The rights automatically attach to each outstanding common share. There is no monetary value presently assigned to the rights, and they will not trade separately from our common stock unless and until they become exercisable. The rights, which expire in June 2010, may be redeemed, at the option of our Board of Directors, at a price of $.001 per right at any time prior to a group or person acquiring ownership of 20% or more of the outstanding common shares. The rights agreement may have certain antitakeover effects, although it is not intended to preclude any acquisition or business combination that is at a fair price and otherwise in the best interests of our company and our stockholders as determined by our Board of Directors. However, a stockholder could potentially disagree with the Board's determination of what constitutes a fair price or the best interests of our company and our stockholders.

The description and terms of the rights are set forth in a rights agreement between us and Equiserve Trust Company N.A., as rights agent. A copy of the rights agreement is filed as an exhibit to the registration statement of which this prospectus forms a part. The above summary of the material terms of the rights does not purport to be complete and is qualified in its entirety by reference to the rights agreement.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock will be Equiserve Trust Company, N.A.

SHARES ELIGIBLE FOR FUTURE SALE

All of the shares of our common stock sold in this offering will be freely tradeable without restriction under the Securities Act, except for any shares which may be acquired by an affiliate of ours, as that term is defined in Rule 144 under the Securities Act. Persons who may be deemed to be affiliates generally include individuals or entities that control, are controlled by, or are under common control with, us and may include our directors and officers as well as our significant stockholders, if any.

Eaton currently plans to consummate its divestiture of all of its shares of our common stock approximately six months following this offering by disposing of all of its shares of our common stock to Eaton shareholders, although Eaton is not obligated to consummate this divestiture. Any shares of our common stock distributed to Eaton shareholders in the divestiture generally will be freely transferable, except for shares of common stock received by persons who may be deemed to be our affiliates. Persons who are affiliates will be permitted to sell the shares of common stock that are issued in this offering or that they receive in the divestiture only through registration under the Securities Act, or under an exemption from registration, such as the one provided by Rule 144. Generally, Rule 144, as presently in effect, provides that an affiliate who has owned shares of our common stock for at least one year is entitled to sell in the open market in broker's transactions, within any three-month period, a number of shares that does not exceed the greater of:

- one percent of the then outstanding shares of our common stock, which will equal approximately 955,000 shares immediately after this offering, or 978,250 shares if the underwriters fully exercise their option to purchase additional shares of our common stock; and

- the average weekly trading volume of our common stock during the four calendar weeks preceding the sale.

Sales under Rule 144 are also subject to additional restrictions relating to the manner of sale and the availability of current public information about our company.

The shares of our common stock held by Eaton before the divestiture are deemed "restricted securities" as defined in Rule 144, and may not be sold other than through registration under the Securities Act or under an exemption from registration, such as the one provided by Rule 144. Eaton, our directors and officers and we have agreed not to offer, sell or otherwise dispose of any shares of our common stock, subject to exceptions, for a period of 180 days after the date of this prospectus, without the prior written consent of Goldman, Sachs & Co. This agreement does not apply to the divestiture of our common stock owned by Eaton to its shareholders on or after November 1, 2000, any sale by Eaton of its shares of our common stock to a purchaser who offers to buy all other outstanding shares of our common stock at the same price, any grants under our existing employee benefit plans or transactions in Eaton common shares. See "Underwriting."

If Eaton distributes all of the shares of our common stock it owns to Eaton shareholders after this offering, substantially all of these shares will be eligible for immediate resale in the public market. We are unable to predict whether significant amounts of common stock will be sold in the open market in anticipation of, or following, this divestiture, or by Eaton if the divestiture does not occur. We are also unable to predict whether a sufficient number of buyers will be in the market at that time. Any sales of substantial amounts of common stock in the public market, or the perception that such sales might occur, whether as a result of this divestiture or otherwise, could harm the market price of our common stock. Eaton has the sole discretion to determine the timing, structure and all terms of its divestiture of our common stock, all of which may also affect the level of market transactions in our common stock.

We will grant shares of our common stock pursuant to the 2000 Stock Plan subject to restrictions. See "Management -- Incentive Plans -- 2000 Stock Plan." We currently expect to file a registration statement under the Securities Act to register shares reserved for issuance under the 2000 Stock Plan and the 2000 Employee Stock Purchase Plan. Shares issued pursuant to awards after the date of this prospectus, other than shares issued to affiliates, generally will be freely tradable without further registration under the Securities Act. Shares issued pursuant to any vested and exercisable options of Eaton converted into our options will also be freely tradable without registration under the Securities Act after the date of this prospectus. See "Management -- Treatment of Eaton Options".

UNITED STATES FEDERAL TAX CONSIDERATIONS TO NON-UNITED STATES HOLDERS

The following summary describes material United States federal income and estate tax consequences that may be relevant to the purchase, ownership and disposition of our common stock by a Non-United States Holder. A Non-United States Holder is any person who is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual, a foreign partnership or a foreign estate or trust or any other foreign entity. This discussion does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state and local consequences that may be relevant to Non-United States Holders in light of their personal circumstances. Furthermore, this discussion is based on provisions of the Internal Revenue Code of 1986, existing and proposed regulations promulgated thereunder, and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change. EACH PROSPECTIVE PURCHASER OF COMMON STOCK IS ADVISED TO CONSULT A TAX ADVISOR WITH RESPECT TO CURRENT AND POSSIBLE FUTURE CONSEQUENCES OF ACQUIRING, HOLDING AND DISPOSING OF COMMON STOCK AS WELL AS ANY TAX CONSEQUENCES THAT MAY ARISE UNDER THE LAWS OF ANY UNITED STATES STATE, MUNICIPALITY OR OTHER TAXING JURISDICTION.

DIVIDENDS

We do not anticipate paying cash dividends on our capital stock in the foreseeable future. See "Dividend Policy". In the event, however, that dividends are paid on shares of our common stock, dividends paid to a Non-United States Holder of our common stock generally will be subject to withholding of United States federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, assuming certain certification and disclosure requirements are met, dividends that are effectively connected with the conduct of a trade or business by a Non-United States Holder within the United States and, where a tax treaty applies, are attributable to a United States permanent establishment of the Non-United States Holder, are not subject to the withholding tax, but instead are subject to United States federal income tax on a net income basis at the applicable graduated individual or corporate rates. Any such effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

In October 1997, the Internal Revenue Service issued final regulations relating to the withholding, backup withholding and information reporting with respect to payments made to Non-United States Holders. The new regulations generally apply to payments made after December 31, 2000, subject to certain transition rules.

Until December 31, 2000, dividends paid to an address outside the United States are presumed to be paid to a resident of such country, unless the payer has knowledge to the contrary, for purposes of the withholding tax discussed above and, under the current interpretation of United States Treasury regulations, for purposes of determining the applicability of a tax treaty rate. To avoid back-up withholding for dividends paid after December 31, 2000, a Non-United States Holder will be required to satisfy certain certification and other requirements which may differ from current requirements. Special rules will apply to dividend payments made after December 31, 2000 to foreign intermediaries, foreign partnerships, United States or foreign wholly-owned entities that are disregarded for United States federal income tax purposes, and entities that are treated as fiscally transparent in the United States, the applicable income tax treaty jurisdiction or both. In addition, United States tax law denies income tax treaty benefits to foreigners receiving income derived through a partnership or other fiscally transparent entity in certain circumstances.

A Non-United States Holder of our common stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

GAIN ON DISPOSITION OF COMMON STOCK

A Non-United States Holder generally will not be subject to United States federal income tax with respect to gain recognized on a sale or other disposition of our common stock unless:

- the gain is effectively connected with a trade or business of the Non-United States Holder in the United States and, where a tax treaty applies, is attributable to a United States permanent establishment of the Non-United States Holder,

- in the case of a Non-United States Holder who is an individual and holds common stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions are met,

- the Non-United States Holder is subject to tax pursuant to the provisions of the United States tax law applicable to certain United States expatriates, or

- we are or have been a "United States real property holding corporation" for United States federal income tax purposes, and the Non-United States Holder owned, directly or pursuant to certain attribution rules, more than 5% of our common stock at any time within the shorter of the five-year period preceding such disposition or such Non-United States Holder's holding period. We believe we are not, and we do not anticipate becoming, a "United States real property holding corporation" for United States federal income tax purposes.

An individual Non-United States Holder described in the first point above will be subject to tax on the net gain from the sale under regular graduated United States federal income tax rates. An individual Non-United States Holder described in the second point above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by United States-source capital losses, even though the individual is not considered a resident of the United States. If a Non-United States Holder that is a foreign corporation is described in the first point above, it will be subject to tax on its net gain under regular graduated United States federal income tax rates and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits within the meaning of the Code for the year, as adjusted for certain items, unless it qualifies for a lower rate under an applicable income tax treaty.

FEDERAL ESTATE TAX

Common stock owned or treated as owned by an individual who is not a citizen or resident for U.S. estate tax purposes at the time of death will be included in such holder's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

INFORMATION REPORTING AND BACKUP WITHHOLDING

We must report annually to the Internal Revenue Service and to each Non-United States Holder the amount of dividends paid to such Non-United States Holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the Non-United States Holder resides under the provisions of an applicable income tax treaty.

Until December 31, 2000, backup withholding generally will not apply to dividends paid to a Non-United States Holder at an address outside the United States, unless the payer has knowledge that the payee is a United States person. With respect to dividends paid after December 31, 2000, however, a Non-United States Holder will be subject to back-up withholding at a 31% rate unless applicable certification requirements are met to establish non-United States status.

Payment of the proceeds of a sale of common stock within the United States or conducted through certain United States-related foreign financial intermediaries is subject to:

- information reporting; and

- backup withholding, other than payments made before January 1, 2001 by or through certain United States-related foreign financial intermediaries, unless the beneficial owner certifies under penalties of perjury that it is a Non-United States Holder, and the payor does not have actual knowledge that the beneficial owner is a United States person, or the holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a holder's United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

UNDERWRITING

Axcelis and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Lehman Brothers Inc. and Salomon Smith Barney Inc. are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Morgan Stanley & Co. Incorporated	
Lehman Brothers Inc.	
Salomon Smith Barney Inc.	
Total	15,500,000

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 2,325,000 shares from Axcelis to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by Axcelis. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 2,325,000 additional shares.

	Paid by Axcelis	
	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial offering price, the representatives may change the offering price and the other selling terms.

Axcelis and its directors, director nominees and officers, and Eaton have agreed with the underwriters not to dispose of or hedge any of Axcelis' common stock or securities convertible into or exchangeable for shares of Axcelis' common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. This agreement does not apply to the divestiture of shares of Axcelis' common stock owned by Eaton to its shareholders on or after November 1, 2000, any sale by Eaton of its shares of our common stock to a purchaser who offers to buy all other outstanding shares of our common stock at the same price, any grants under Axcelis' existing employee benefit plans or transactions in Eaton common shares. See "Shares Eligible For Future Sale" for a discussion of transfer restrictions.

Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated between Axcelis and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be Axcelis' historical performance, estimates of Axcelis' business potential and earnings prospects, an assessment of Axcelis' management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Axcelis has applied to have its common stock quoted on the Nasdaq National Market under the symbol "ACLS".

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Shorts sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from the issuer in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of Axcelis' stock, and together with the imposition of the penalty bid may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the Nasdaq National Market, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

Axcelis estimates that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $3,000,000.

Axcelis and Eaton agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Goldman, Sachs & Co. has been engaged by Eaton to provide financial advisory services relating to our separation from Eaton and the distribution of shares of our common stock to Eaton shareholders, for which it will be paid a fee upon consummation of the divestiture. Goldman, Sachs & Co. has from time to time performed various investment banking services for Eaton in the past, and it may from time to time in the future perform investment banking services for Eaton and us for which it has received and will receive customary fees.

VALIDITY OF COMMON STOCK

The validity of the common stock offered hereby will be passed upon for us by Kirkpatrick & Lockhart LLP, Pittsburgh, Pennsylvania and for the underwriters by Shearman & Sterling, New York, New York.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our combined financial statements at December 31, 1998 and 1999, and for each of the three years in the period ended December 31, 1999, as set forth in their report. We have included our financial statements in this prospectus in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, Washington, D.C. 20549, a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. Some items are omitted in accordance with the rules and regulations of the SEC. For further information about us and our common stock, reference is made to the registration statement and the exhibits and any schedules to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if the contract or document is filed as an exhibit, reference is made to the copy of the contract or other documents filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference. A copy of the registration statement, including the exhibits and schedules to the registration statement, may be read and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which interested persons can electronically access the registration statement, including the exhibits and any schedules to the registration statement.

As a result of this offering, we will become subject to the full informational requirements of the Securities Exchange Act of 1934, as amended. We will fulfill our obligations with respect to those requirements by filing periodic reports and other information with the SEC. We intend to furnish our stockholders with annual reports containing combined financial statements certified by an independent public accounting firm. We also maintain an Internet site at http://www.axcelis.com. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which it forms a part.

AXCELIS TECHNOLOGIES, INC.

INDEX TO COMBINED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

To the Stockholder of
Axcelis Technologies, Inc.

We have audited the combined balance sheets of Axcelis Technologies, Inc. as of December 31, 1998 and 1999, and the related statements of combined operations, cash flows and stockholder's net investment for each of the three years in the period ended December 31, 1999. 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. 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 present fairly, in all material respects, the combined financial position of Axcelis Technologies, Inc. at December 31, 1998 and 1999, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Cleveland, Ohio
May 3, 2000, except for Note 19
as to which the date is June 14, 2000

AXCELIS TECHNOLOGIES, INC.
(WHOLLY-OWNED SUBSIDIARY OF EATON CORPORATION)

COMBINED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31,		MARCH 31,	PRO FORMA MARCH 31,
	1998	1999	2000	2000
			(UNAUDITED)	(UNAUDITED)
ASSETS				
Current assets:				
Cash & short-term investments	$ 3,338	$ 3,530	$ 2,803	$ 2,803
Accounts receivable	42,534	101,335	117,295	117,295
Receivables from Eaton Corporation		11,241	8,286	8,286
Inventories	66,786	83,326	97,872	97,872
Deferred income taxes	30,817	33,036	32,762	32,762
Prepaid expenses	4,836	3,024	3,219	3,219
Total current assets	148,311	235,492	262,237	262,237
Property, plant & equipment	64,563	73,809	72,221	72,221
Investment in Sumitomo Eaton Nova Corporation	20,058	22,210	25,679	25,679
Goodwill	50,570	47,006	46,114	46,114
Intangible assets	31,905	26,190	24,762	24,762
Other assets	25,714	18,128	18,319	18,319
Total assets	$341,121	$422,835	$449,332	$449,332
LIABILITIES & STOCKHOLDER'S NET INVESTMENT				
Current liabilities:				
Accounts payable	$ 6,173	$ 24,579	$ 31,878	$ 31,878
Payables to Eaton Corporation	5,011			300,000
Restructuring liabilities	7,060			
Accrued compensation	9,645	8,984	6,606	6,606
Warranty reserve	16,055	18,568	20,836	20,836
Other current liabilities	13,339	13,602	12,913	12,913
Total current liabilities	57,283	65,733	72,233	372,233
Deferred income taxes	10,777	10,238	9,891	9,891
Pension & other employee benefit liabilities	3,900	4,568	3,741	3,741
Stockholder's net investment:				
Preferred stock ($0.001 par value per share; 30 million shares authorized; none outstanding)	--	--	--	--
Common stock ($0.001 par value per share; 300 million shares authorized; 80 million shares outstanding)	--	--	--	--
Parent Company investment	274,981	347,825	369,474	69,474
Accumulated other comprehensive income (loss)	(5,820)	(5,529)	(6,007)	(6,007)
Total stockholder's net investment	269,161	342,296	363,467	63,467
Total liabilities & stockholder's net investment	$341,121	$422,835	$449,332	$449,332

See accompanying notes to combined financial statements.

AXCELIS TECHNOLOGIES, INC.
(WHOLLY-OWNED SUBSIDIARY OF EATON CORPORATION)

STATEMENTS OF COMBINED OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	
Net sales	$460,010	$ 265,709	$397,267	$ 59,124	$143,051
Cost of products sold	287,208	184,122	240,185	38,356	81,577
Cost of products sold -- restructuring charges		17,358			
Gross profit	172,802	64,229	157,082	20,768	61,474
Other costs & expenses:					
Selling	47,148	42,134	37,946	9,087	11,598
General & administrative	38,287	47,075	45,925	9,612	13,030
Research & development	70,466	78,656	51,599	12,183	16,125
Amortization of goodwill & intangible assets	3,936	9,279	9,279	2,320	2,320
Restructuring charges		24,994			
Write-off of in-process research & development	85,000				
Income (loss) from operations	(72,035)	(137,909)	12,333	(12,434)	18,401
Other income (expense):					
Royalty income	6,265	7,949	5,854	965	3,823
Equity income (loss) of Sumitomo Eaton Nova Corporation	3,283	(2,132)	1,338	(2,447)	3,340
Other income (expense) -- net	1,123	(1,045)	28	(145)	1,549
Total other income (expense)	10,671	4,772	7,220	(1,627)	8,712
Income (loss) before income taxes	(61,364)	(133,137)	19,553	(14,061)	27,113
Income taxes (credit)	103	(51,090)	5,125	(3,686)	8,251
Net income (loss)	$(61,467)	$ (82,047)	$ 14,428	$(10,375)	$ 18,862
Basic & diluted net income (loss) per share	$ (.77)	$ (1.03)	$ .18	$ (.13)	$ .24
Shares used in computing basic & diluted net income (loss) per share	80,000	80,000	80,000	80,000	80,000
Unaudited pro forma basic & diluted net income per share			$ .15		$ .20
Shares used in computing unaudited pro forma basic & diluted net income per share			95,402		95,402

See accompanying notes to combined financial statements.

AXCELIS TECHNOLOGIES, INC.
(WHOLLY-OWNED SUBSIDIARY OF EATON CORPORATION)

STATEMENTS OF COMBINED CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1997	1998	1999	1999	2000
				(UNAUDITED)	
Operating activities:					
Net income (loss)	$ (61,467)	$ (82,047)	$ 14,428	$(10,375)	$ 18,862
Adjustments to reconcile to net cash provided (used) by operating activities:					
Depreciation	6,766	10,548	9,803	2,567	2,332
Amortization of goodwill & intangible assets	3,936	9,279	9,279	2,320	2,320
Deferred income taxes	2,510	(12,065)	(2,758)	1,927	(72)
Undistributed (income) loss of Sumitomo Eaton Nova Corporation	(1,554)	2,890	(1,347)	2,426	(3,340)
Deferred royalty income from Sumitomo Eaton Nova Corporation	(6,583)	(3,249)	(2,286)	(876)	
Restructuring charges		37,347	(7,060)	(1,411)	
Write-off of in-process research & development	85,000				
Changes in operating assets & liabilities, excluding acquisition of a business & non-cash restructuring charges:					
Accounts receivable	9,930	57,465	(71,918)	(20,123)	(13,837)
Inventories	(21,961)	27,936	(16,989)	(5,300)	(14,477)
Accounts payable & other current liabilities	(1,844)	(39,920)	18,481	4,365	7,200
Other assets	(15,774)	(616)	7,604	1,815	(181)
Other-net	(5,654)	4,638	3,658	(247)	(1,705)
Net cash provided (used) by operating activities	(6,695)	12,206	(39,105)	(22,912)	(2,898)
Investing activities:					
Expenditures for property, plant & equipment	(14,161)	(14,988)	(16,914)	(4,966)	(299)
Acquisition of Fusion Systems Corporation	(201,552)				
Other-net	(1,179)	1,722	(2,205)	(935)	(317)
Net cash used by investing activities	(216,892)	(13,266)	(19,119)	(5,901)	(616)
Financing activities:					
Transfers from (to) Parent Company relating to:					
Accounts receivable	(474,843)	(320,289)	(327,225)	(40,355)	(121,794)
Inventories & operating expenses	466,420	328,941	386,485	68,388	128,827
Expenditures for property, plant & equipment	14,161	14,988	16,914	4,966	299
Acquisition of Fusion Systems Corporation	201,552				
Other-net	17,617	(22,721)	(17,758)	(4,925)	(4,545)
Net cash provided by financing activities	224,907	919	58,416	28,074	2,787
Net increase (decrease) in cash & short-term investments	1,320	(141)	192	(739)	(727)
Cash & short-term investments at beginning of period	2,159	3,479	3,338	3,338	3,530
Cash & short-term investments at end of period	$ 3,479	$ 3,338	$ 3,530	$ 2,599	$ 2,803

See accompanying notes to combined financial statements.

AXCELIS TECHNOLOGIES, INC.
(WHOLLY-OWNED SUBSIDIARY OF EATON CORPORATION)

STATEMENTS OF COMBINED STOCKHOLDER'S NET INVESTMENT
(IN THOUSANDS)

	PARENT COMPANY INVESTMENT	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDER'S NET INVESTMENT
Balance at January 1, 1997	$ 192,669	$(2,240)	$ 190,429
Net loss	(61,467)		(61,467)
Foreign currency translation adjustments		(4,677)	(4,677)
Total comprehensive (loss)			(66,144)
Transfers from (to) Parent Company relating to:			
Accounts receivable	(474,843)		(474,843)
Inventories & operating expenses	466,420		466,420
Expenditures for property, plant & equipment	14,161		14,161
Acquisition of Fusion Systems Corporation	201,552		201,552
Other-net	17,617		17,617
Net transfers from Parent Company	224,907		224,907
Balance at December 31, 1997	356,109	(6,917)	349,192
Net loss	(82,047)		(82,047)
Foreign currency translation adjustments		1,097	1,097
Total comprehensive (loss)			(80,950)
Transfers from (to) Parent Company relating to:			
Accounts receivable	(320,289)		(320,289)
Inventories & operating expenses	328,941		328,941
Expenditures for property, plant & equipment	14,988		14,988
Other-net	(22,721)		(22,721)
Net transfers from Parent Company	919		919
Balance at December 31, 1998	274,981	(5,820)	269,161
Net income	14,428		14,428
Foreign currency translation adjustments		291	291
Total comprehensive income			14,719
Transfers from (to) Parent Company relating to:			
Accounts receivable	(327,225)		(327,225)
Inventories & operating expenses	386,485		386,485
Expenditures for property, plant & equipment	16,914		16,914
Other-net	(17,758)		(17,758)
Net transfers from Parent Company	58,416		58,416
Balance at December 31, 1999	$ 347,825	$(5,529)	$ 342,296

AXCELIS TECHNOLOGIES, INC.
(WHOLLY-OWNED SUBSIDIARY OF EATON CORPORATION)

STATEMENT OF COMBINED STOCKHOLDER'S NET INVESTMENT -- (CONTINUED)
(IN THOUSANDS)

	PARENT COMPANY INVESTMENT	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDER'S NET INVESTMENT
Balance at December 31, 1999	$ 347,825	$(5,529)	$ 342,296
Net income*	18,862		18,862
Foreign currency translation adjustments*		(478)	(478)
Total comprehensive income*			18,384
Transfers from (to) Parent Company relating to:			
Accounts receivable*	(121,794)		(121,794)
Inventories & operating expenses*	128,827		128,827
Expenditures for property, plant & equipment*	299		299
Other-net*	(4,545)		(4,545)
Net transfers from Parent Company*	2,787		2,787
Balance at March 31, 2000*	$ 369,474	$(6,007)	$ 363,467

- ---
* unaudited

See accompanying notes to combined financial statements.

AXCELIS TECHNOLOGIES, INC.
(WHOLLY-OWNED SUBSIDIARY OF EATON CORPORATION)

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999 (AUDITED) AND
THREE MONTHS ENDED MARCH 31, 1999 AND 2000 (UNAUDITED)

1. THE COMPANY

On April 26, 2000, Eaton Corporation (Eaton or Parent Company) announced its plan to restructure its semiconductor equipment operations into an independent publicly-traded company, Axcelis Technologies, Inc. (Axcelis). Eaton's semiconductor equipment operations are currently conducted principally through its direct and indirect wholly-owned subsidiaries, Axcelis Technologies, Inc. and subsidiaries, Fusion Systems Corporation and High Temperature Engineering Corporation, Eaton's 50% interest in Sumitomo Eaton Nova Corporation, a joint venture in Japan with Sumitomo Heavy Industries, Ltd., and various foreign branches and divisions of other Eaton subsidiaries. Through a reorganization transaction, Eaton intends to transfer to Axcelis all of the assets and liabilities of its semiconductor equipment operations not owned by Axcelis. After completion of the initial public offering, Eaton will own at least 80.1% of Axcelis' outstanding common stock. Eaton currently plans to consummate the divestiture of Axcelis approximately six months following the completion of the initial public offering by distributing all of its shares of the common stock on a tax-free basis to Eaton shareholders (the distribution date).

Axcelis includes all of Eaton's operations that manufacture, sell and service capital equipment used in the production of semiconductors, including high- and medium- current implanters and high-energy implanters, and other products, including photostabilizers, ozone and plasma ashers and thermal processing systems. At the end of 1999, it had approximately 1,800 employees including 200 temporary employees, primarily located at manufacturing sites in Beverly and Peabody, Massachusetts and Rockville, Maryland. Axcelis also has sales and service locations in Germany, the United Kingdom, Taiwan, Singapore, South Korea, Italy and France. Additionally, it has a 50% ownership interest in Sumitomo Eaton Nova Corporation (SEN), a joint venture in Japan engaged in the design, manufacture, sale and service of ion implantation equipment in Japan.

2. BASIS OF PRESENTATION

The combined financial statements include the assets, liabilities, revenues and expenses of Eaton's semiconductor operations to be included in Axcelis after the reorganization transaction, based on Eaton's historical amounts. Parent Company investment represents Eaton's investment in Axcelis.

The statements of combined operations include those expenses originally recorded by Axcelis or directly charged to it by Eaton. Further, the statements include an allocation of Eaton's general corporate expenses to reflect the services provided or benefits received by Axcelis. This allocation is based on Eaton's internal expense allocation methodology which charges these expenses to operating locations based both on net working capital, excluding short-term investments and short-term debt, and on property, plant and equipment -- net. Management believes this is a reasonable method of allocating these expenses and is representative of the operating expenses that would have been incurred had Axcelis operated on a stand-alone basis.

In the opinion of management, all adjustments necessary for a fair presentation of combined financial position, operating results and cash flows for the stated periods have been made. However, Eaton did not account for or operate Axcelis as a separate, stand-alone entity for the periods presented and, as a result, the financial information included herein may not reflect the

combined financial position, operating results and cash flows of Axcelis if it had been a separate, stand-alone entity during the periods presented or in the future.

3. ACCOUNTING POLICIES

COMBINATION

The combined financial statements include the accounts of Axcelis, which includes all of Eaton's semiconductor equipment operations. All significant intercompany and interunit accounts and transactions have been eliminated. The equity method is used to account for the 50% investment in SEN.

FOREIGN CURRENCY TRANSLATION

The functional currency for all operations outside the United States is the local currency. Financial statements for these operations are translated into United States dollars at year-end exchange rates as to assets and liabilities and weighted-average exchange rates as to revenues and expenses. The resulting translation adjustments are recorded in stockholder's net investment in accumulated other comprehensive income (loss).

CASH AND SHORT-TERM INVESTMENTS

Axcelis participates in Eaton's centralized cash management system. Under this system, cash receipts are transferred to Eaton and Eaton funds cash disbursements. Accordingly, the cash and short-term investment balances presented in the accompanying combined balance sheets do not represent balances required or generated by operations. The amounts for cash and short-term investments presented in the combined balance sheet substantially relate to cash and highly liquid short-term investments maintained for working capital purposes, primarily at international locations.

For purposes of classification in the statement of combined cash flows, all short-term investments are considered cash equivalents.

The carrying values of cash and short-term investments in the combined balance sheets approximated their estimated fair values. The estimated fair value of these financial instruments was principally based on quoted market prices.

INVENTORIES

Inventories are carried at lower of cost, determined using the first-in, first-out (FIFO) method, or market.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization are computed by the straight-line method for financial statement purposes. The historical cost of buildings is depreciated over forty years and machinery and equipment principally over three to ten years. Substantially all goodwill is amortized over fifteen years. Intangible assets, consisting of developed technology, are amortized over seven years.

Goodwill and other long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Events or circumstances that would result in an impairment review primarily include operations reporting

losses or a significant change in the use of an asset. 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.

FINANCIAL INSTRUMENTS

Axcelis has no material financial instruments outstanding at December 31, 1999 used to manage foreign exchange or interest rate risk. In 1998, Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities", was issued. This Statement requires all derivatives to be recognized on the balance sheet at fair value. Axcelis must adopt the standard by the first quarter of 2001. It expects that the adoption of the standard will have an immaterial effect on financial position and operating results, if any.

REVENUE RECOGNITION

Axcelis recognizes sales at the time of shipment of the system to the customer. The costs of installation at the customer's site are accrued at the time of shipment. Management believes the customer's post delivery acceptance provisions and 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 Axcelis' systems are designed and tailored to meet the customer's specifications as outlined in the contract between the customer and Axcelis. To ensure that the customer's specifications are satisfied, per contract terms, the systems are tested at Axcelis' 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. Axcelis 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 the provisions of the Uniform Commercial Code applicable generally to such transactions. Installation is non-complex and does not require specialized skills, and the related costs are predictable and insignificant to the total purchase price. Axcelis has a demonstrated history of customer acceptance subsequent to shipment and installation of these systems.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition". SAB No. 101, which was subsequently amended by Staff Accounting Bulletin No. 101A (collectively referred to as SAB 101), articulates certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. Axcelis has concluded that its revenue recognition policy continues to be appropriate and in accordance with generally accepted accounting principles and SAB 101.

INTEREST EXPENSE

The statements of combined operations do not include an allocation of interest expense related to Eaton's debt obligations, consistent with Eaton's internal expense allocation methodology.

INCOME TAXES

Eaton accounts and pays for all United States income taxes. Axcelis' taxable income (loss) related to its United States operations is included in Eaton's consolidated income tax returns.

Consistent with the terms of the tax sharing agreement with Eaton, the statements of combined operations include an allocation of Eaton's United States income taxes (credit) in amounts generally equivalent to the provisions which would have resulted had it filed separate income tax returns for the years presented. It has also been allocated United States deferred income taxes based on the estimated differences between the book and tax basis of its assets and liabilities. For tax years beginning in 2000, Axcelis will assume the liability to pay for income taxes attributable to Axcelis' operations in the United States.

Several of Axcelis' operations outside the United States account and pay for income taxes related to their operations. For those operations which have not accounted and paid for income taxes related to their operations, the statements of combined operations include an allocation of Eaton's foreign income taxes in amounts generally equivalent to the provisions which would have resulted had Axcelis filed separate income tax returns for the years presented. These operations have also been allocated foreign deferred income taxes based on the estimated differences between the book and tax basis of their assets and liabilities.

STOCK OPTIONS FOR COMMON SHARES HELD BY AXCELIS EMPLOYEES

Axcelis applies the intrinsic value based method described in Accounting Principles Board Opinion (APB) No. 25 to account for stock options granted to employees. Under this method, no compensation expense is recognized on the grant date, since on that date the option price equals the market price of the underlying common shares.

NET INCOME (LOSS) PER SHARE

All of Axcelis' outstanding common stock is owned by Eaton. Basic and diluted net income (loss) per share amounts are computed by dividing the net income (loss) for the period by the common stock outstanding after the conversion of the 100 shares of Axcelis common stock held by Eaton into 80 million shares of common stock as discussed in footnote 19 to the combined financial statements.

Net income (loss) per share amounts do not give effect to any conversion of Eaton stock options into Axcelis stock options. The actual number of Eaton stock options to be converted into Axcelis stock options will not be determined until the individual employee options are converted into Axcelis stock options at the distribution date. See footnote 12 to the combined financial statements for a description of how Eaton stock options are expected to be converted into Axcelis stock options at the distribution date.

UNAUDITED PRO FORMA NET INCOME PER SHARE

Unaudited pro forma basic and diluted net income per share amounts are calculated based on 80 million shares of common stock outstanding that are owned by Eaton prior to this offering, plus an additional 15.402 million shares of common stock. The number of additional shares is calculated by dividing the $300 million previously declared dividend to Eaton, described below, by the assumed initial public offering price of $21 per share, reduced by the estimated per share offering expenses.

UNAUDITED PRO FORMA BALANCE SHEET

The unaudited pro forma balance sheet as of March 31, 2000 gives effect to the $300 million dividend declared on May 3, 2000 to be paid by Axcelis to Eaton, as though it had been declared and payable as of March 31, 2000.

ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying combined financial statements and notes. Actual results could differ from these estimates.

INTERIM FINANCIAL INFORMATION

The financial information as of March 31, 2000 and for the three months ended March 31, 1999 and 2000 is unaudited and includes all adjustments, consisting only of normal and recurring accruals, that management considers necessary for a fair presentation of combined financial position, operating results and cash flows. Results for the three months ended March 31, 1999 and 2000 are not necessarily indicative of results to be expected for full year 2000 or for any future period.

Subsequent to December 31, 1999, Axcelis' cash receipts and disbursements processed through Eaton's centralized cash management system in the United States are being recorded as a receivable from or payable to Eaton. Prior to January 1, 2000, the majority of these amounts were recorded in Parent Company investment. As of March 31, 2000, a net amount of $1.0 million was payable to Eaton for these transactions and is included in "Receivables from Eaton Corporation" in the Combined Balance Sheet.

4. ACQUISITION OF FUSION SYSTEMS CORPORATION

On August 4, 1997, Fusion Systems Corporation (Fusion) was acquired. Fusion, which had $85 million of sales in 1996, develops and manufactures dry strip and photostabilization systems for use within the semiconductor manufacturing process.

The acquisition was accounted for by the purchase method of accounting and, accordingly, Axcelis' combined financial statements include the results of Fusion beginning August 4, 1997. A summary of the estimated fair values of the assets acquired and liabilities assumed in the acquisition follows (in thousands):

Assets acquired	$ 57,172
Liabilities assumed	(30,433)
Intangible assets	40,000
Goodwill	49,813
In-process research & development	85,000
	$201,552

Goodwill and intangible assets, consisting of developed technology, are being amortized by the straight-line method for financial statement purposes over a useful life of fifteen and seven years, respectively.

The purchase price allocation included $85 million for purchased in-process research and development. This amount was expensed at the date of acquisition because technological feasibility had not been established and no alternative commercial use had been identified. Therefore, 1997 results include a write-off of $85 million for purchased in-process research and development, with no income tax benefit.

Eaton's management was primarily responsible for estimating the fair value of the purchased in-process research and development. The purchased in-process research and development was determined based on the income method using a risk adjusted discount rate of 31% applied to project cash flows. Three groups of projects comprised over 95% of the total value of purchased in-process research and development, and are described in more detail below. The nature of the efforts required to develop the purchased in-process technology into commercially viable products principally related to the completion of all planning, designing and testing activities that were necessary to establish that these products could be produced to meet their design requirements, including functions, features and technical performance requirements.

Gemini Photostabilizer (GPS) -- This project involved the development of a 300 millimeter photostabilizer and was valued at $22.4 million. This product was scaled for 300 millimeter wafers and included functions new to photostabilizing. In order to realize this new technology, product designs had to be configured and scaled for the larger wafers. At the acquisition date, the greatest risk of potential failure associated with this project was that it could not be accomplished given technical and economic constraints. Product completion was originally expected in late 1998 with an undiscounted cost of completion of $13.2 million. Development was ultimately completed in the first quarter of 1999 at a cost approximating the estimate, resulting in the sale of the first prototype.

Gemini Enhanced Strip (GES) -- These projects involved the development of the next generation enhanced strip products for both 200 millimeter and 300 millimeter wafers and together were valued at $37.4 million. These new products incorporated various new functions, including targeting applications for 0.25 micron and 0.18 micron geometries. Areas requiring design were the same as those in the GPS project, with corresponding risks of failure. Product development was ultimately completed in mid-1999 at an undiscounted cost of completion of $8.5 million, which approximated the original cost estimate.

Gemini Microwave Plasma Asher (GPL) -- These projects involved the development of the next generation of plasma ashers for 200 millimeter and 300 millimeter wafers and together were valued at $22.8 million. These new products incorporated substantial changes to enable targeting applications for 0.25 micron and 0.18 micron geometries. The primary risk related to these projects involved the achievement of tightly controlled process parameters, which was considered difficult due to the smaller line widths targeted with these projects. Product development was originally planned for mid-1998, and was completed by the fourth quarter of 1998 at an undiscounted cost of completion of $2.5 million, which approximated the original cost estimate.

5. RESTRUCTURING CHARGES

Due to the decline of the semiconductor capital equipment market in 1998, Axcelis took actions in the third quarter of 1998 to restructure its business and recorded restructuring charges of $42.4 million ($27.5 million aftertax).

Several specific actions comprised the overall restructuring efforts, including workforce reductions, asset write-downs and other restructuring actions. The charge for workforce reductions, primarily severance and other related employee benefits, included the termination of approximately 475 employees, primarily manufacturing personnel. Approximately half of the workforce reductions related to the closing of the Austin, Texas plant. The charge for asset write-downs included $17.4 million for inventory, which was written down to estimated market value, and is included in cost of products sold. The ion implantation equipment manufacturing facility in Austin, Texas was closed and production was transferred to Beverly, Massachusetts. The write-down of this plant to estimated selling price represented approximately $2.1 million of the restructuring charge. The phase-out of production was concluded in the first quarter of 1999. Further, the Thermal Processing Systems product line, located in Peabody, Massachusetts, was merged into the Fusion Systems division in Rockville, Maryland, and the Flat Panel Equipment product line was merged into the Implant Systems division in Beverly, Massachusetts.

A summary of the various components of the restructuring liabilities follows (in thousands of dollars):

	WORKFORCE REDUCTIONS		INVENTORY & OTHER ASSET WRITE-DOWNS	PLANT CONSOLIDATION & OTHER	TOTAL
	EMPLOYEES	DOLLARS			
1998 charges	475	$ 7,054	$ 30,296	$ 5,002	$ 42,352
Utilized in 1998	(300)	(3,493)	(30,296)	(1,503)	(35,292)
Balance remaining at December 31, 1998	175	3,561	0	3,499	7,060
Utilized in 1999	(175)	(3,561)		(3,499)	(7,060)
Balance remaining at December 31, 1999	0	$ 0	$ 0	$ 0	$ 0

6. ACCOUNTS RECEIVABLE

The components of accounts receivable follow (in thousands):

	DECEMBER 31,		MARCH 31,
	1998	1999	2000
			(UNAUDITED)
Trade	$ 41,204	$100,137	$114,512
Sumitomo Eaton Nova Corporation	3,358	3,246	4,949
	44,562	103,383	119,461
Allowance for doubtful accounts	(2,028)	(2,048)	(2,166)
	$ 42,534	$101,335	$117,295

AXCELIS TECHNOLOGIES, INC.
(WHOLLY-OWNED SUBSIDIARY OF EATON CORPORATION)

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

7. INVENTORIES

The components of inventories follow (in thousands):

	DECEMBER 31,		MARCH 31,
	1998	1999	2000
			(UNAUDITED)
Raw materials	$ 47,104	$ 54,146	$ 61,220
Work in process	9,876	19,229	25,473
Finished goods	20,470	20,800	22,853
	77,450	94,175	109,546
Inventory allowances	(10,664)	(10,849)	(11,674)
	$ 66,786	$ 83,326	$ 97,872

8. PROPERTY, PLANT & EQUIPMENT

The components of property, plant and equipment follow (in thousands):

	DECEMBER 31,		MARCH 31,
	1998	1999	2000
			(UNAUDITED)
Land & buildings	$ 52,524	$ 59,862	$ 60,871
Machinery & equipment	42,441	48,914	52,395
Construction in process	8,625	9,662	6,055
	103,590	118,438	119,321
Accumulated depreciation	(39,027)	(44,629)	(47,100)
	$ 64,563	$ 73,809	$ 72,221

Property, plant and equipment includes a plant in Austin, Texas which became idle at the end of the first quarter of 1999 due to the restructuring of Axcelis initiated in 1998. This plant is recorded at the estimated selling price after a $2.1 million writedown.

9. GOODWILL & OTHER INTANGIBLE ASSETS

The components of goodwill and intangible assets follow (in thousands):

	DECEMBER 31,		MARCH 31,
	1998	1999	2000
			(UNAUDITED)
Goodwill	$55,904	$ 55,904	$ 55,904
Accumulated amortization	(5,334)	(8,898)	(9,790)
	$50,570	$ 47,006	$ 46,114
Intangible assets	$40,000	$ 40,000	$ 40,000
Accumulated amortization	(8,095)	(13,810)	(15,238)
	$31,905	$ 26,190	$ 24,762

10. RETIREMENT BENEFIT PLANS

The components of recorded liabilities for pension and other employee benefits at December 31 follow (in thousands):

	1998	1999
Pensions:		
United States	$ 444	$ 648
Foreign	2,341	2,563
Postretirement benefits other than pensions	1,115	1,357
	$3,900	$4,568

Eaton sponsors a Share Purchase and Investment Plan (401k plan) for its United States operations under which eligible participating employees may choose to contribute up to 17% of their eligible compensation to the Plan. Eaton matches employee contributions up to 6% of the participant's eligible compensation as limited by United States income tax regulations. The matching contribution percentage, which is determined each quarter based on net income per Eaton Common Share -- basic, ranges from 25% to 100% of a participant's contribution and is invested in Eaton Common Shares. Expense related to the 401k plan match (in millions) was $2.5 in 1997, $3.6 in 1998 and $2.0 in 1999. After the initial public offering, Axcelis intends to establish a separate 401k plan for its employees.

Beginning in 1997, the majority of Axcelis' United States employees have been covered by a non-contributory defined benefit pension plan of Eaton. The plan provides a benefit that is based on an employee's accumulated pay, as defined in the plan. Eaton's policy is to fund at least the minimum required by applicable regulations. Expense for participation in the pension plan (in millions) was $2.4 in 1997 and 1998 and $2.2 in 1999.

Certain of Axcelis' employees at foreign operations, primarily Germany, are covered by non-contributory defined benefit pension plans of Eaton. Expense for participation in these plans (in millions) was $0.3 in 1997, $0.6 in 1998 and $0.5 in 1999.

After the initial public offering, Axcelis intends to establish separate pension plans for its employees.

Axcelis also provides postretirement benefits other than pensions, primarily long-term disability benefits, to a limited number of its United States employees. Expense related to these benefits (in millions) was $0.3 in 1997 and 1998 and $0.4 in 1999.

11. EQUITY

Axcelis has authorized common stock of 1,000 shares with a par value of $1.00 per share; 100 shares are outstanding and owned by Eaton. As described in Note 19, in June 2000, the Axcelis Board of Directors authorized the conversion of the 100 shares of Axcelis common stock owned by Eaton into 80 million shares and increased the number of authorized shares to 300 million with a par value of $0.001 per share.

12. STOCK OPTIONS FOR EATON COMMON SHARES HELD BY AXCELIS EMPLOYEES

Eaton has stock option plans under which Axcelis employees have been granted options to purchase Eaton Common Shares at prices equal to fair market value as of date of grant.

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

A summary of Eaton stock option activity for options held by Axcelis employees follows:

	1997		1998		1999	
	AVERAGE PRICE PER SHARE	SHARES	AVERAGE PRICE PER SHARE	SHARES	AVERAGE PRICE PER SHARE	SHARES
Outstanding, January 1.....	$53.07	65,050	$67.21	192,451	$74.03	305,093
Granted.....	73.31	132,850	84.76	115,941	71.41	162,625
Exercised.....	46.98	5,449	53.44	3,299	56.60	8,211
Outstanding, December 31.....	$67.21	192,451	$74.03	305,093	$73.41	459,507
Exercisable, December 31.....	$51.21	38,730	$63.08	104,104	$65.06	116,710

Historically, the majority of these options vest ratably during the three-year period following the date of grant and expire ten years from the date of grant. Stock options granted in 1997 and 1998 included 105,000 and 34,000, respectively, of special performance-vested options in lieu of the more standard options. These options become exercisable when Eaton achieves certain net income and Eaton Common Share price targets. If these targets are not achieved, these options become exercisable ten days before the expiration of their ten-year term. Half of the options granted in 1997 became exercisable during 1997 when the initial Eaton Common Share price target of $85 was achieved.

The following table summarizes information about Eaton stock options held by Axcelis employees outstanding at December 31, 1999:

RANGE OF EXERCISE PRICE PER SHARE	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE PER SHARE
$31.50 -- $49.99.....	8,500	3.8	$43.27
$50.00 -- $59.99.....	31,183	5.8	53.63
$60.00 -- $79.99.....	314,883	8.2	71.16
$80.00 -- $89.91.....	104,941	8.1	88.50

The following table summarizes information about Eaton stock options held by Axcelis employees that are exercisable at December 31, 1999:

RANGE OF EXERCISE PRICE PER SHARE	NUMBER EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE PER SHARE
$31.50 -- $49.99.....	8,500	$43.27
$50.00 -- $59.99.....	31,183	53.63
$60.00 -- $79.99.....	70,069	70.44
$80.00 -- $89.91.....	6,958	88.62

If the financial reporting consequences are not materially adverse, Axcelis intends to make equitable arrangements with its employees regarding the value of their Eaton options if and when Eaton disposes of substantially all of its interest in Axcelis. If Eaton disposes of its interest in a distribution of shares to Eaton shareholders, Axcelis intends to assume substantially all of the Eaton options held by Axcelis employees on the date of the distribution. These assumed options will convert at the distribution by the granting of options to Axcelis employees to purchase Axcelis common stock and cancelation of their rights to acquire Eaton shares. The conversion is expected to be done in such a manner that (1) the aggregate intrinsic value of the options

immediately before and after the exchange are the same, (2) the ratio of the exercise price per option to the market value per share is not reduced, and (3) the vesting provisions and option period of the replacement Axcelis options do not accelerate or extend the original vesting terms and option period of the Eaton options. Performance vesting provisions will change to focus on Axcelis' performance, as opposed to Eaton's performance. No option will be exercisable, however, if the effect of that exercise would prevent Axcelis from filing a consolidated federal income tax return with Eaton, or if the exercise would cause Eaton not to be in control of Axcelis for purposes of Section 368(c) of the Internal Revenue Code. If Eaton disposes of its interest in any other transaction, Axcelis intends to make equitable arrangements to preserve the economic value of substantially all Eaton options held by Axcelis employees.

As permitted under Statement of Financial Accounting Standard (SFAS) No. 123, Accounting for Stock-Based Compensation, Axcelis has elected to follow Accounting Principles Board Opinion (APB) No. 25 and related interpretations in accounting for stock-based awards to employees. Under APB No. 25, it recognizes no compensation expense with respect to such awards, since on the date the options were granted, the option price equaled the market value of Eaton Common Shares.

Pro forma information regarding net income (loss) is required by SFAS No. 123. This information is required to be determined as if Axcelis had accounted for stock-based awards to its employees granted subsequent to 1995 under the fair value method of that Statement. The fair value of the options granted has been estimated at the date of grant using the Black-Scholes option pricing model with Eaton's input assumptions as follows:

	1997	1998	1999
Dividend yield	3%	3%	3%
Expected volatility	22%	22%	21%
Risk-free interest rate	6.1% to 6.3%	4.7% to 5.7%	4.7%
Expected option life in years	4, 5 or 6	4, 5 or 6	4 or 5
Weighted average fair value per share of options granted during the year	$17.16	$17.57	$12.56

For purposes of pro forma disclosures under SFAS No. 123, the estimated fair value of the options is assumed to be amortized to expense over the options' vesting period. Pro forma information related to the Eaton options held by Axcelis employees follows (in thousands):

	1997	1998	1999
Net income (loss)			
As reported	$(61,467)	$(82,047)	$14,428
Assuming fair value method	(62,383)	(82,665)	13,473
Basic and diluted net income (loss) per share			
As reported	$(.77)	$(1.03)	$.18
Assuming fair value method	(.78)	(1.03)	.17

13. INCOME TAXES

Income (loss) before income taxes for the years ended December 31 follows (in thousands):

	1997	1998	1999
United States	$(68,784)	$(132,446)	$12,999
Foreign	4,137	1,441	5,216
Equity income (loss) of Sumitomo Eaton Nova Corporation	3,283	(2,132)	1,338
	$(61,364)	$(133,137)	$19,553

Income taxes (credit) for the years ended December 31 follows (in thousands):

	1997	1998	1999
Current:			
United States			
Federal	$(3,298)	$(34,469)	$ 4,150
State	(1,277)	(5,809)	1,883
Foreign	2,168	1,253	1,850
	(2,407)	(39,025)	7,883
Deferred:			
United States	2,607	(11,910)	(2,211)
Foreign	(97)	(155)	(547)
	2,510	(12,065)	(2,758)
	$ 103	$(51,090)	$ 5,125

Reconciliations of income taxes (credit) at the United States Federal statutory rate to the effective income tax rate for the years ended December 31 follow (in thousands):

	1997	1998	1999	
	RATE	RATE	AMOUNT	RATE
Income taxes (credit) at the United States statutory rate	(35.0)%	(35.0)%	$ 6,843	35.0%
Write-off of purchased in-process research & development	48.5			
State taxes, net of federal income tax benefit	(1.4)	(2.9)	1,224	6.3
Amortization of goodwill	0.9	1.0	1,248	6.4
Current and prior years' foreign sales corporation benefit	(8.8)	(0.2)	(300)	(1.5)
Current and prior years' credit for increasing research activities	(2.7)	(2.8)	(3,100)	(15.9)
Foreign income tax rate differentials	1.0	0.4	(522)	(2.7)
Foreign tax credit	(3.9)		(30)	(0.2)
Income tax rate differential related to Sumitomo Eaton Nova Corporation	(1.9)	0.6	(468)	(2.4)
Other - net	3.5	0.5	230	1.2
	0.2%	(38.4)%	$ 5,125	26.2%

Significant components of current and long-term deferred income taxes at December 31 follow (in thousands):

	CURRENT ASSETS	LONG-TERM LIABILITIES
1998		
Inventories	$18,094	
Accrued warranty	4,791	
Accrued vacation	1,201	
Restructuring accruals	2,471	
Depreciation of property, plant & equipment		$ (2,168)
Amortization of intangible assets		(11,167)
Other items	4,260	2,558
	$30,817	$(10,777)
1999		
Inventories	$25,048	
Accrued warranty	5,267	
Accrued vacation	1,061	
Depreciation of property, plant & equipment		$ (3,229)
Amortization of intangible assets		(9,167)
Other items	1,660	2,158
	$33,036	$(10,238)

No provision has been made for income taxes on undistributed earnings of operations outside the United States of $32.5 million at December 31, 1999, which includes $23.2 million for Sumitomo Eaton Nova Corporation, since the earnings retained have been reinvested by the operations. If distributed, such remitted earnings would be subject to withholding taxes but substantially free of United States income taxes.

14. LEASE COMMITMENTS

Minimum rental commitments under noncancelable operating leases, which expire at various dates and in most cases contain renewal options, are as follows (in millions): 2000, $9.6; 2001, $9.2; 2002, $8.8; 2003, $7.6; and 2004, $6.3.

Rental expense in 1997, 1998 and 1999 (in millions) was $3.4, $5.6 and $4.8, respectively.

15. BUSINESS SEGMENT AND GEOGRAPHIC REGION INFORMATION

Axcelis operates in only one business segment, which is the manufacture of capital equipment for the semiconductor manufacturing industry. The principal market for semiconductor manufacturing equipment is semiconductor manufacturers. Substantially all sales are made directly by Axcelis to customers located in the United States, Europe and Asia Pacific.

Axcelis' ion implantation systems product line includes high and medium current implanters and high energy implanters and services. Other products include photostabilizers, ozone and plasma ashers, thermal processing systems and other products and services. Net sales by product line follow (in thousands):

	1997	1998	1999
Ion implantation systems & services	$415,164	$219,927	$322,002
Other products & services	44,846	45,782	75,265
	$460,010	$265,709	$397,267

Net sales and long-lived assets by geographic region based on the physical location of the operation recording the sale or the asset, follow (in thousands):

	NET SALES	LONG-LIVED ASSETS*
1997		
United States	$409,405	$64,202
Europe	34,581	1,436
Asia Pacific	16,024	1,132
	$460,010	$66,770
1998		
United States	$214,174	$62,321
Europe	40,254	1,192
Asia Pacific	11,281	1,050
	$265,709	$64,563
1999		
United States	$343,345	$71,740
Europe	35,482	752
Asia Pacific	18,440	1,317
	$397,267	$73,809

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* Long-lived assets consist of property, plant, and equipment -- net.

Sales from United States operations to customers in foreign countries (in thousands) were $204,034 in 1997, $79,791 in 1998 and $158,523 in 1999 (44.4% of net sales in 1997, 30.0% in 1998 and 39.9% in 1999).

16. SIGNIFICANT CUSTOMERS

No single customer represented more than 10% of net sales in 1997 or 1998. Three customers individually accounted for 15.9%, 10.6% and 10.5% of net sales in 1999.

17. SUMITOMO EATON NOVA CORPORATION

Sumitomo Eaton Nova Corporation (SEN) was established in 1982 under the Commercial Code of Japan and is owned equally by Sumitomo Heavy Industries, Ltd., a Japanese corporation, and Axcelis. SEN designs, manufactures, sells and services ion implantation equipment in Japan under a license agreement with Axcelis. Summary financial information follows (in thousands):

	1997	1998	1999
Twelve months ended November 30:			
Net sales	$119,130	$ 92,740	$110,722
Income from operations	14,314	(5,581)	5,005
Net income	6,566	(4,264)	2,676
November 30:			
Current assets		89,426	157,591
Total assets		149,139	211,390
Current liabilities		102,085	150,087
Shareholders' equity		46,676	60,873

The fiscal year end for SEN is March 31. The combined statements of operations for Axcelis include the results of SEN for the twelve-month periods ended November 30, which represents a one-month lag. The information above has been presented as of and for the twelve months ended November 30 to conform to Axcelis' equity accounting for SEN.

A summary of Axcelis' transactions with SEN follows (in thousands):

	1997	1998	1999
Net sales to SEN	$9,512	$ 6,401	$6,660
Royalty income from SEN	6,215	4,036	3,838
Dividends received	1,729	720	
Axcelis' equity in income (loss) of SEN	3,283	(2,132)	1,338
Accounts receivable at December 31 from SEN	5,364	3,358	3,246

18. TRANSACTIONS WITH EATON CORPORATION

The statements of combined operations include those expenses originally recorded by Axcelis or directly charged to Axcelis by Eaton. Further, the statements include an allocation of Eaton's general corporate expenses to reflect the services provided or benefits received by Axcelis. Such allocated expenses were (in millions) $11.8 in 1997, $14.8 in 1998 and $15.0 in 1999 and are included in "General & Administrative Expense" in the Statements of Combined Operations. This allocation is based on Eaton's internal expense allocation methodology which charges these expenses to operating locations based both on net working capital, excluding short-term investments and short-term debt, and on property, plant, and equipment - net. Management believes this is a reasonable method of allocating these expenses, and are representative of the operating expenses that would have been incurred had Axcelis operated on a stand-alone basis.

Prior to the initial public offering, Axcelis will enter into agreements with Eaton providing for the reorganization of Eaton's semiconductor equipment operations and separation of this business from Eaton. These agreements generally will provide for, among other things, the transfer from Eaton to Axcelis of assets and liabilities relating to this business, and various interim and ongoing relationships between Axcelis and Eaton.

19. SUBSEQUENT EVENTS

During June 2000, Axcelis' Board of Directors and sole stockholder approved the following:

- The conversion of 100 shares of Axcelis common stock owned by Eaton into 80 million shares. All share and per share amounts in these combined financial statements have been adjusted to give effect to the conversion of shares.

- An increase in the authorized number of shares of common stock to 300 million, with a par value of $0.001 per share, and the creation of preferred stock with 30 million shares authorized, with a par value of $0.001 per share.

- Adoption of the 2000 Stock Plan for which 18.5 million shares of common stock have been reserved for future issuance.

- Adoption of the 2000 Employee Stock Purchase Plan for which 2.5 million shares of common stock have been reserved for future issuance.

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

TABLE OF CONTENTS

Through and including , 2000 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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15,500,000 Shares

AXCELIS TECHNOLOGIES, INC.
Common Stock

Axcelis Technologies, Inc. Logo

GOLDMAN, SACHS & CO.

MORGAN STANLEY DEAN WITTER

LEHMAN BROTHERS

SALOMON SMITH BARNEY

Representatives of the Underwriters

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale and distribution of the securities being registered. All amounts are estimated except the Securities and Exchange Commission registration fee and the NASD registration fee. We have agreed to pay these costs and expenses.

ITEM	AMOUNT
Securities and Exchange Commission registration fee	$ 132,000
NASD registration fee	30,500
Nasdaq Stock Market application fee	95,000
Blue Sky qualification fees and expenses	9,500
Legal fees and expenses	1,000,000
Accounting fees and expenses	750,000
Transfer agent and registrar fees	20,000
Printing and engraving expenses	600,000
Miscellaneous	363,000
Total	$3,000,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

We are incorporated under the laws of the State of Delaware. Section 145 ("Section 145") of the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (the "General Corporation Law"), inter alia, provides that a Delaware corporation may indemnify any persons who were, are or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was illegal.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against him and incurred by him in any such capacity, arising out of his status as such, whether or not the corporation would otherwise have the power to indemnify him under Section 145.

Our Amended and Restated Certificate of Incorporation and Bylaws, as amended, provide for the indemnification of officers and directors to the fullest extent permitted by the General Corporation Law.

All of our directors and officers will be covered by insurance policies maintained by us against specified liabilities for actions taken in their capacities as such, including liabilities under the Securities Act of 1933, as amended. In addition, we have entered into indemnity agreements with our directors and executive officers (a form of which is filed as Exhibit 10.2 to this

Registration Statement) that obligate us to indemnify such directors and executive officers to the fullest extent permitted by the General Corporation Law.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

None.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits.

The following exhibits are filed as part of this registration statement:

EXHIBIT NUMBER	DESCRIPTION
1.1	Form of Underwriting Agreement (filed herewith)
2.1	Master Separation and Distribution Agreement between Eaton Corporation and the registrant (filed herewith)
2.2	General Assignment and Assumption Agreement between Eaton Corporation and the registrant (filed herewith)
2.3	Trademark License Agreement between Eaton Corporation and the registrant (filed herewith)
2.4	Employee Matters Agreement between Eaton Corporation and the registrant (filed herewith)
2.5	Tax Sharing and Indemnification Agreement between Eaton Corporation and the registrant (filed herewith)
2.6	Transitional Services Agreement between Eaton Corporation and the registrant (filed herewith)
2.7	Real Estate Matters Agreement between Eaton Corporation and the registrant (filed herewith)
2.8	Indemnification and Insurance Matters Agreement between Eaton Corporation and the registrant (filed herewith)
2.9	Purchase and Sale Agreement dated December 29, 1995 by and between Eaton Corporation and Eaton Semiconductor Equipment, Inc. (previously filed)
2.10	Agreement and Plan of Merger dated as of June 30, 1997 among Eaton Corporation, ETN Acquisition Corp., a wholly-owned subsidiary of Eaton and Fusion Systems Corporation (incorporated by reference to Exhibit 99.1 to the Solicitation/Recommendation Statement filed on Schedule 14D-9 by Fusion Systems Corporation on July 7, 1997.)
3.1	Amended and Restated Certificate of Incorporation of the registrant (previously filed)
3.2	Bylaws of the registrant, as amended (previously filed)
4.1	Specimen Stock Certificate (previously filed)
4.2	Rights Agreement between the registrant and the rights agent named therein (filed herewith)
5.1	Opinion of Kirkpatrick & Lockhart LLP (previously filed)
10.1	2000 Stock Plan (previously filed)
10.2	Form of Indemnification Agreement entered into by the registrant with each of its directors and executive officers (previously filed)
10.3	Form of Change in Control Agreement between the registrant and certain of its executive officers (previously filed)
10.4	Employment Agreement between the registrant and Brian R. Bachman (filed herewith)
10.5	Employment Agreement between the registrant and Mary G. Puma (filed herewith)
10.6+	Organization Agreement dated December 3, 1982 between Eaton Corporation and Sumitomo Heavy Industries, Ltd. relating to Sumitomo Eaton Nova Corporation, as amended (filed herewith)
10.7+	Master License Agreement dated January 16, 1996 between Eaton Corporation and Sumitomo Eaton Nova Corporation (filed herewith)
21.1	Subsidiaries of the registrant (previously filed)
23.1	Consent of Ernst & Young LLP (filed herewith)
23.2	Consent of Kirkpatrick & Lockhart LLP (previously filed in Exhibit 5.1)
23.3	Consent of Mary G. Puma (previously filed)

EXHIBIT NUMBER	DESCRIPTION
23.4	Consent of Ned C. Lautenbach (previously filed)
23.5	Consent of Philip S. Paul (previously filed)
23.6	Consent of Naoki Takahashi (previously filed)
23.7	Consent of Gary L. Tooker (previously filed)
24.1	Power of Attorney (previously filed)
27.1	Financial Data Schedule (previously filed)

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+ Certain portions of this exhibit have been omitted based upon a request for confidential treatment filed by the Company with the Secretary of the Commission on June 15, 2000. The omitted portions of this exhibit have been separately filed with the Secretary of the Commission.

(b) Financial Statement Schedules.

Financial statement schedules have been omitted because they are inapplicable, are not required under applicable provisions of Regulation S-X, or the information that would otherwise be included in such schedules in contained is the registrant's financial statements or accompanying notes.

ITEM 17. UNDERTAKINGS

The Registrant hereby undertakes to provide the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as the indemnification for liabilities arising under the Securities Act of 1933 may be permitted as to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payments by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(2) for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cleveland, State of Ohio, on June 30, 2000.

AXCELIS TECHNOLOGIES, INC.

By: /s/ BRIAN R. BACHMAN

Title: Vice Chairman and Chief Executive Officer

	TITLE	
*BRIAN R. BACHMAN	Vice Chairman, Chief Executive Officer and Director (Principal Executive Officer)	June 30, 2000
*KEVIN M. BISSON	Vice President and Chief Financial and Accounting Officer (Principal Financial and Accounting Officer)	June 30, 2000
*STEPHEN R. HARDIS	Director, Chairman	June 30, 2000
*ALEXANDER M. CUTLER	Director	June 30, 2000

*By: /s/ J. ROBERT HORST
Pursuant to Power of Attorney

EXHIBIT INDEX

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EXHIBIT 1.1

AXCELIS TECHNOLOGIES, INC.
COMMON STOCK

FORM OF UNDERWRITING AGREEMENT

July __, 2000

Goldman, Sachs & Co.,
Morgan Stanley & Co. Incorporated
Lehman Brothers Inc.
Salomon Smith Barney Inc.
As representatives of the several Underwriters
named in Schedule I hereto,
c/o Goldman, Sachs & Co.,
85 Broad Street,
New York, New York 10004

Ladies and Gentlemen:

Axcelis Technologies, Inc., a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of ..... shares (the "Firm Shares") and, at the election of the Underwriters, up to ..... additional shares (the "Optional Shares") of common stock, par value $.001 per share ("Stock") of the Company (the Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof being collectively called the "Shares").

1. The Company and Eaton Corporation, an Ohio corporation ("Eaton"), jointly and severally represent and warrant to, and agree with, each of the Underwriters that:

(a) A registration statement on Form S-1 (File No. 333-36330) (the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, to you for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has heretofore been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or threatened by the Commission (any preliminary prospectus included in the Initial

Registration Statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective, each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the "Registration Statement"; and such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus";

(b) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein;

(c) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto, and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein;

(d) Neither the Company nor any of its subsidiaries (for the purposes of this Agreement, "subsidiaries" shall not include Sumitomo Eaton Nova Corporation ("SEN"), a corporation organized and existing under the laws of Japan) has sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree which has had a material adverse effect on the Company, its subsidiaries and its interest in SEN taken as a whole, otherwise than as set forth or contemplated in the Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any change in

the capital stock or long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the business, properties, management, financial position, stockholders' equity or results of operations of the Company, its subsidiaries and its interest in SEN taken as a whole, otherwise than as set forth or contemplated in the Prospectus;

(e) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not have a material adverse effect on the Company, its subsidiaries and its interest in SEN taken as a whole, and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as do not have a material adverse effect on the Company, its subsidiaries and its interest in SEN taken as a whole;

(f) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction; and each "Significant Subsidiary" (as such term is defined under Rule 1.02(w) of Regulation S-X under the Exchange Act of 1934, as amended) of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation;

(g) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable, conform to the description of the Stock contained in the Prospectus and are owned by Eaton free and clear of all liens, encumbrances, equities or claims; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and (except for directors' qualifying shares and except as set forth in the Prospectus) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims;

(h) The unissued Shares to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform to the description of the Stock contained in the Prospectus;

(i) The issue and sale of the Shares by the Company and the compliance by the Company with all of the provisions of this Agreement and the

consummation of the transactions herein contemplated and the performance by each of the Company and Eaton of their respective obligations under the Intercompany Agreements (as defined below) will not (unless the effect thereof, in the case of each of (A) and (C) below, will not have a material adverse effect on the Company, its subsidiaries and its interest in SEN taken as a whole): (A) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company, Eaton or any of their subsidiaries is a party or by which the Company, Eaton or any of their subsidiaries is bound or to which any of the property or assets of the Company, Eaton or any of their subsidiaries is subject; (B) result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company or Eaton; or (C) result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company, Eaton or any of their subsidiaries or any of their properties. No consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company or Eaton of the transactions contemplated by this Agreement, except the registration under the Act of the Shares and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters;

(j) Neither the Company nor any of its Significant Subsidiaries is (i) in violation of its Articles or Certificate of Incorporation or Regulations or By-laws or (ii) in default in the performance or observance of any obligation covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound which, in the case of this sub-clause (ii), would have a material adverse effect on the Company, its subsidiaries and its interest in SEN taken as a whole;

(k) The statements set forth in the Prospectus under the caption "Description of Capital Stock", insofar as they purport to constitute a summary of the terms of the Stock, and under the captions, "Arrangements with Eaton", "United States Federal Tax Considerations to Non-United States Holders" and "Underwriting", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair;

(l) Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which have a reasonable possibility, individually or in the aggregate, of having a material adverse effect on the current or future consolidated financial position, stockholders' equity or results of operations of the Company and its subsidiaries; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(m) The Company is not, and after giving effect to the offering and sale of the Shares will not be, an "investment company", as such term is defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(n) Neither the Company nor any of its affiliates does business with the government of Cuba or with any person or affiliate located in Cuba within the meaning of Section 517.075, Florida Statutes;

(o) Ernst & Young LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder;

(p) To the best knowledge of the Company and Eaton, except as set forth in the Prospectus, the Company and its subsidiaries own or possess valid licenses or other rights to use all patents, trademarks, service marks, trade names, copyrights, know-how, trade secrets and other intellectual property which are material to the business of the Company, its subsidiaries and its interest in SEN taken as a whole, and, except as set forth in the Prospectus, none of the Company, Eaton or any of their subsidiaries have received any notice of infringement or of conflict with (and neither the Company nor Eaton knows of any such infringement or conflict with) asserted rights of others with respect to any patents, trademarks, service marks, trade names, copyrights, know-how, trade secrets or other intellectual property which are reasonably expected, individually or in the aggregate, to have a material adverse effect on the business, properties, management, current or future consolidated financial position, stockholders' equity or results of operations of the Company, its subsidiaries and its interest in SEN taken as a whole; and the inventions, products or processes referred to in the Prospectus do not, to the best knowledge of the Company and Eaton, infringe or conflict with any right or patent, or any invention, product or process which is the subject of a patent application known to the Company or Eaton, which is reasonably expected to have a material adverse effect on the business, properties, management, current or future consolidated financial position, business prospects, stockholders' equity or results of operations of the Company, its subsidiaries and its interest in SEN taken as a whole;

(q) To the best knowledge of the Company and Eaton, there is no existing or imminent labor dispute or organizational effort by the employees of the Company, Eaton or any of their subsidiaries or any existing or imminent labor disturbance by the employees of any of the principal suppliers, contractors or customers of the Company or its subsidiaries that is reasonably expected to have a material adverse effect upon the business, properties, financial condition, results of operations or prospects of the Company and its subsidiaries taken as a whole;

(r) Except as disclosed in the Prospectus and except as is not reasonably expected to have a material adverse effect upon the business, properties, financial condition, results of operations or prospects of the Company, its subsidiaries and its interest in SEN taken as a whole, each of the Company and its subsidiaries is in compliance with all applicable Environmental Laws. As used herein, "Environmental Laws" means any United States or Canadian, federal, state, local or municipal statute,

law, rule, regulation, ordinance, judicial or administrative order, consent decree or judgment, relating to the protection of the environment, the protection of public health and safety from environmental concerns or the protection of worker health and safety;

(s) There are no contracts or other documents which are required to be filed as exhibits to the Registration Statement by the Act or by the rules and regulations of the Commission thereunder which have not been filed as exhibits to the Registration Statement; and

(t) Each of the Master Separation and Distribution Agreement, General Assignment and Assumption Agreement, Trademark License Agreement, Employee Matters Agreement, Tax Sharing and Indemnification Agreement, Transitional Services Agreement, Real Estate Matters Agreement and Indemnification and Insurance Matters Agreement (collectively, the "Intercompany Agreements") has been duly authorized, executed and delivered by the Company and Eaton, is in full force and effect, and constitutes a valid and legally binding obligation of each of the Company and Eaton, enforceable against each of the Company and Eaton in accordance with its terms.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of $....., the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to ..... Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as Goldman, Sachs & Co. may request upon at least forty-eight hours' prior notice to the Company shall be delivered by or on behalf of the Company to Goldman, Sachs & Co., through the facilities of the Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to Goldman, Sachs & Co. at least forty-eight hours in advance. The Company will cause the certificates representing the Shares to be made available for checking and packaging at least twenty-four hours prior to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 10:00 a.m., New York City time, on July __, 2000 or such other time and date as Goldman, Sachs & Co. and the Company may agree upon in writing, and, with respect to the Optional Shares, 10:00 a.m., New York time, on the date specified in accordance herewith by Goldman, Sachs & Co. in the written notice given by Goldman, Sachs & Co. of the Underwriters' election to purchase such Optional Shares, or such other time and date as Goldman, Sachs & Co. and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7(j) hereof, will be delivered at the offices of Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held at the Closing Location at 3:00 p.m., New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close.

5. The Company agrees, and for so long as Eaton controls the Company, the Company and Eaton jointly and severally agree, with each of the Underwriters:

(a) To prepare the Prospectus in a form reasonably approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or Prospectus which shall be reasonably disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has

been filed and to furnish you with copies thereof; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or Prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or Prospectus or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) To use its reasonable best efforts, taking into account the timeliness of the Underwriters' approval pursuant to Section 5(a), to furnish the Underwriters, not later than 2:00 p.m., New York City time (or as soon as possible thereafter), on the New York Business Day next succeeding the date of this Agreement and from time to time, with copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus in order to comply with the Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act. Compliance with the provisions of this Section 5(c) shall be interpreted without regard to the first sentence of Section 14;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a)

of the Act and the rules and regulations thereunder (including, at the option of the Company, Rule 158);

(e) Notwithstanding the first sentence of this Section 5, the Company and Eaton agree with each Underwriter, during the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus, not to dispose of or hedge any Stock or any securities that are convertible into or exchangeable for Stock or any such substantially similar securities, without your prior written consent, provided that the foregoing restrictions shall not apply to (i) the divestiture of Stock owned by Eaton to its shareholders on or after November 1, 2000, (ii) any sale by Eaton of its Stock to a purchaser who offers to buy all other outstanding shares of Stock at the same price, (iii) any grants under the Company's existing employee benefit plans, or (iv) transactions in Eaton common shares;

(f) To furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its stockholders consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail;

(g) During a period of five years from the effective date of the Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders and to deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) from time to time, such other publicly available information concerning the Company as you may reasonably request;

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Prospectus under the caption "Use of Proceeds";

(i) To use its best efforts to list for quotation the Shares on the National Association of Securities Dealers Automated Quotations National Market System ("NASDAQ");

(j) To file with the Commission such information on Form 10-Q or Form 10-K as may be required by Rule 463 under the Act; and

(k) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b)

Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act.

6. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other out-of-pocket expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey; (iv) all fees and expenses in connection with listing the Shares on the NASDAQ; (v) the filing fees incident to, and the fees and disbursements of counsel for the Underwriters in connection with, securing any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Shares; (vi) the cost of preparing stock certificates; and (vii) the cost and charges of any transfer agent or registrar. It is understood, however, that, except as provided in this Section, and Sections 8 and 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company and Eaton herein are, at and as of such Time of Delivery, true and correct, the condition that the Company and Eaton shall have performed all of their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; if the Company has elected to rely upon Rule 462(b), the Rule 462(b) Registration Statement shall have become effective by 10:00 P.M., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Shearman & Sterling, counsel for the Underwriters, shall have furnished to you such written opinion or opinions (a draft of each such opinion is attached as Annex II(a) hereto), dated such Time of Delivery, with respect to certain matters covered in paragraphs (i), (ii), (vii), (xii) and (xiv) of subsection (c) below as well as such other

related matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Kirkpatrick & Lockhart LLP, counsel for the Company and Eaton, shall have furnished to you their written opinion (a draft of such opinion is attached as Annex II(b) hereto), dated such Time of Delivery, in form and substance satisfactory to you, to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Prospectus;

(ii) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company (including the Shares being delivered at such Time of Delivery) have been duly and validly authorized and issued and are fully paid and non-assessable; and the Shares conform to the description of the Stock contained in the Prospectus;

(iii) The Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification or is subject to no material liability or disability by reason of failure to be so qualified in any such jurisdiction (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company, provided that such counsel shall state that they believe that both you and they are justified in relying upon such opinions and certificates);

(iv) This Agreement has been duly authorized, executed and delivered by each of the Company and Eaton;

(v) The Intercompany Agreements have been duly authorized, executed and delivered by the Company, and each constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(vi) The issue and sale of the Shares being delivered at such Time of Delivery by the Company and the compliance by the Company with the provisions of this Agreement and the consummation of the transactions herein contemplated and the performance by the Company of its obligations under the Intercompany Agreements will not (unless the effect thereof, in the case of each of (A) and (C) below, will not have a material adverse effect on the Company, its subsidiaries and SEN taken as a whole): (A) conflict with or result in a breach or

violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to such counsel to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject; (B) result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company; or (C) result in any violation of any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties;

(vii) Other than as described in the Prospectus, no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement and the execution and delivery by the Company of the Intercompany Agreements and the performance of the Company of its obligations under the Intercompany Agreements, except the registration under the Act of the Shares, and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters or where any failure to obtain such consent, approval, authorization or order, or to make any filings registrations or qualifications could not, individually or in the aggregate, be reasonably expected to have a material adverse effect on the Company, its subsidiaries and its interest in SEN taken as a whole or the ability of the Company and the Underwriters to consummate the offering contemplated hereby;

(viii) Neither the Company nor any of its Significant Subsidiaries is (i) in violation of its Articles or Certificate of Incorporation or Regulations or By-laws or (ii) in default in the performance or observance of any obligation covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound which, in the case of this sub-clause (ii), would have a material adverse effect on the Company, its subsidiaries and its interest in SEN taken as a whole;

(ix) The statements set forth in the Prospectus under the caption "Description of Capital Stock", insofar as they purport to constitute a summary of the terms of the Stock, and under the captions "Arrangements with Eaton", "United States Federal Tax Considerations to Non-United States Holders" and "Underwriting", insofar as they purport to describe the provisions of the laws and documents referred to therein, fairly summarize the matters referred to therein in all material respects;

(x) The Company is not an "investment company", as such term is defined in the Investment Company Act; and

(xi) The Registration Statement and the Prospectus and any further amendments and supplements thereto made by the Company prior to such Time of Delivery (other than the financial statements and related schedules and other financial data included therein, as to which such counsel need express no opinion) comply as to form in all material respects with the requirements of the Act and the rules and regulations thereunder; such counsel does not know of any amendment to the Registration Statement required to be filed or of any contracts or other documents of a character required to be filed as an exhibit to the Registration Statement or required to be described in the Registration Statement or the Prospectus which are not filed or described as required; although they do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus, except to the extent referred to in the opinion in subsection (ix) of this section 7(c), they have no reason to believe that, as of its effective date, the Registration Statement or any further amendment thereto made by the Company prior to such Time of Delivery as of the date of such amendment or supplement (other than the financial statements and related schedules and other financial data included therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that, as of its date, the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and related schedules and other financial data included therein, as to which such counsel need express no opinion) contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or that, as of such Time of Delivery, either the Registration Statement or the Prospectus or any further amendment or supplement thereto made by the Company prior to such Time of Delivery (other than the financial statements and related schedules therein, as to which such counsel need express no opinion) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) J. Robert Horst, vice president and general counsel of Eaton and counsel to the Company, shall have furnished to you such written opinion or opinions (a draft of such opinion is attached as Annex II(c) hereto), dated such Time of Delivery, to the effect that:

(i) The Intercompany Agreements have been duly authorized, executed and delivered by Eaton, and each constitutes a valid and legally binding agreement of Eaton enforceable against Eaton in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(ii) The performance by Eaton of its obligations under the Intercompany Agreements does not (unless the effect thereof, in the case of each of (A) and (C) below, will not have a material adverse effect on Eaton and its subsidiaries taken as a whole): (A) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument known to such counsel to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject (excluding agreements which are related to the Company's business as described in the Prospectus or are contemplated to be transferred or assigned under the Intercompany Agreements to the Company or its subsidiaries other than agreements relating to SEN); (B) result in any violation of the provisions of the Amended Articles and Amended Regulations of Eaton; or (C) result in any violation of any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over Eaton or any of its subsidiaries or any of their properties;

(iii) No consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body is required for the execution and delivery by Eaton of the Intercompany Agreements and the performance of its obligations under the Intercompany Agreements, except such as shall have been obtained or waived or that, if not obtained or waived, would not, individually or in the aggregate, have a material adverse effect on the separation of the Company's business from that of Eaton as described in the Prospectus or on the ability of the Company and the Underwriters to consummate the offering contemplated hereby;

(iv) Each Significant Subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; and all of the issued shares of capital stock of each such subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable, and (except for directors' qualifying shares and except as otherwise set forth in the Prospectus) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect to matters of fact upon certificates of officers of the Company or its subsidiaries, provided that such counsel shall state that they believe that both you and they are justified in relying upon such opinions and certificates); and

(v) To the best of such counsel's knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which have a reasonable possibility, individually or in the aggregate, of having a material adverse effect on the current or future consolidated financial position, stockholders' equity or results

of operations of the Company, its subsidiaries and its interest in SEN taken as a whole; and, to the best of such counsel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

(e) On the date of the Prospectus at a time prior to the execution of this Agreement, at 9:30 A.M., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, Ernst & Young LLP shall have furnished to you a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex I hereto (the executed copy of the letter delivered prior to the execution of this Agreement is attached as Annex I(a) hereto and a draft of the form of letter to be delivered on the effective date of any post-effective amendment to the Registration Statement and as of each Time of Delivery is attached as Annex I(b) hereto);

(f) (i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus, and (ii) since the respective dates as of which information is given in the Prospectus there shall not have been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is reasonably expected to have a material adverse effect upon the business, properties, financial condition, results of operations or prospects of the Company, its subsidiaries and its interest in SEN taken as a whole;

(g) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or on NASDAQ; (ii) a suspension or material limitation in trading in the Company's securities on NASDAQ; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iv) in the judgment of the Representatives (after consultation with the Company to the extent reasonably practicable) makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(h) The Shares to be sold at such Time of Delivery shall have been duly listed for quotation on NASDAQ;

(i) The Company has obtained and delivered to the Underwriters executed copies of an agreement from Eaton and each executive officer and director of the Company substantially to the effect set forth in Exhibit A hereof in form and substance satisfactory to you;

(j) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement; and

(k) The Company shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company satisfactory to you as to the accuracy of the representations and warranties of the Company herein at and as of such Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (f) of this Section and as to such other matters as you may reasonably request.

8. (a) The Company and Eaton will, jointly and severally, indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that neither the Company nor Eaton shall be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein.

(b) The Company or Eaton may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through Goldman, Sachs & Co. expressly for use therein; and will reimburse the Company and Eaton for any legal or other expenses reasonably incurred by the Company and

Eaton in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and Eaton on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and Eaton on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and Eaton on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by

the Company and/or Eaton on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, Eaton and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company and Eaton under this Section 8 shall be in addition to any liability which the Company and Eaton may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties reasonably satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notifies you that it has so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

11. If this Agreement shall be terminated pursuant to Section 9 hereof or because the condition set forth in Section 7(g) is not satisfied, the Company shall not then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if for any other reason, any Shares are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter except as provided in Sections 6 and 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman, Sachs & Co. on behalf of you as the representatives.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the representatives in care of Goldman, Sachs & Co., 32 Old Slip, 21st Floor, New York, New York 10005, Attention: Registration Department; and if to the Company shall be delivered or sent by mail to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by you upon request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the banks in New York are open for business.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

16. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us ten counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

AXCELIS TECHNOLOGIES, INC.

By: _____
Name:
Title:

EATON CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

Accepted as of the date hereof:

Goldman, Sachs & Co.
Morgan Stanley & Co. Incorporated
Lehman Brothers Inc.
Salomon Smith Barney Inc.

By: _____
Goldman, Sachs & Co.

On behalf of each of the Underwriters

SCHEDULE I

UNDERWRITER	TOTAL NUMBER OF FIRM SHARES TO BE PURCHASED	NUMBER OF OPTIONAL SHARES TO BE PURCHASED IF MAXIMUM OPTION EXERCISED
Goldman, Sachs & Co.		
Morgan Stanley & Co. Incorporated.....		
Lehman Brothers Inc.		
Salomon Smith Barney Inc.		
Total		

EXHIBIT A

LOCK-UP LETTER

_____, 2000

Goldman, Sachs & Co.
Morgan Stanley & Co. Incorporated
Lehman Brothers Inc.
Salomon Smith Barney Inc.
As representatives of the several Underwriters
named in Schedule I to the Underwriting Agreement
referred to below
c/o Goldman Sachs & Co.
85 Broad St.
New York, NY 10004

Re: Axcelis Technologies, Inc. - Lock-Up Agreement

Ladies and Gentlemen:

The undersigned understands that you, as representatives (the "Representatives"), propose to enter into an Underwriting Agreement on behalf of the several Underwriters named in Schedule I to such agreement (collectively, the "Underwriters"), with Axcelis Technologies, Inc., a Delaware corporation (the "Company"), providing for a public offering of the shares of common stock, par value $0.001 per share, of the Company (the "Shares") pursuant to a Registration Statement on Form S-1 filed with the Securities and Exchange Commission (the "SEC").

In consideration of the agreement by the Underwriters to offer and sell the Shares, and of other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the undersigned agrees that, during the period beginning from the date of this agreement and continuing to and including the date 180 days after the date of such final Prospectus, the undersigned will not offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any shares of common stock of the Company, or any options or warrants to purchase any shares of common stock of the Company, or any securities convertible into, exchangeable for or that represent the right to receive shares of common stock of the Company, whether now owned or hereafter acquired, owned directly by the undersigned (including holding as a custodian) or with respect to which the undersigned has beneficial ownership within the rules and regulations of the SEC (collectively the "Undersigned's Shares").

The foregoing restriction is expressly agreed to preclude the undersigned from engaging in any hedging or other transaction which is designed to or which reasonably could be expected

to lead to or result in a sale or disposition of the Undersigned's Shares even if such Shares would be disposed of by someone other than the undersigned. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Undersigned's Shares or with respect to any security that includes, relates to, or derives any significant part of its value from the Shares.

Notwithstanding the foregoing, the undersigned may transfer the Undersigned's Shares (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree in writing to be bound by the restrictions set forth herein, (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees in writing to be bound by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, (iii) in connection with a sale by the undersigned to a purchaser who offers to buy all of the Company's outstanding shares at the same price, (iv) in connection with any transaction in Eaton common stock, or (v) with the prior written consent of Goldman, Sachs & Co. on behalf of the Underwriters.

For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin. The undersigned, except as contemplated by clause (i), (ii), (iii), (iv) or (v) above, for the duration of this Lock-Up Agreement will have, valid title to the Undersigned's Shares, if any, free and clear of all adverse claims whatsoever within the meaning of the Uniform Commercial Code. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Undersigned's Shares, if any, except in compliance with the foregoing restrictions.

The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives and assigns.

Very truly yours,

____
(Name)

____
(Print Name)

____
(Address)

ANNEX I

Pursuant to Section 7(e) of the Underwriting Agreement, the accountants shall furnish letters to the Underwriters to the effect that:

(i) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules (and, if applicable, financial forecasts and/or pro forma financial information) examined by them and included in the Prospectus or the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited consolidated interim financial statements, selected financial data, pro forma financial information, financial forecasts and/or condensed financial statements derived from audited financial statements of the Company for the periods specified in such letter, as indicated in their reports thereon, copies of which have been separately furnished to the representatives of the Underwriters (the "Representatives");

(iii) They have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus as indicated in their reports thereon copies of which have been separately furnished to the Representatives and on the basis of specified procedures including inquiries of officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited condensed consolidated financial statements referred to in paragraph (vi)(A)(i) below comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations, nothing came to their attention that cause them to believe that the unaudited condensed consolidated financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations;

(iv) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Prospectus agrees with the corresponding amounts (after restatements where applicable) in the audited consolidated financial statements for such five fiscal years;

(v) They have compared the information in the Prospectus under selected captions with the disclosure requirements of Regulation S-K and on the basis of limited procedures specified in such letter nothing came to their attention as a result of the foregoing procedures that caused them to believe that this information does not conform

in all material respects with the disclosure requirements of Items 301, 302, 402 and 503(d), respectively, of Regulation S-K;

(vi) On the basis of limited procedures, not constituting an examination in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its subsidiaries since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the Company and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) (i) the unaudited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations, or (ii) any material modifications should be made to the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus for them to be in conformity with generally accepted accounting principles;

(B) any other unaudited income statement data and balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included in the Prospectus;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived any unaudited condensed financial statements referred to in clause (A) and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in clause (B) were not determined on a basis substantially consistent with the basis for the audited consolidated financial statements included in the Prospectus;

(D) any unaudited pro forma consolidated condensed financial statements included in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the published rules and regulations thereunder or the pro forma adjustments have not been properly applied to the historical amounts in the compilation of those statements;

(E) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest financial statements included in the Prospectus)

or any increase in the consolidated long-term debt of the Company and its subsidiaries, or any decreases in consolidated net current assets or stockholders' equity or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(F) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in clause (E) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for decreases or increases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(vii) In addition to the examination referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (vi) above, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives, which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Prospectus, or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Representatives, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and have found them to be in agreement.

ANNEX II(a)

OPINION OF SHEARMAN & STERLING

ANNEX II(b)

OPINION OF KIRKPATRICK & LOCKHART LLP

ANNEX II(c)

OPINION OF J. ROBERT HORST

EXHIBIT 2.1

MASTER SEPARATION AND DISTRIBUTION AGREEMENT

BETWEEN

EATON CORPORATION

AND

AXCELIS TECHNOLOGIES, INC.

DATED

JUNE 30, 2000

TABLE OF CONTENTS

MASTER SEPARATION AND DISTRIBUTION AGREEMENT

This Master Separation and Distribution Agreement ("Agreement") is made and entered into on June 30, 2000, by and between Eaton Corporation ("Eaton"), an Ohio corporation, and Axcelis Technologies, Inc. (formerly known as Eaton Semiconductor Equipment Inc.) ("Axcelis Technologies"), a Delaware corporation. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Article VII hereof.

RECITALS

WHEREAS, Eaton currently owns all of the issued and outstanding common stock of Axcelis Technologies;

WHEREAS, the business of Axcelis Technologies consists of the business and operations conducted by Eaton and its Subsidiaries as Eaton's Semiconductor Equipment Operations (the "Axcelis Technologies Business") as described in the IPO Registration Statement (as defined below);

WHEREAS, the Board of Directors of Eaton has determined that it would be appropriate and desirable to separate the Axcelis Technologies Business from Eaton and to reorganize it into an independent publicly held company;

WHEREAS, the Boards of Directors of Eaton and Axcelis Technologies have each determined that it would be appropriate and desirable for Eaton to contribute and transfer to Axcelis Technologies, and for Axcelis Technologies to receive and assume, directly or indirectly, the Assets and Liabilities (including contingent liabilities) of Eaton and its Subsidiaries associated with the Axcelis Technologies Business to the extent not contributed and transferred to Axcelis Technologies prior to May 4, 2000 (the "Separation");

WHEREAS, as part of the transactions contemplated by the Separation, prior to the date hereof Eaton has caused the transfer to Axcelis of all of the issued and outstanding capital stock of Fusion Systems Corporation and High Temperature Engineering Corporation, all of Eaton's ownership interest in Sumitomo Eaton Nova Corporation and the intellectual property assets of the Axcelis Technologies Business.

WHEREAS, Eaton and Axcelis Technologies currently contemplate that, following the Separation, Axcelis Technologies will make an initial public offering ("IPO") of an amount of its common stock pursuant to a registration statement on Form S-1 under the Securities Act of 1933, as amended (the "IPO Registration Statement"), that will reduce Eaton's ownership interest in Axcelis Technologies to not less than 80.1% of the outstanding common stock of Axcelis Technologies;

WHEREAS, Eaton currently plans to consummate the divestiture of Axcelis Technologies approximately six months following such IPO by means of a distribution of all of the common stock of Axcelis Technologies owned by Eaton to holders of Eaton common stock on a tax-free basis in a split-off, a spin-off or some combination of both transactions (the "Distribution");

WHEREAS, Eaton and Axcelis Technologies intend that the Separation will qualify as a tax-free reorganization under Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code"), that the Distribution will qualify as a tax-free distribution under Section 355 of the Code and that this Agreement shall be, and is hereby adopted as, a plan of reorganization under Section 368 of the Code; and

WHEREAS, the parties intend in this Agreement, including the Exhibits hereto, to set forth the principal arrangements between them regarding the Separation and to set forth certain other matters regarding the IPO and the Distribution.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, Eaton and Axcelis Technologies, intending to be legally bound, hereby agree as follows:

ARTICLE I

SEPARATION

Section 1.1 Separation Date. Unless otherwise provided in this Agreement or in any agreement to be executed in connection with this Agreement, the effective time and date of the Separation shall be the earlier of (i) 12:01 a.m. on the IPO Closing Date or (ii) 12:59 p.m. on June 30, 2000 or such subsequent date as may be designated at any time prior to the earlier of such dates by the Chairman or President of Eaton (the "Separation Date").

Section 1.2 Closing of Transactions. Except as otherwise provided herein, the closing of the transactions contemplated in Article II (the "Separation Closing") shall occur on the Separation Date (beginning at 10:00 a.m. Cleveland time), at the offices of Eaton at Eaton Center, 1111 Superior Avenue, Cleveland, Ohio 44114, or at such other place as Eaton may in its sole discretion determine, by the delivery of the executed instruments of transfer, assumptions of liability, undertakings, agreements, instruments or other documents to be executed pursuant to Article II of this Agreement.

ARTICLE II

DOCUMENTS AND ITEMS TO BE DELIVERED AT THE SEPARATION CLOSING

Section 2.1 Documents to Be Delivered by Eaton. On or before the Separation Date or such other date or dates as determined by Eaton in connection with the Non-US Plan (as defined in Section 5.7), Eaton will deliver, or will cause its appropriate Subsidiaries to deliver, to Axcelis Technologies all of the following items and agreements (collectively, together with all exhibits, schedules, agreements and documents contemplated by this Agreement and such agreements, the "Ancillary Agreements"):

(a) A duly executed General Assignment and Assumption Agreement (the "Assignment Agreement") substantially in the form attached hereto as Exhibit A;

(b) A duly executed Trademark License Agreement substantially in the form attached hereto as Exhibit B;

(c) A duly executed Employee Matters Agreement substantially in the form attached hereto as Exhibit C;

(d) A duly executed Tax Sharing and Indemnification Agreement substantially in the form attached hereto as Exhibit D;

(e) A duly executed Transitional Services Agreement substantially in the form attached hereto as Exhibit E;

(f) A duly executed Real Estate Matters Agreement substantially in the form attached hereto as Exhibit F;

(g) A duly executed Indemnification and Insurance Matters Agreement substantially in the form attached hereto as Exhibit G;

(h) Such other agreements, documents or instruments as Eaton may determine are necessary or desirable in order to achieve the purposes hereof.

Section 2.2 Documents to Be Delivered by Axcelis Technologies. On or before the Separation Date, Axcelis Technologies will deliver to Eaton a duly executed counterpart of any agreement or instrument referred to in Section 2.1 in each case where Axcelis Technologies is to be a party to such agreement or instrument.

Section 2.3 Cash to be Transferred. Since December 31, 1999, portions of the cash receipts and disbursements of Axcelis Technologies and certain of its Subsidiaries have been processed through Eaton's centralized cash management system and recorded as a receivable from or payable to Eaton. In connection with the Separation Closing, the "Receivables from Eaton Corporation" included on the Axcelis Technologies combined balance sheet on the Separation Date, less any portion thereof not directly owned by the Axcelis Technologies Group, will be settled in cash by payment to the Axcelis Technologies Group. The portion not directly owned by the Axcelis Technologies Group will be retained by Eaton and will not be made available to the Axcelis Technologies Group. Also in connection with the Separation Closing, the cash and short-term investments on the Axcelis Technologies combined balance sheet on the Separation Date will be paid, transferred or made available to Axcelis Technologies, less any portion thereof not directly owned by the Axcelis Technologies Group. The amounts to be settled, paid, transferred or made available to the Axcelis Technologies Group pursuant to this Section 2.3 shall be calculated by Eaton in its sole discretion, and its determination shall be final and binding. The provisions of this Section 2.3 shall supersede any provisions of this Agreement or any Ancillary Agreement to the contrary.

ARTICLE III

THE IPO AND ACTIONS PENDING THE IPO

Section 3.1 Transactions Related to the IPO. Subject to the conditions specified in Section 3.3, Eaton and Axcelis Technologies shall use their reasonable commercial efforts to consummate the IPO. Such efforts shall include, without limitation, those specified in this Section 3.1.

(a) Registration Statement. Axcelis Technologies filed on May 4, 2000 and shall file with the Securities and Exchange Commission (the "SEC") the IPO Registration Statement and such amendments or supplements thereto as may be necessary in order to cause the same to become and remain effective as required by law, including, but not limited to, filing such amendments to the IPO Registration Statement as may be required by the underwriting agreement to be entered into between the managing underwriters for the IPO (the "Underwriters") and Axcelis Technologies, (the "Underwriting Agreement") or by the SEC or other applicable federal, state or foreign securities laws. Eaton and Axcelis Technologies shall also cooperate in preparing, filing with the SEC and causing to become effective a registration statement registering the common stock of Axcelis Technologies under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any registration statements or amendments thereof which are required to reflect the establishment of, or amendments to, any employee benefit and other plans necessary or appropriate in connection with the Separation, the IPO, the Distribution and the other transactions contemplated by this Agreement.

(b) Underwriting Agreement. Axcelis Technologies shall enter into the Underwriting Agreement (including indemnification by Eaton as described in the IPO Registration Statement), in form and substance reasonably satisfactory to the committee established by the Board of Directors of Axcelis Technologies with respect to the IPO, consisting of the three persons constituting the directors of Axcelis Technologies on May 3, 2000 (the "Offering Committee"), and shall comply with its obligations thereunder.

(c) Nasdaq Listing. Axcelis Technologies shall prepare, file and use reasonable commercial efforts to make effective an application for listing of the common stock of Axcelis Technologies issued in the IPO on the Nasdaq National Market ("Nasdaq"), subject to official approval for quotation.

(d) Resignations. Eaton will obtain, or cause its appropriate Subsidiaries to obtain, resignations of each person who is an officer of Eaton or its Subsidiaries immediately prior to the IPO Closing and who will be an employee of Axcelis Technologies from and after the IPO Closing Date.

Section 3.2 Cooperation. Axcelis Technologies shall consult, and cooperate in all respects, with Eaton in connection with the pricing of the common stock of Axcelis Technologies to be offered in the IPO. Axcelis Technologies shall, at Eaton's direction, promptly take any and all actions necessary or desirable to consummate the IPO as contemplated by the IPO Registration Statement and the Underwriting Agreement.

Section 3.3 Conditions Precedent to Consummation of the IPO. The obligations of the parties to use their reasonable commercial efforts to consummate the IPO shall be conditioned on the satisfaction of the following conditions:

(a) Registration Statement. The IPO Registration Statement shall have been filed and declared effective by the SEC, and there shall be no stop-order in effect with respect thereto.

(b) Blue Sky and NASD. The actions and filings with regard to state securities and blue sky laws of the United States (and any comparable laws under any foreign jurisdictions) shall have been taken and, where applicable, become effective or been accepted. Where the amount of compensation to be allowed or paid to the underwriters and any other arrangement among Axcelis Technologies, the underwriters and other broker dealers participating in the IPO are reviewed by the National Association of Securities Dealers, Inc. ("NASD"), no statement shall have been issued by the NASD prior to effectiveness expressing objections to the compensation and other arrangements which has not been resolved as of the IPO Closing Date.

(c) Nasdaq Listing. The common stock of Axcelis Technologies to be issued in the IPO shall have been accepted for listing on the Nasdaq, on official approval for quotation.

(d) Underwriting Agreement. Axcelis Technologies shall have entered into the Underwriting Agreement (including indemnification by Eaton as described in the IPO Registration Statement), and all conditions to the obligations of Axcelis Technologies and the Underwriters shall have been satisfied or waived.

(e) Common Stock Ownership. Eaton shall be satisfied in its sole discretion that it will own at least 80.1% of the outstanding common stock of Axcelis Technologies following the IPO. All other conditions to permit the Separation, the IPO and the Distribution to qualify as a tax-free distribution to Eaton, Axcelis Technologies and Eaton's stockholders shall, to the extent applicable as of the time of the IPO, be satisfied. There shall be no event or condition that is likely to cause any of such conditions not to be satisfied as of the time of the IPO or thereafter.

(f) No Legal Restraints. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Separation or the IPO or any of the other transactions contemplated by this Agreement shall be in effect.

(g) Separation. The Separation shall have become effective in accordance with Articles I and II hereof.

(h) Other Actions. Such other actions as the parties hereto may, based upon the advice of counsel, reasonably request to be taken prior to the IPO to assure the successful completion of the IPO shall have been taken.

(i) No Termination. This Agreement shall not have been terminated.

Section 3.4 Dividend Payment. Axcelis Technologies presently expects to pay the $300 million dividend payable to Eaton, which dividend payment Eaton intends to use directly to satisfy obligations to its lenders.

ARTICLE IV

THE DISTRIBUTION

Section 4.1 The Distribution. Subject to the provisions of Section 4.2, Eaton currently intends to consummate the Distribution within approximately six months of the IPO Closing Date. Eaton shall, in its sole and absolute discretion, determine the date of the consummation of the Distribution and all terms of the Distribution, including, without limitation, the form, structure, timing and terms of any transaction(s) and/or offering(s) to effect the Distribution and the timing of and conditions to the consummation of the Distribution. In addition, Eaton may at any time and from time to time until the consummation of the Distribution modify or change the terms of the Distribution, including without limitation by accelerating or delaying the timing of the consummation of all or part of the Distribution. Axcelis Technologies shall cooperate with Eaton in all respects to accomplish the Distribution and shall, at Eaton's direction, promptly take any and all actions necessary or desirable to effect the Distribution, including without limitation the registration under the Securities Act of the common stock of Axcelis Technologies on an appropriate registration form or forms to be designated by Eaton and any listing thereof with Nasdaq and/or the filing of information statements or other documents with the SEC. Eaton shall select any investment banker(s) and manager(s) in connection with the Distribution, as well as any financial printer, solicitation and/or exchange agent and outside counsel for Eaton; provided, however, that nothing herein shall prohibit Axcelis Technologies from engaging (at its own expense) its own financial, legal, accounting and other advisors in connection with the Distribution. Axcelis Technologies shall not issue or sell any shares of its common stock on or prior to the Distribution Date without the prior written consent of Eaton, although Axcelis Technologies may at any time on or after the IPO Closing Date grant options pursuant to the Axcelis Technologies 2000 Stock Option Agreement.

Section 4.2 Conditions Precedent to Distribution. Axcelis Technologies acknowledges and agrees that, notwithstanding anything to the contrary contained in this Agreement or any Ancillary Agreement, Eaton is not obligated in any respect to proceed with or consummate the Distribution and that Eaton may, in its sole discretion, at any time abandon its plan to proceed with or consummate the Distribution. Without limiting the foregoing, the following are certain conditions that must take place prior to the consummation of the Distribution:

(a) IRS Ruling. Eaton shall have obtained a private letter ruling from the Internal Revenue Service in form and substance satisfactory to Eaton (in its sole discretion), and such ruling shall remain in effect as of the date of the consummation of the Distribution (the "Distribution Date"), to the effect that (i) the transfer by Eaton and its Subsidiaries to the Axcelis Technologies Group of the property, subject to liabilities, held by Eaton of the Axcelis Technologies Business, and Axcelis Technologies' assumption of the liabilities held by Eaton and its Subsidiaries related to the Axcelis Technologies Business, followed by the distribution by Eaton of all of its Axcelis Technologies common stock to stockholders of Eaton, will qualify as a reorganization under Sections 368(a)(1)(D) and 355 of the Code; (ii) no gain or loss will be recognized by Eaton on its transfer of property of the Axcelis Technologies Business to Axcelis Technologies; (iii) no gain or loss will be recognized by Axcelis Technologies on its receipt of property of the Axcelis Technologies Business from Eaton; and (iv) no gain or loss will be

recognized by (and no amount will otherwise be included in the income of) stockholders of Eaton upon their receipt of Axcelis Technologies common stock pursuant to the Distribution;

(b) Government Approvals. Any material Governmental Approvals necessary to consummate the Distribution shall have been obtained and be in full force and effect;

(c) No Legal Restraints. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution shall be in effect, and no other event outside the control of Eaton shall have occurred or failed to occur that prevents the consummation of the Distribution; and

(d) No Material Adverse Effect. No other events or developments shall have occurred that, in the judgment of the Board of Directors of Eaton, would result in the Distribution having a material adverse effect on Eaton or on the stockholders of Eaton.

Section 4.3 Further Assurances Regarding the Distribution.

In addition to the actions specifically provided for elsewhere in this Agreement, Axcelis Technologies shall, at Eaton's direction, use all commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things commercially reasonably necessary, proper or expeditious under applicable laws, regulations and agreements in order to consummate and make effective the Distribution as promptly as reasonably practicable. Without limiting the generality of the foregoing, Axcelis Technologies shall, at Eaton's direction, cooperate with Eaton, and execute and deliver, or use all commercially reasonable efforts to cause to have executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Government Authority requested by Eaton in order to consummate and make effective the Distribution.

ARTICLE V

COVENANTS AND OTHER MATTERS

Section 5.1 Other Agreements. Eaton and Axcelis Technologies will execute or cause to be executed by the appropriate parties and deliver, as appropriate, such other agreements, instruments and other documents as may be necessary or desirable in order to effect the purposes of this Agreement and the Ancillary Agreements.

Section 5.2 Further Instruments. Subject to Eaton's approval in its reasonable judgment, and without further consideration, Eaton will execute and deliver, and will cause its applicable Subsidiaries to execute and deliver, to Axcelis Technologies and its Subsidiaries such other instruments of transfer, conveyance, assignment, substitution and confirmation and take such action as Axcelis Technologies may reasonably request in order more effectively to transfer, convey and assign to Axcelis Technologies and its Subsidiaries and confirm Axcelis Technologies' and its Subsidiaries' title to all of the assets, rights and other things of value contemplated to be transferred to Axcelis Technologies and its Subsidiaries pursuant to this Agreement, the Ancillary Agreements, and any documents referred to herein and therein, to put

Axcelis Technologies and its Subsidiaries in actual possession and operating control thereof and to permit Axcelis Technologies and its Subsidiaries to exercise all rights with respect thereto (including, without limitation, rights under contracts and other arrangements as to which the consent of any third party to the transfer thereof shall not have previously been obtained). At the request of Eaton and without further consideration, Axcelis Technologies will execute and deliver, and will cause its applicable Subsidiaries to execute and deliver, to Eaton and its Subsidiaries all instruments, assumptions, novations, undertakings, substitutions or other documents and take such other action as Eaton may reasonably deem necessary or desirable in order to have the Axcelis Technologies Group fully and unconditionally assume and discharge the liabilities contemplated to be assumed by the Axcelis Technologies Group under this Agreement or any document in connection herewith and to relieve the Eaton Group of any liability or obligation with respect thereto and evidence the same to third parties.

Section 5.3 Agreement for Exchange of Information.

(a) Generally. Each of Eaton and Axcelis Technologies shall provide, or cause to be provided, to each other, at any time before or after the Distribution Date, as soon as reasonably practicable after written request therefore, any Information in the possession or under the control of such party that the requesting party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities laws) by a Governmental Authority, (ii) for use in any judicial, regulatory, administrative or other proceeding or in order to satisfy audit, accounting, claims, litigation, regulatory, tax or other similar requirements, (iii) to comply with its obligations under this Agreement or any Ancillary Agreement or (iv) in connection with the ongoing businesses of Eaton or Axcelis Technologies, as the case may be; provided, however, that in the event that any party determines that any such provision of Information would be commercially detrimental, violate any law or agreement or waive any attorney-client privilege, the parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

(b) Internal Accounting Controls; Financial Information. After the Separation Date, each party shall (i) maintain and cause its Subsidiaries to maintain in effect at its own cost and expense adequate systems and controls for its business to the extent necessary to enable the other party to satisfy its reporting, accounting, audit and other obligations, and (ii) provide and cause its Subsidiaries to provide, or cause to be provided, to the other party and its Subsidiaries in such form as such requesting party shall request, at no charge to the requesting party, all financial and other data and information as the requesting party determines necessary or advisable in order to prepare its and its Subsidiaries financial statements and reports or filings with any Governmental Authority.

(c) Ownership of Information. Any Information owned by a party that is provided to a requesting party pursuant to this Section 5.3 shall remain the property of the providing party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

(d) Record Retention. To facilitate the possible exchange of Information pursuant to this Section 5.3 and other provisions of this Agreement after the Distribution Date,

each party shall use its reasonable commercial efforts to retain all Information in its respective possession or control on the Distribution Date substantially in accordance with the policies of Eaton as in effect on the Separation Date. However, except as set forth in the Tax Sharing and Indemnification Agreement, at any time after the Distribution Date, each party may amend its respective record retention policies at such party's discretion; provided, however, that if a party desires to effect the amendment within three (3) years after the Distribution Date, the amending party must give sixty (60) days prior written notice of such change in the policy to the other party to this Agreement. No party will destroy, or permit any of its Subsidiaries to destroy, any Information that exists on the Separation Date (other than Information that is permitted to be destroyed under the current record retention policies of Eaton) and that falls under the categories listed in Section 5.3(a), without first using its reasonable commercial efforts to notify the other party of the proposed destruction and giving the other party the opportunity to take possession of such Information prior to such destruction.

(e) Limitation of Liability. No party shall have any liability to any other party in the event that any Information exchanged or provided pursuant to this Section 5.3 is found to be inaccurate, in the absence of gross negligence or willful misconduct by the party providing such Information. No party shall have any liability to any other party if any Information is destroyed or lost after reasonable commercial efforts by such party to comply with the provisions of Section 5.3(d).

(f) Other Agreements Providing for Exchange of Information. The rights and obligations granted under this Section 5.3 are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of Information set forth in this Agreement or any Ancillary Agreement.

(g) Production of Witnesses; Records; Cooperation. After the Distribution Date, except in the case of a legal or other proceeding by one party against another party (which shall be governed by such discovery rules as may be applicable under Section 5.8 or otherwise), each party hereto shall use its reasonable commercial efforts to make available to each other party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of such party as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any legal, administrative or other proceeding in which the requesting party may from time to time be involved, regardless of whether such legal, administrative or other proceeding is a matter with respect to which indemnification may be sought hereunder. The requesting party shall bear all costs and expenses in connection therewith.

Section 5.4 Auditors and Audits; Annual and Quarterly Statements and Accounting. For as long as Eaton is required in accordance with United States generally accepted accounting principles to consolidate Axcelis Technologies' results of operations and financial position:

(a) Selection of Auditors. Axcelis Technologies shall not select a different accounting firm from that used by Eaton in each respective country to serve as its (and its Subsidiaries') independent certified public accountants ("Axcelis Technologies' Auditors") for

purposes of providing an opinion on its consolidated financial statements without Eaton's prior written consent (which shall not be unreasonably withheld).

(b) Date of Auditors' Opinion and Quarterly Reviews. Axcelis Technologies shall use its reasonable commercial efforts to enable Axcelis Technologies' Auditors to complete their audit such that they will date their opinion on Axcelis Technologies' audited annual financial statements on the same date that Eaton's independent certified public accountants ("Eaton's Auditors") date their opinion on Eaton's audited annual financial statements, and to enable Eaton to meet its timetable for the printing, filing and public dissemination of Eaton's annual financial statements. Axcelis Technologies shall use its reasonable commercial efforts to enable Axcelis Technologies' Auditors to complete their quarterly review procedures such that they will provide clearance on Axcelis Technologies' quarterly financial statements on the same date that Eaton's Auditors provide clearance on Eaton's quarterly financial statements.

(c) Annual and Quarterly Financial Statements. Axcelis Technologies shall provide to Eaton on a timely basis all Information that Eaton reasonably requires to meet its schedule for the preparation, printing, filing and public dissemination of Eaton's annual and quarterly financial statements. Without limiting the generality of the foregoing, Axcelis Technologies will provide all required financial Information with respect to Axcelis Technologies and its Subsidiaries to Axcelis Technologies' Auditors in a sufficient and reasonable time and in sufficient detail to permit Axcelis Technologies' Auditors to take all steps and perform all reviews necessary to provide sufficient assistance to Eaton's Auditors with respect to financial Information to be included or contained in Eaton's annual and quarterly financial statements. Similarly, Eaton shall provide to Axcelis Technologies on a timely basis all financial Information that Axcelis Technologies reasonably requires to meet its schedule for the preparation, printing, filing and public dissemination of Axcelis Technologies' annual and quarterly financial statements. Without limiting the generality of the foregoing, Eaton will provide all required financial Information with respect to Eaton and its Subsidiaries to Eaton's Auditors in a sufficient and reasonable time and in sufficient detail to permit Eaton's Auditors to take all steps and perform all reviews necessary to provide sufficient assistance to Axcelis Technologies' Auditors with respect to Information to be included or contained in Axcelis Technologies' annual and quarterly financial statements.

(d) Identity of Personnel Performing the Annual Audit and Quarterly Reviews. Axcelis Technologies shall authorize Axcelis Technologies' Auditors to make available to Eaton's Auditors both the personnel who performed or will perform the annual audits and quarterly reviews of Axcelis Technologies and work papers related to the annual audits and quarterly reviews of Axcelis Technologies, in all cases within a reasonable time prior to Axcelis Technologies' Auditors' opinion date, so that Eaton's Auditors are able to perform the procedures they consider necessary to take responsibility for the work of Axcelis Technologies' Auditors as it relates to Eaton's Auditors' report on Eaton's financial statements, all within sufficient time to enable Eaton to meet its timetable for the printing, filing and public dissemination of Eaton's annual and quarterly statements. Similarly, Eaton shall authorize Eaton's Auditors to make available to Axcelis Technologies' Auditors both the personnel who performed or will perform the annual audits and quarterly reviews of Eaton and work papers related to the annual audits and quarterly reviews of Eaton, in all cases within a reasonable time prior to Eaton's Auditors' opinion date, so that Axcelis Technologies' Auditors are able to

perform the procedures they consider necessary to take responsibility for the work of Eaton's Auditors as it relates to Axcelis Technologies' Auditors' report on Axcelis Technologies' statements, all within sufficient time to enable Axcelis Technologies to meet its timetable for the printing, filing and public dissemination of Axcelis Technologies' annual and quarterly financial statements.

(e) Access to Books and Records. Axcelis Technologies shall provide Eaton's internal auditors and their designees access to Axcelis Technologies' and its Subsidiaries' books and records so that Eaton may conduct reasonable audits relating to the financial statements provided by Axcelis Technologies pursuant hereto as well as to the internal accounting controls and operations of Axcelis Technologies and its Subsidiaries. Similarly, Eaton shall provide Axcelis Technologies' internal auditors and their designees access to Eaton's and its Subsidiaries' books and records so that Axcelis Technologies may conduct reasonable audits relating to the financial statements provided by Eaton pursuant hereto as well as to the internal accounting controls and operations of Eaton and its Subsidiaries

(f) Notice of Change in Accounting Principles. Subsequent to the Distribution, Axcelis Technologies shall give Eaton as much prior notice as reasonably practical of any proposed determination of, or any significant changes in, its accounting estimates or accounting principles from those in effect prior to the Distribution. Axcelis Technologies will consult with Eaton and, if requested by Eaton, Axcelis Technologies will consult with Eaton's Auditors with respect thereto. Eaton shall give Axcelis Technologies as much prior notice as reasonably practical of any proposed determination of, or any significant changes in, its accounting estimates or accounting principles from those in effect on the Separation Date. Eaton will consult with Axcelis Technologies and, if requested by Axcelis Technologies, Eaton will consult with Axcelis Technologies' Auditors with respect thereto.

(g) Conflict with Third-Party Agreements. Nothing in this Section 5.4 shall require Eaton or Axcelis Technologies to violate any agreement with any third party regarding the confidentiality of confidential and proprietary information relating to that third party or its business; provided that in the event that Eaton or Axcelis Technologies is required under this Section 5.4 to disclose any such Information, each of Eaton and Axcelis Technologies shall use commercially reasonable efforts to seek to obtain such third party's consent to the disclosure of such information.

Section 5.5 Consistency with Past Practices. At all times prior to consummation of the IPO, Eaton and Axcelis Technologies will use commercially reasonable efforts to conduct the Axcelis Technologies Business in the ordinary course, consistent with past practices, except as otherwise contemplated in connection with the Separation.

Section 5.6 Payment of Expenses. Except as otherwise specifically provided to the contrary in any of the Ancillary Agreements, Axcelis Technologies shall be responsible, as determined by Eaton in its sole discretion, for third party costs and expenses incurred by the parties hereto in connection with the IPO (including without limitation discounts, commissions and reimbursable expenses of the Underwriters), and Eaton shall be responsible, as determined by Eaton in its sole discretion, for the balance of such fees, costs and expenses incurred in connection with this Agreement (including such fees, costs and expenses incurred solely in

connection with the Distribution). Axcelis Technologies and Eaton shall each be responsible for their own internal costs and expenses incurred in connection with the Separation, the IPO and the Distribution.

Section 5.7 Foreign Subsidiaries. Eaton and Axcelis Technologies shall cause their applicable foreign subsidiaries to execute such local transfer agreements, assignments, assumptions, novations and other documents and to take such other actions as shall be necessary to carry out the Non-US Plan, a copy of which is attached hereto as Exhibit H (the "Non-US Plan"), to effect the purposes of this Agreement with respect to their respective operations outside the United States.

Section 5.8 Dispute Resolution.

(a) If a dispute, controversy or claim ("Dispute") arises between the parties relating to the interpretation or performance of this Agreement or the Ancillary Agreements, or the grounds for the termination hereof, appropriate senior executives of each party with authority to resolve the matter shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies. The initial meeting between the appropriate senior executives shall be referred to herein as the "Dispute Resolution Commencement Date". Discussions and correspondence relating to trying to resolve such Dispute shall be treated as confidential information developed for the purpose of settlement and shall be exempt from discovery or production and shall not be admissible in arbitration or litigation. If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute Resolution Commencement Date, and either party wishes to pursue its rights relating to such Dispute, then the Dispute will be mediated by a mutually acceptable mediator selected by the parties within forty-five (45) days after written notice by one party to the other demanding non-binding mediation. Neither party may unreasonably withhold consent to the selection of a mediator or the location of the mediation. Both parties will share the costs of the mediation equally, except that each party shall bear its own costs and expenses, including attorneys' fees, witness fees, travel expenses, and preparation costs. The parties may also agree to replace mediation with some other form of non-binding or binding ADR.

(b) Any Dispute which the parties cannot resolve through mediation within ninety (90) days of the Dispute Resolution Commencement Date, unless otherwise mutually agreed, shall be submitted to final and binding arbitration under the then current Commercial Arbitration Rules of the American Arbitration Association ("AAA"), by three (3) arbitrators in Cleveland, Ohio. Such arbitrators shall be selected by the mutual agreement of the parties or, failing such agreement, shall be selected according to the aforesaid AAA rules. The arbitrators will be instructed to prepare and deliver a written, reasoned opinion stating their decision within thirty (30) days of the completion of the arbitration. The prevailing party in such arbitration shall be entitled to its expenses, including costs and reasonable attorneys' and other professional fees, incurred in connection with the arbitration (but excluding any costs and fees associated with prior negotiation or mediation). The decision of the arbitrators shall be final and non-appealable and may be enforced in any court of competent jurisdiction. The use of any ADR procedures will not be construed under the doctrine of laches, waiver or estoppel to adversely affect the rights of either party.

(c) Any Dispute regarding the following is not required to be negotiated, mediated or arbitrated prior to seeking relief from a court of competent jurisdiction: breach of any obligation of confidentiality; infringement, misappropriation, or misuse of any intellectual property right; or any other claim where interim relief from the court is sought to prevent serious and irreparable injury to one of the parties or to others. However, the parties to the Dispute shall make a good faith effort to negotiate and mediate such Dispute, according to procedures described above in paragraph (a), while such court action is pending.

(d) Continuity of Service and Performance. Unless otherwise agreed to in writing, the parties will continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Section 5.8 with respect to all matters not subject to such dispute, controversy or claim.

Section 5.9 Governmental Approvals; Compliance with Law. To the extent that the Separation, the IPO or the Distribution requires any Governmental Approvals, the parties will use their reasonable commercial efforts to obtain such Governmental Approvals. From and after the IPO Closing Date, Axcelis Technologies shall comply with all federal, state, local and international laws, rules, regulations, orders, judgments, decrees, ordinances, and injunctions, including without limitation applicable federal, state and foreign securities laws, rules, regulations, orders, judgments, decrees, ordinances and injunctions.

Section 5.10 No Representation or Warranty. Unless specifically provided to the contrary in any agreement specifically covering any portion of the non-US operations of the Axcelis Technologies Business, Eaton does not, in this Agreement or any other agreement, instrument or document contemplated by this Agreement, make any representation as to, warranty of or covenant with respect to:

(a) the value of any asset or thing of value to be transferred to Axcelis Technologies;

(b) the freedom from encumbrance of any asset or thing of value to be transferred to Axcelis Technologies;

(c) the absence of defenses or freedom from counterclaims with respect to any claim to be transferred to Axcelis Technologies; or

(d) the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any asset or thing of value upon its execution, delivery and filing.

Except as may expressly be set forth herein or in any Ancillary Agreement, all assets to be transferred to Axcelis Technologies shall be transferred "AS IS, WHERE IS," and Axcelis Technologies shall bear the economic and legal risk that any conveyance shall prove to be insufficient to vest in Axcelis Technologies good and marketable title, free and clear of any lien, claim, equity or other encumbrance.

Section 5.11 Non-Solicitation of Employees. Eaton and Axcelis Technologies shall not solicit or recruit, without the other party's express prior written consent, any of the other party's

employees for a period of two (2) years following the Distribution Date. To the extent this prohibition is waived, any recruitment efforts by either Eaton or Axcelis Technologies during such two-year period shall be coordinated by each party's senior human resources executive or his or her designee and appropriate management. Notwithstanding the foregoing, this prohibition on solicitation does not apply to actions taken by a party solely as a result of: (a) an employee's affirmative response to a general recruitment effort carried out through a public or general solicitation, or (b) an employee's initiative.

Section 5.12 Cooperation in Obtaining New Agreements. Eaton understands that, prior to the Separation Date, Axcelis Technologies has derived benefits under certain agreements and relationships between Eaton and third parties, which agreements and relationships are not being assigned or transferred to Axcelis Technologies in connection with the Separation. Upon the request of Axcelis Technologies, Eaton will make introductions of appropriate Axcelis Technologies personnel to Eaton's contacts at such third parties, and will provide reasonable assistance to Axcelis Technologies, at Eaton's expense, so that Axcelis Technologies may enter into agreements or relationships with such third parties under substantially equivalent terms and conditions, including financial terms and conditions, that apply to Eaton. Such assistance may include, but is not limited to, (i) requesting and encouraging such third parties to enter into such agreements or relationships with Axcelis Technologies, (ii) attending meetings and negotiating sessions with Axcelis Technologies and such third parties, and (iii) participating in buying consortiums with Axcelis Technologies. Eaton also understands that certain agreements between Eaton and third parties which are being assigned to Axcelis Technologies in connection with the Separation may require the consent of the applicable third party. Eaton shall assist Axcelis Technologies in seeking and obtaining the consent of such third parties to such assignment. The parties expect that the activities contemplated by this Section 5.12 will be substantially completed by the Distribution Date, but in any event Eaton's obligations hereunder will terminate after the first anniversary of the Distribution Date.

Section 5.13 Property Damage to Axcelis Technologies Assets Prior to the Separation Date. In the event of any property damage, other than ordinary wear and tear, to any Axcelis Technologies Assets held by Eaton which occurs prior to the Separation Date, Eaton shall repair or otherwise address such damage in the ordinary course of business consistent with past practices; provided, however, that nothing in this clause shall restrict Eaton from disposing of any Assets in the ordinary course of business consistent with past practices.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Limitation of Liability. EXCEPT TO THE EXTENT, IF ANY, SPECIFICALLY PROVIDED TO THE CONTRARY HEREIN OR IN ANY ANCILLARY AGREEMENT, IN NO EVENT SHALL ANY MEMBER OF THE EATON GROUP OR THE AXCELIS TECHNOLOGIES GROUP BE LIABLE TO ANY OTHER MEMBER OF THE EATON GROUP OR THE AXCELIS TECHNOLOGIES GROUP FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE), ARISING IN ANY WAY OUT OF THIS AGREEMENT OR ANY

ANCILLARY AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES AS SET FORTH IN THE INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT.

Section 6.2 Governing Law. This Agreement and the Ancillary Agreements (except to the extent that a mandatory rule of law which governs any matter contemplated by the Non-US Plan otherwise provides) shall be construed in accordance with, and all Disputes hereunder or thereunder shall be governed by, the local laws of the State of Ohio, excluding its conflict of law rules. The United States District Court for the Northern District of Ohio shall have jurisdiction and venue over, and shall be the sole court used by the parties to initiate resolution of, all Disputes between the parties hereto and to the Ancillary Agreements.

Section 6.3 Termination. This Agreement and all Ancillary Agreements may be terminated and the IPO abandoned, or the IPO may be delayed, at any time prior to the IPO Closing by and in the sole discretion of Eaton without the consent of Axcelis Technologies. This Agreement or any of the Ancillary Agreements may be terminated at any time after the IPO Closing and before the Distribution Date by mutual consent of Eaton and Axcelis Technologies. In the event of termination pursuant to this Section 6.3, no party shall have any liability of any kind to the other party.

Section 6.4 Notices. Notices, offers, instructions, consents, requests or other communications required or permitted to be given by either party pursuant to the terms of this Agreement or any Ancillary Agreement shall be given in writing to the respective parties to the following addresses:

if to Eaton:

Office of the Secretary
Eaton Corporation
Eaton Center
1111 Superior Avenue
Cleveland, Ohio 44114
Fax: (216) 479-7103

if to Axcelis Technologies:

Chief Executive Officer
Axcelis Technologies, Inc.
55 Cherry Hill Drive
Beverly, Massachusetts 01915
Fax: (978) 232-4221

or to such other address as the party to whom notice is given may have previously furnished to the other in writing as provided herein. Any notice involving non-performance, termination, or renewal shall be sent by hand delivery, recognized overnight courier or, within the United States, may also be sent via certified mail, return receipt requested. All other notices may also be sent

by fax, confirmed by first class mail. All notices shall be deemed to have been given and received on the earlier of actual delivery or three (3) days from the date of postmark.

Section 6.5 Counterparts. This Agreement and the Ancillary Agreements will be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 6.6 Binding Effect; Assignment. This Agreement and the Ancillary Agreements shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. This Agreement may be enforced separately by each member of the Eaton Group and each member of the Axcelis Technologies Group. Neither party may assign this Agreement or any Ancillary Agreement or any rights or obligations hereunder or thereunder in whole or in part without the prior written consent of the other party, which consent shall not be unreasonably withheld, and any assignment without such consent shall be void. No permitted assignment of any rights or obligations hereunder or in any Ancillary Agreement, in whole or in part, by operation of law or otherwise, will release the assigning party as the obligor, jointly and severally with the assignee, from any of its obligations hereunder or in any Ancillary Agreement.

Section 6.7 Severability. If any term or other provision of this Agreement or any Ancillary Agreement is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement or any Ancillary Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement or such Ancillary Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby or in such Ancillary Agreement are fulfilled to the fullest extent possible.

Section 6.8 Failure or Indulgence Not Waiver; Remedies Cumulative. Any provision of this Agreement or any Ancillary Agreement or any breach thereof may only be waived if done specifically and in writing by the party that is entitled to the benefits thereof. No failure or delay on the part of either party hereto or thereto in the exercise of any right hereunder or thereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein or therein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Ancillary Agreements are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 6.9 Entire Agreement; Amendment. This Agreement and the Ancillary Agreements constitute the sole and entire understanding of the parties with respect to the matters contemplated hereby and thereby and supersede and render null and void all prior negotiations, representations, agreements and understandings (oral and written) between the parties with respect to such matters. No change or amendment may be made to this Agreement or any Ancillary Agreement except by an instrument in writing signed by each of the parties thereto.

Section 6.10 Authority. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this

Agreement and the Ancillary Agreements, (b) the execution, delivery and performance of this Agreement and the Ancillary Agreements by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement and the Ancillary Agreements, and (d) this Agreement and each of the Ancillary Agreements constitutes a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to general equity principles.

Section 6.11 Interpretation. The headings contained in this Agreement and the Ancillary Agreements and in the tables of contents to this Agreement and the Ancillary Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation hereof or thereof. Any capitalized term used in any Exhibit or Schedule to this Agreement or any Ancillary Agreement but not otherwise defined therein shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The language used in this Agreement and in any Ancillary Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent and agreement, and no rule of strict construction or canons or aids in interpretation will be applied against either party.

Section 6.12 Conflicting Agreements. In the event of conflict between this Agreement and any Ancillary Agreement or other document executed in connection herewith, unless otherwise specifically provided in this Agreement, the provisions of such Ancillary Agreement or document shall prevail.

Section 6.13 Public Announcements. Through the Distribution Date, Eaton shall determine the contents of all press releases relating to any matters contemplated by this Agreement or any of the Ancillary Agreements, including without limitation the Separation, the IPO and the Distribution, to be issued by either of the parties, after consultation with Axcelis Technologies, including without limitation any termination of this Agreement for any reason, and such press releases shall be consistent with the respective disclosure obligations of the parties.

Section 6.14 Subsequent Legal Fees. In the event that any arbitration or litigation is initiated to interpret or enforce the terms and provisions of this Agreement or any Ancillary Agreement, the party prevailing in said action shall be entitled to its reasonable attorneys' fees and costs and shall be paid same in full by the losing party promptly upon demand by the prevailing party. A party may also include its claim for such fees and costs in such arbitration or litigation.

Section 6.15 No Third-Party Beneficiaries or Right to Rely. Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreement, (a) nothing in this Agreement or any Ancillary Agreement is intended to or shall create for or grant to any third Person any rights or remedies whatever, as a third party beneficiary or otherwise; (b) no third Person is entitled to rely on any of the representations, warranties, covenants or agreements contained herein or in any Ancillary Agreement; and (c) no party hereto or to any Ancillary Agreement shall incur any

liability or obligation to any third Person because of any reliance by such third Person on any representation, warranty, covenant or agreement herein or in any Ancillary Agreement.

ARTICLE VII

DEFINITIONS

Section 7.1 Affiliated Company. "Affiliated Company" of any Person means any entity that controls, is controlled by or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

Section 7.2 Assets. "Assets" has the meaning set forth for such term in Article IV of the Assignment Agreement.

Section 7.3 Axcelis Technologies Assets. "Axcelis Technologies Assets" has the meaning set forth in Section 1.2 of the Assignment Agreement.

Section 7.4 Axcelis Technologies Group. "Axcelis Technologies Group" means Axcelis Technologies, each Subsidiary and Affiliated Company of Axcelis Technologies immediately after the Separation Date or that is contemplated to be a Subsidiary or Affiliated Company of Axcelis Technologies pursuant to the Non-US Plan and each Person that becomes a Subsidiary or Affiliated Company of Axcelis Technologies after the Separation Date.

Section 7.5 Eaton Group. "Eaton Group" means Eaton, each Subsidiary and Affiliated Company of Eaton (other than any member of the Axcelis Technologies Group) immediately after the Separation Date, after giving effect to the Non-US Plan, and each Person (other than any member of the Axcelis Technologies Group) that becomes a Subsidiary or Affiliated Company of Eaton after the Separation Date.

Section 7.6 Governmental Approvals. "Governmental Approvals" means any notices, reports or other filings to be made to, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

Section 7.7 Governmental Authority. "Governmental Authority" shall mean any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

Section 7.8 Information. "Information" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and any other technical, financial, employee or business information or data.

Section 7.9 IPO Closing."IPO Closing" means the consummation of the IPO by Axcelis in accordance with this Agreement and the Underwriting Agreement, including without limitation its delivery of Axcelis common stock to, in return for cash from, the Underwriters.

Section 7.10 IPO Closing Date. "IPO Closing Date" means the date of the IPO Closing.

Section 7.11 Liabilities. "Liabilities" has the meaning set forth for such term in Article IV of the Assignment Agreement

Section 7.12 Person. "Person" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or governmental entity or any department, agency or political subdivision thereof.

Section 7.13 Subsidiary. "Subsidiary" of any Person means a corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person and/or by any one or more of its Subsidiaries; provided that no Person that is not directly or indirectly wholly-owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person.

WHEREFORE, each of the parties hereto, by its duly authorized officers or representatives, has caused this Agreement to be executed on its behalf on the date first above written.

ATTEST:

By: /s/ MARY G. PUMA

Name: Mary G. Puma

Title: President, Chief Operating Officer and Secretary

AXCELIS TECHNOLOGIES, INC.

By: /s/ BRIAN R. BACHMAN

Name: Brian R. Bachman

Title: Chief Executive Officer and Vice Chairman of the Board

ATTEST:

By: /s/ KEN SEMELSBERGER

Name: Ken Semelsberger

Title: Vice President--Strategic Planning

EATON CORPORATION

By: /s/ ADRIAN T. DILLON

Name: Adrian T. Dillon

Title: Executive Vice President, Chief Financial and Planning Officer

EXHIBITS

Exhibit A	General Assignment and Assumption Agreement
Exhibit B	Trademark License Agreement
Exhibit C	Employee Matters Agreement
Exhibit D	Tax Sharing and Indemnification Agreement
Exhibit E	Transitional Services Agreement
Exhibit F	Real Estate Matters Agreement
Exhibit G	Indemnification and Insurance Matters Agreement
Exhibit H	Non-US Plan

[Exhibits A through G omitted. The registrant hereby agrees to furnish supplementally, upon request, a copy of any omitted Exhibits to this agreement.]

EXHIBIT H

AXCELIS TECHNOLOGIES, INC.

NON-U.S. PLAN

This document describes, by jurisdiction, the transfers of assets and liabilities between various foreign subsidiaries of Eaton Corporation ("Eaton") and various foreign subsidiaries of Axcelis Technologies, Inc. ("Axcelis Technologies") that will occur as part of the separation of the Axcelis Technologies business from Eaton.

France

On the Separation Date or as soon as practicable thereafter, Axcelis Technologies Sarl, a newly formed wholly owned subsidiary of Fusion Technology International Inc. ("Fusion International"), will acquire the assets and assume the liabilities of the Ion Beam Systems Division of Eaton Technologies S.A. for cash in an amount equal to the agreed fair market value as of the Separation Date.

Italy

On the Separation Date or as soon as practicable thereafter, Axcelis Technologies Srl, a newly formed wholly owned subsidiary of Fusion International, will acquire the assets and assume the liabilities of the SED Agrate-Italy Division of Eaton Automotive Srl for cash in an amount equal to the agreed fair market value as of the Separation Date.

Germany

On the Separation Date or as soon as practicable thereafter, Axcelis Technologies GmbH, a newly formed wholly owned subsidiary of Fusion International, will acquire the assets and assume the liabilities of the Ion Beam Systems Division of Eaton GmbH and the Fusion Germany Division of Eaton GmbH for cash in an amount equal to the agreed fair market value as of the Separation Date.

United Kingdom

On the Separation Date or as soon as practicable thereafter, Axcelis Technologies Limited, a wholly owned subsidiary of Fusion International, will acquire the assets and assume the liabilities of the Ion Beam Systems Division of Eaton Limited for cash in an amount equal to the agreed fair market value as of the Separation Date.

Taiwan

As soon as practicable after the Separation Date, Axcelis Technologies will cause Fusion International to form a wholly owned subsidiary in Taiwan ("Axcelis Taiwan"). Axcelis Taiwan will agree to acquire certain assets and liabilities of the SED Taiwan Division of Eaton Limited and the Fusion Taiwan Division of Eaton Limited for cash in an amount equal to the agreed fair market value as of the Separation Date. The consummation of such transactions will occur as soon as commercially practicable subject to Taiwan business and legal requirements, but in any event no later than the date of the consummation of the divestiture of Axcelis Technologies.

South Korea

On the Separation Date or as soon as practicable thereafter, Eaton Semiconductor Ltd., a wholly owned subsidiary of Axcelis Technologies, will sell that certain land and a building located in South Korea and used in connection with the Axcelis Technologies business to Eaton Ltd. for cash in an amount equal to the appraised fair market value of such assets as of the Separation Date. Eaton Ltd. will agree to lease to Eaton Semiconductor Ltd. for a rental equal to the fair rental value that portion of the premises currently used by the semiconductor equipment operations of Eaton Semiconductor Ltd. for an agreed period after the Separation Date.

India

On the Separation Date or as soon as practicable thereafter, Implant Systems India will sell its assets which are unrelated to the Axcelis Technologies business to Eaton Industries Pvt Ltd. for cash in an amount equal to the agreed fair market value of the assets.

EXHIBIT 2.2

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

This General Assignment and Assumption Agreement (this "Agreement") is made and entered into on June 30, 2000 by and between Eaton Corporation, an Ohio corporation ("Eaton"), and Axcelis Technologies, Inc. (formerly known as Eaton Semiconductor Equipment Inc.), a Delaware corporation ("Axcelis Technologies") to be effective on the Separation Date. Capitalized terms used herein and not otherwise defined herein or in Article IV below shall have the meanings ascribed to such terms in the Separation Agreement (defined in the recitals below).

RECITALS

WHEREAS, pursuant to that certain Purchase and Sale Agreement dated as of December 29, 1995 between Eaton and Axcelis Technologies (the "1995 Agreement"), Eaton transferred to Axcelis Technologies certain assets of the Axcelis Technologies Business and Axcelis Technologies assumed certain liabilities of the Axcelis Technologies Business.

WHEREAS, as part of the transactions contemplated by the Separation, prior to the date hereof Eaton has caused the transfer to Axcelis Technologies of all of the issued and outstanding capital stock of Fusion Systems Corporation and High Temperature Engineering Corporation, all of Eaton's ownership interests in Sumitomo Eaton Nova Corporation and the Intellectual Property assets of the Axcelis Technologies Business.

WHEREAS, in accordance with the Master Separation and Distribution Agreement dated June 30, 2000 between Eaton and Axcelis Technologies (the "Separation Agreement"), Eaton has agreed to transfer to Axcelis Technologies effective on the Separation Date the assets of the Axcelis Technologies Business acquired by Eaton after the 1995 Agreement and the assets of the Axcelis Technologies Business not transferred pursuant to the 1995 Agreement or separately.

WHEREAS, it is further intended between the parties that Axcelis Technologies assume from Eaton the Liabilities related to the Axcelis Technologies Business, as provided in this Agreement, the Separation Agreement and the other Ancillary Agreements provided for in the Separation Agreement.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, Eaton and Axcelis Technologies, intending to be legally bound, hereby agree as follows:

ARTICLE I

CONTRIBUTION AND ASSUMPTION

Section 1.1 Contribution of Assets and Assumption of Liabilities.

(a) Transfer of Assets. To the extent not assigned, transferred, conveyed and delivered to Axcelis Technologies prior to the Separation Date, effective on the Separation Date (except for certain Axcelis Technologies Assets to be transferred pursuant to the Non-US Plan, which may be transferred at such other times as Eaton reasonably determines), Eaton hereby assigns, transfers, conveys and delivers (or will cause any applicable Eaton Subsidiary to assign, transfer, convey and deliver) to Axcelis Technologies, or, pursuant to Section 1.4, to any applicable Axcelis Technologies Subsidiary, and Axcelis Technologies hereby accepts from Eaton or such applicable Eaton Subsidiary, and agrees to cause its applicable Axcelis Technologies Subsidiaries to accept, all of Eaton's and its applicable Subsidiaries' respective right, title and interest in and to the Axcelis Technologies Assets (as hereinafter defined).

(b) Assumption of Liabilities. Effective on the Separation Date and with no recourse whatsoever to Eaton or any Eaton Subsidiary, Axcelis Technologies hereby assumes and agrees faithfully to pay, perform and fulfill (or will cause any applicable Subsidiaries to so assume, pay, perform and fulfill), all of the Axcelis Technologies Liabilities (as hereinafter defined) of Eaton and its applicable Subsidiaries. Thereafter, Axcelis Technologies shall be responsible (or will cause any applicable Subsidiaries to be responsible) for all Axcelis Technologies Liabilities of Eaton or any applicable Eaton Subsidiaries, regardless of when or where such Liabilities arose or arise, or whether the facts on which they are based occurred prior to, on or after the Separation Date, regardless of where or against whom such Liabilities are asserted or determined (including any Axcelis Technologies Liabilities arising out of claims made by Eaton's or Axcelis Technologies' respective directors, officers, consultants, independent contractors, employees or agents against any member of the Eaton Group or the Axcelis Technologies Group) or whether asserted or determined prior to, on or after the Separation Date, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of law, fraud or misrepresentation by any member of the Eaton Group or the Axcelis Technologies Group or any of their respective directors, officers, employees or agents.

(c) Misallocated Assets. In the event that at any time or from time to time (whether prior to, on or after the Separation Date), either party hereto (or any member of the Axcelis Technologies Group or the Eaton Group as applicable) shall receive or otherwise possess any Asset that was intended, pursuant to the Separation Agreement, this Agreement or any other Ancillary Agreement, to be received or possessed by the other party and/or any member of the Axcelis Technologies Group or the Eaton Group, as applicable, such party shall promptly transfer, or cause to be transferred, such Asset to the Person so entitled thereto. Prior to any such transfer, the Person receiving or possessing such Asset shall hold such Asset in trust for any such other Person.

Section 1.2 Axcelis Technologies Assets.

(a) Included Assets. For purposes of this Agreement, "Axcelis Technologies Assets" shall mean (without duplication) the following Assets, except as otherwise provided for in the Separation Agreement or in any other Ancillary Agreement or other express agreement of the parties and except for the Excluded Assets referred to in Section 1.2(b) hereof:

(i) all Assets owned by Eaton or any Eaton Subsidiary and reflected in the Axcelis Technologies Balance Sheet, subject to any dispositions of any such Assets subsequent to the date of the Axcelis Technologies Balance Sheet;

(ii) all Assets owned by Eaton or any Eaton Subsidiary that have been written off, expensed or fully depreciated that, had they not been written off, expensed or fully depreciated, would have been reflected in the Axcelis Technologies Balance Sheet in accordance with the principles and accounting policies under which the Axcelis Technologies Balance Sheet was prepared;

(iii) all Assets acquired by Eaton or its Subsidiaries after the date of the Axcelis Technologies Balance Sheet that would be reflected in the consolidated balance sheet of Axcelis Technologies as of the Separation Date if such consolidated balance sheet were prepared using the same principles and accounting policies under which the Axcelis Technologies Balance Sheet was prepared, plus any such Assets acquired by Eaton or its Subsidiaries after the Separation Date;

(iv) all Assets owned by Eaton that are used primarily by the Axcelis Technologies Business at the Separation Date but are not reflected in the Axcelis Technologies Balance Sheet, provided that no such Asset shall be an Axcelis Technologies Asset requiring any transfer by Eaton unless Axcelis Technologies or its Subsidiaries have, on or before the second anniversary of the Distribution Date, given Eaton or its Subsidiaries notice that such Asset is an Axcelis Technologies Asset;

(v) all Axcelis Technologies Contingent Gains;

(vi) all Axcelis Technologies Contracts; and

(vii) all Assets that are expressly contemplated by this Agreement, the Separation Agreement or any other Ancillary Agreement (including Schedule 1.2(a)(vii) hereto or any other Schedule hereto or thereto) as Assets to be transferred to Axcelis Technologies or any other member of the Axcelis Technologies Group.

(b) Excluded Assets. For the purposes of this Agreement, "Excluded Assets" shall mean:

(i) the Assets listed or described on Schedule 1.2(b)(i) hereto; and

(ii) any and all Assets that are expressly contemplated by the Separation Agreement, this Agreement or any other Ancillary Agreement (including the Schedules hereto or thereto) as Assets to be retained by Eaton or any other member of the Eaton Group.

(c) Axcelis Technologies acknowledges and agrees that the Assets reflected as Axcelis Technologies Assets on the Axcelis Technologies Balance Sheet are so reflected based on the books and records maintained and other information supplied by Axcelis Technologies personnel, and that the Axcelis Technologies Assets constitute all of the Assets necessary to operate the Axcelis Technologies Business as presently conducted.

Section 1.3 Axcelis Technologies Liabilities.

(a) Included Liabilities. For the purposes of this Agreement, "Axcelis Technologies Liabilities" mean (without duplication) the following Liabilities, except as otherwise provided for in the Separation Agreement, this Agreement or any other Ancillary Agreement and except for the Excluded Liabilities referred to in Section 1.3(b) hereof:

(i) all Liabilities reflected in the Axcelis Technologies Balance Sheet, subject to any discharge of any such Liabilities subsequent to the date of the Axcelis Technologies Balance Sheet;

(ii) all Liabilities of Eaton or its Subsidiaries that arise after the date of the Axcelis Technologies Balance Sheet that would be reflected in the consolidated balance sheet of Axcelis Technologies as of the Separation Date if such consolidated balance sheet were prepared using the same principles and accounting policies under which the Axcelis Technologies Balance Sheet was prepared;

(iii) all Liabilities that are related primarily to the Axcelis Technologies Business at the Separation Date but are not reflected in the Axcelis Technologies Balance Sheet;

(iv) all Liabilities (other than Liabilities for Taxes which are governed by the Tax Sharing Agreement), whether arising before, on or after the Separation Date, primarily relating to, arising out of or resulting from:

(1) the operation of the Axcelis Technologies Business, as conducted at any time prior to, on or after the Separation Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative, whether or not such act or failure to act is or was within such Person's authority);

(2) the operation of any business conducted by any member of the Axcelis Technologies Group at any time after the Separation Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative, whether or not such act or failure to act is or was within such Person's authority); or

(3) any Axcelis Technologies Assets;

(v) all Liabilities that are expressly contemplated by the Separation Agreement, this Agreement or any other Ancillary Agreement (including the Schedules hereto or thereto) as Liabilities to be assumed by Axcelis Technologies or any member of the Axcelis Technologies Group, and all contracts, obligations and Liabilities of any member of the Axcelis

Technologies Group under the Separation Agreement, this Agreement or any of the other Ancillary Agreements; and

(vi) all guarantees by the Eaton Group for the benefit of the Axcelis Group, thereby effectively extinguishing the ability of the Axcelis Group to enforce any such guarantees against the Eaton Group.

(b) Excluded Liabilities. For the purposes of this Agreement, "Excluded Liabilities" shall mean:

(i) all Liabilities listed or described in Schedule 1.3(b)(i) hereto;

(ii) all Insured Axcelis Technologies Liabilities;

(iii) all Liabilities that are expressly contemplated by the Separation Agreement, this Agreement or any other Ancillary Agreement (including the Schedules hereto or thereto) as Liabilities to be retained or assumed by Eaton or any other member of the Eaton Group, and all agreements and obligations of any member of the Eaton Group under the Separation Agreement, this Agreement or any other Ancillary Agreement.

Section 1.4 The Non-US Plan. Each of Eaton and Axcelis Technologies shall take, and shall cause each member of its respective Group to take, such actions as are reasonably necessary to consummate the transactions contemplated by the Non-US Plan (whether prior to, on or after the Separation Date), including execution and delivery of the Local Transfer Agreements contemplated by the Non-US Plan. Notwithstanding anything in the Separation Agreement, this Agreement or any other Ancillary Agreement to the contrary, no party to a Local Transfer Agreement shall be entitled to receive or retain any Asset unless such party shall have paid any consideration contemplated to be paid in connection therewith pursuant to the Non-US Plan.

Section 1.5 Methods of Transfer and Assumption.

(a) Terms of Ancillary Agreements Govern. The parties shall enter into the Separation Agreement and the other Ancillary Agreements on or about the date of this Agreement. To the extent that the transfer of any Axcelis Technologies Assets or the assumption of any Axcelis Technologies Liabilities is expressly provided for by the terms of the Separation Agreement or any other Ancillary Agreements, the terms of the Separation Agreement or such Ancillary Agreement shall effect, and determine the manner of, the transfer or assumption. It is the intent of the parties that pursuant to Sections 1.1, 1.2 and 1.3 hereof, the transfer and assumption of all other Axcelis Technologies Assets and Axcelis Technologies Liabilities shall be made effective not later than the Separation Date; provided that circumstances in various jurisdictions outside the United States may require the transfer of certain Assets and the assumption of certain Liabilities to occur in such other manner and at such other times as Eaton reasonably determines in accordance with any other applicable provision of this Agreement, including without limitation Sections 1.4 and 1.6 hereof.

(b) Documents Relating to Other Transfers of Assets and Assumptions of Liabilities. In furtherance of the assignment, transfer and conveyance of Axcelis Technologies Assets and

the assumption of Axcelis Technologies Liabilities set forth in the Separation Agreement, this Agreement and any other Ancillary Agreement, simultaneously with the execution and delivery hereof at the Separation Closing or as promptly as practicable thereafter, (i) Eaton shall execute and deliver, and shall cause its Subsidiaries in accordance with Local Transfer Agreements to execute and deliver, such bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent in Eaton's judgment necessary to evidence the transfer, conveyance and assignment of all of Eaton's and its Subsidiaries' right, title and interest in and to the Axcelis Technologies Assets to Axcelis Technologies and its Subsidiaries, and (ii) Axcelis Technologies shall execute and deliver, and cause its Subsidiaries to execute and deliver, to Eaton and its Subsidiaries such assumptions of contracts and other instruments of assumption as and to the extent in Eaton's judgment necessary to evidence the valid and effective assumption of the Axcelis Technologies Liabilities by Axcelis Technologies and its Subsidiaries.

Section 1.6 Governmental Approvals and Consents.

(a) Transfer in Violation of Laws. If and to the extent that the valid, complete and perfected transfer, assignment, conveyance or novation to the Axcelis Technologies Group of any Axcelis Technologies Assets (or from the Axcelis Technologies Group of any assets which are not Axcelis Technologies Assets) or the valid, complete and perfected assumption of any Axcelis Technologies Liabilities by the Axcelis Technologies Group would be a violation of applicable law or require any consent or Governmental Approval in connection with the Separation, the IPO, the Distribution or otherwise, then, unless Eaton shall otherwise determine, the transfer, assignment, conveyance or novation to or from the Axcelis Technologies Group, as the case may be, of such Axcelis Technologies Assets or assets which are not Axcelis Technologies Assets, or such assumption of Axcelis Technologies Liabilities by the Axcelis Technologies Group respectively, shall be automatically deferred and any such purported transfer, assignment, conveyance or novation or such assumption shall be null and void until such time as all legal impediments are removed and/or such consents or Governmental Approvals have been obtained. Notwithstanding the foregoing, such Asset shall still be considered an Axcelis Technologies Asset for purposes of determining whether any Liability is an Axcelis Technologies Liability; provided that if such consents or Governmental Approvals have not been obtained within twelve months after the Separation Date, the parties will use reasonable commercial efforts to achieve an alternative solution in accordance with the parties' intentions.

(b) Transfers Not Consummated by the Separation Date. If the transfer, assignment, conveyance or novation of any Assets intended to be transferred, assigned or conveyed hereunder, including pursuant to the Non-US Plan, is not consummated prior to or on the Separation Date or such other date as Eaton may determine pursuant to the Non-US Plan, whether as a result of the provisions of Section 1.6 (a) hereof or for any other reason, then the Person retaining such Asset shall thereafter hold such Asset for the use and benefit, insofar as reasonably possible, of the Person entitled thereto. In addition, the Person retaining such Asset shall take such other actions as may be reasonably requested by the Person to whom such Asset is to be transferred in order to place such Person, insofar as reasonably possible, in the same position as if such Asset had been transferred as contemplated hereby and so that all the benefits and burdens relating to such Assets, including possession, use, risk of loss, potential for gain, and

dominion, control and command over such Asset inure from and after the Separation Date to the Person to whom the asset is to be transferred. If and when the consents and/or Governmental Approvals, the absence of which caused the deferral of transfer of any Asset pursuant to Section 1.6(a) hereof or otherwise, are obtained, the transfer of the applicable Asset shall be effected in accordance with the terms of this Agreement and/or such applicable Ancillary Agreement.

(c) Expenses. The Person retaining an Asset due to the deferral of the transfer of such Asset shall not be obligated, in connection with the foregoing, to expend any money unless the necessary funds are advanced by the Person entitled to the Asset.

Section 1.7 Nonrecurring Costs and Expenses. Notwithstanding anything herein to the contrary, any nonrecurring costs and expenses incurred by the parties hereto to effect the transactions contemplated hereby which are not allocated pursuant to the terms of the Separation Agreement, this Agreement or any other Ancillary Agreement shall be the responsibility of the party which incurs such costs and expenses.

Section 1.8 Novation of Assumed Axcelis Technologies Liabilities.

(a) Reasonable Commercial Efforts. Each of Eaton and Axcelis Technologies, at the request of the other, shall use reasonable commercial efforts to obtain, or to cause to be obtained, any consent, substitution, approval or amendment required to novate (including with respect to any federal government contract) or assign all rights and obligations under agreements, leases, licenses and other obligations or Liabilities (including Axcelis Technologies OFLs) of any nature whatsoever that constitute Axcelis Technologies Liabilities or to obtain in writing the unconditional release of all parties to such arrangements other than any member of the Axcelis Technologies Group, so that, in any such case, Axcelis Technologies and its Subsidiaries will be solely responsible for such Liabilities; provided that neither Eaton, Axcelis Technologies nor their Subsidiaries shall be obligated to pay any consideration therefore to any third party from whom such consents, approvals, substitutions and amendments are requested.

(b) Inability to Obtain Novation. If Eaton and Axcelis Technologies are unable to obtain, or to cause to be obtained, any such required consent, approval, release, substitution or amendment, and the applicable member of the Eaton Group shall continue to be bound by such agreements, leases, licenses and other obligations or Liabilities and, unless not permitted by law or the terms thereof (except to the extent expressly set forth in the Separation Agreement, this Agreement or any other Ancillary Agreement), Axcelis Technologies shall, as agent or subcontractor for Eaton or such other Person, as the case may be, pay, perform and discharge fully, or cause to be paid, transferred or discharged fully all the obligations or other Liabilities of Eaton or such other Person, as the case may be, thereunder from and after the Separation Date. Eaton shall, without further consideration, promptly pay and remit, or cause to be paid or remitted, to Axcelis Technologies or its appropriate Subsidiary all money, rights and other consideration received by it or any member of the Eaton Group, as applicable, in respect of such performance (unless any such consideration is an Excluded Asset). If and when any such consent, approval, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations or Liabilities shall otherwise become assignable or able to be novated, Eaton shall thereafter assign, or cause to be assigned, all its rights, obligations and other Liabilities thereunder or any rights or obligations of any member of the Eaton Group to

Axcelis Technologies without payment of further consideration and Axcelis Technologies shall, without the payment of any further consideration, fully assume such rights, obligations and Liabilities.

ARTICLE II

LITIGATION

Section 2.1 Litigation Transferred to Axcelis Technologies. All defense costs and other litigation costs of any sort whatever, settlements and judgments related to claims and litigation constituting an Axcelis Technologies Liability shall be the responsibility of Axcelis Technologies. Management of such claims and litigation shall be in accordance with the relevant portions of the Transitional Services Agreement, the Indemnification and Insurance Matters Agreement and any other relevant Ancillary Agreements.

Section 2.2 Cooperation. Eaton and Axcelis Technologies and their respective Subsidiaries shall cooperate with each other in the defense or prosecution of any claim or litigation covered under this Article II and afford to each other Information as required by Section 5.3 of the Separation Agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1 Miscellaneous. The miscellaneous provisions contained in Article VI of the Separation Agreement are hereby incorporated by reference into this Agreement in their entirety. Wherever used in such Article VI as incorporated herein, the term "this Agreement" means the Separation Agreement, and the term "Ancillary Agreements" includes this General Assignment and Assumption Agreement.

ARTICLE IV

DEFINITIONS

Section 4.1 Action. "Action" means any demand, action, suit, litigation, claim, countersuit, arbitration, inquiry, proceeding or investigation by any third Person or Governmental Authority or before any federal, state, local, foreign or international court or other governmental authority or any arbitration or mediation tribunal.

Section 4.2 Affiliated Company. "Affiliated Company" of any Person means any entity that controls, is controlled by, or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

Section 4.3 Ancillary Agreement. "Ancillary Agreement" has the meaning set forth in Section 2.1 of the Separation Agreement.

Section 4.4 Assets. "Assets" means assets, properties and rights (including goodwill), wherever located (including in the possession of vendors or other third parties or elsewhere), whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person, including the following:

(i) all accounting and other books, records and files, whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form;

(ii) all apparatus, computers and other electronic data processing equipment, telecommunications equipment, fixtures, machinery, equipment, furniture, office equipment, automobiles, trucks, rolling stock, motor vehicles and other transportation equipment, special and general tools and dies, test devices, prototypes and models and other tangible personal property;

(iii) all inventories of materials, parts, raw materials, supplies, work-in-process and finished goods and products;

(iv) all interests in real property of whatever nature, including without limitation plants, buildings, land, fixtures, impairments and easements, whether as owner, mortgagee or holder of a Security Interest, lessor, sublessor, lessee, sublessee or otherwise;

(v) all interests in any capital stock or other equity interests of any Subsidiary or any other Person, all bonds, notes receivable, debentures receivable or other securities issued by any Subsidiary or any other Person, all loans receivable, advances or other extensions of credit or capital contributions to any Subsidiary or any other Person and all other investments in securities of any Person;

(vi) all license agreements, leases of and conditional sales arrangements for personal property, open purchase orders for raw materials, supplies, parts or services, unfilled sales orders for the manufacture and sale of products or for services and other contracts, agreements or commitments;

(vii) all deposits, letters of credit, bank guarantees and performance and surety bonds;

(viii) all written technical information, data, specifications, research and development information, engineering drawings, operating and maintenance manuals and materials and analyses prepared by consultants and other third parties;

(ix) all Intellectual Property and licenses from third Persons granting the right to use any Intellectual Property;

(x) all computer applications, programs and other software, including operating software, network software, firmware, middleware, design software, design tools, systems documentation and instructions;

(xi) all cost information, marketing, sales and pricing data and information, customer prospect records and lists, supplier records and lists, customer and vendor data and correspondence, product literature, artwork, design, development and manufacturing files, vendor and customer drawings, formulations and specifications, quality and warranty records and reports, employee records and other books, records, studies, surveys, reports, plans and documents;

(xii) all prepaid expenses, trade accounts and other accounts and notes receivables;

(xiii) all rights under contracts or agreements, all claims or rights against any Person arising from the ownership of any Asset, all rights in connection with any bids or offers and all claims, choses in action or similar rights, whether accrued or contingent;

(xiv) all rights as a named insured under Insurance Policies and all non-insurance rights in the nature of indemnification or contribution;

(xv) all licenses (including radio and similar licenses), permits, approvals and authorizations which have been issued by any Governmental Authority;

(xvi) cash or cash equivalents, bank accounts, lock boxes and other deposits; and

(xvii) all receivables in respect of interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements.

Section 4.5 Axcelis Technologies Balance Sheet. "Axcelis Technologies Balance Sheet" means the unaudited combined balance sheet (including the notes thereto) of the Axcelis Technologies Business at March 31, 2000, that is included in the IPO Registration Statement.

Section 4.6 Axcelis Technologies Business. "Axcelis Technologies Business" means the business and operations conducted by Eaton and its Subsidiaries as Eaton's Semiconductor Equipment Operations as described in the IPO Registration Statement.

Section 4.7 Axcelis Technologies Common Stock. "Axcelis Technologies Common Stock" means the common stock, par value $0.001 per share, of Axcelis Technologies.

Section 4.8 Axcelis Technologies Contingent Gain. "Axcelis Technologies Contingent Gain" means any claim or other right of a member of the Eaton Group or the Axcelis Technologies Group that primarily relates to the Axcelis Technologies Business, whenever arising, against any Person other than a member of the Eaton Group or the Axcelis Technologies Group, if and to the extent that (i) such claim or right arises out of events, acts or omissions occurring on or before the Separation Date (based on then existing law) and (ii) the existence or scope of the obligation of such other Person as of the Separation Date was not acknowledged, fixed or determined in any material respect, due to a dispute or other uncertainty as of the Separation Date or as a result of the failure of such claim or other right to have been discovered or asserted as of the Separation Date. A claim or right meeting the foregoing definition shall be considered an Axcelis Technologies Contingent Gain regardless of whether there was any Action

pending, threatened or contemplated as of the Separation Date with respect thereto. For purposes of the foregoing, a claim or right shall be deemed to have accrued as of the Separation Date if all the elements of the claim necessary for its assertion shall have occurred on or prior to the Separation Date. Notwithstanding the foregoing, none of (i) any insurance proceeds, (ii) any Excluded Assets, (iii) any reversal of any litigation or other reserve or (iv) any matters relating to Taxes (which are governed by the Tax Sharing Agreement) shall be deemed to be an Axcelis Technologies Contingent Gain.

Section 4.9 Axcelis Technologies Contracts. "Axcelis Technologies Contracts" means the following contracts and agreements to which Eaton or any relevant Subsidiary is a party or by which it or any of its Assets is bound, whether or not in writing, except for any such contract or agreement that is contemplated to be retained by Eaton or any member of the Eaton Group pursuant to any express provision of this Agreement or any other Ancillary Agreement:

(i) any contract or agreement entered into in the name of, or expressly on behalf of, any division or business unit of or becoming part of, Axcelis Technologies;

(ii) any contract or agreement that relates primarily to the Axcelis Technologies Business;

(iii) any contract or agreement that is otherwise expressly contemplated pursuant to this Agreement, the Separation Agreement or any of the other Ancillary Agreements to be assigned to Axcelis Technologies;

(iv) any guarantee, indemnity, representation, warranty or other liability of any member of the Axcelis Technologies Group or the Eaton Group in respect of any other Axcelis Technologies Contract, any Axcelis Technologies Liability or the Axcelis Technologies Business (including guarantees of financing incurred by customers or other third parties in connection with purchases of products or services from the Axcelis Technologies Business); and

(v) any Axcelis Technologies OFL.

Section 4.10 Axcelis Technologies Group. "Axcelis Technologies Group" means Axcelis Technologies, each Subsidiary and Affiliated Company of Axcelis Technologies immediately after the Separation Date or that is contemplated to be a Subsidiary or Affiliated Company of Axcelis Technologies pursuant to the Non-US Plan and each Person that becomes a Subsidiary or Affiliated Company of Axcelis Technologies after the Separation Date.

Section 4.11 Axcelis Technologies OFLs. "Axcelis Technologies OFLs" means all liabilities, obligations, contingencies, instruments and other Liabilities relating to the Axcelis Technologies Business of a financial nature with third parties existing on the Separation Date, including any of the following:

(i) foreign exchange contracts;

(ii) letters of credit;

(iii) guarantees of third party loans to customers;

(iv) surety bonds (excluding surety for workers' compensation self-insurance);

(v) interest support agreements on third party loans to customers;

(vi) performance bonds or guarantees issued to third parties;

(vii) swaps or other derivatives contracts; and

(viii) recourse arrangements on the sale of receivables or notes.

Section 4.12 Contracts. "Contracts" means any contract, agreement, lease, license, sales order, purchase order, instrument or other commitment that is binding on any Person or any part of its property under applicable law.

Section 4.13 Distribution. "Distribution" means the divestiture by Eaton of Axcelis Technologies approximately six months following the IPO by means of a distribution of all of the common stock of Axcelis Technologies owned by Eaton to holders of Eaton common stock on a tax-free basis in a split-off, a spin-off or some combination of both transactions.

Section 4.14 Eaton Group. "Eaton Group" means Eaton, each Subsidiary and Affiliated Company of Eaton (other than any member of the Axcelis Technologies Group) immediately after the Separation Date, after giving effect to the Non-US Plan, and each Person that becomes a Subsidiary or Affiliated Company of Eaton after the Separation Date.

Section 4.15 Governmental Approvals. "Governmental Approvals" means any notices, reports or other filings to be made to, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

Section 4.16 Governmental Authority. "Governmental Authority" means any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

Section 4.17 Indemnification and Insurance Matters Agreement. "Indemnification and Insurance Matters Agreement" means the Indemnification and Insurance Matters Agreement which is an Exhibit to the Separation Agreement.

Section 4.18 Insurance Policies. "Insurance Policies" means insurance policies pursuant to which a Person makes a true risk transfer to an insurer which is not part of the Eaton Group.

Section 4.19 Insured Axcelis Technologies Liabilities. "Insured Axcelis Technologies Liabilities" means any Axcelis Technologies Liability to the extent that (i) it is covered under the terms of Eaton's Insurance Policies in effect prior to the Distribution Date and (ii) Axcelis Technologies is not a named insured under, or otherwise directly entitled to the benefits of, such Insurance Policies.

Section 4.20 Intellectual Property. "Intellectual Property" means all domestic and foreign patents and patent applications, together with any continuations, continuations-in-part or

divisional applications thereof, and all patents issued thereon (including reissues, renewals and re-examinations of the foregoing); invention disclosures; mask works; copyrights, and copyright applications and registrations; domain names, trademarks, service marks, trade names, and trade dress, in each case together with any applications and registrations therefore and all appurtenant goodwill relating thereto; trade secrets; commercial and technical information, know-how, proprietary or confidential information, including engineering, production and other designs, notebooks, processes, drawings, specifications, formulae, and technology; computer and electronic data processing programs and software (object and source code), data bases and documentation thereof; inventions (whether patented or not); utility models; registered designs, certificates of invention and all other intellectual property under the laws of any country throughout the world.

Section 4.21 IPO. "IPO" has the meaning set forth in the recitals to the Separation Agreement.

Section 4.22 IPO Registration Statement. "IPO Registration Statement" means the registration statement on Form S-1 under the Securities Act of 1933, as amended, as filed with the Securities and Exchange Commission registering the shares of Axcelis Technologies Common Stock to be issued in the IPO, together with all amendments thereto.

Section 4.23 Liabilities. "Liabilities" means all debts, liabilities, payables, claims, litigation, guarantees, assurances, commitments and obligations of any nature whatsoever, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including without limitation whether arising out of any Contract or tort based on negligence or strict liability) and whether or not the same would be required by generally accepted accounting principles and accounting policies to be reflected in financial statements or disclosed in the notes thereto.

Section 4.24 Local Transfer Agreements. "Local Transfer Agreements" means the agreements necessary to effect the Non-US Plan.

Section 4.25 Non-US Plan. "Non-US Plan" means the Non-US Plan which is an Exhibit to the Separation Agreement.

Section 4.26 Person. "Person" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or governmental entity or any department, agency or political subdivision thereof.

Section 4.27 Security Interest. "Security Interest" means any mortgage, deed of trust, security interest, pledge, lien, charge, claim, option, right of any sort to acquire or of first refusal, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever.

Section 4.28 Separation. "Separation" has the meaning set forth in the recitals to the Separation Agreement.

Section 4.29 Separation Date. "Separation Date" means the effective date of the Separation as set forth in the Separation Agreement.

Section 4.30 Subsidiary. "Subsidiary" of any Person means any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interest having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person and/or by any one or more of its Subsidiaries; provided that no Person that is not directly or indirectly wholly owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person. For purposes of this Agreement, Sumitomo Eaton Nova Corporation is a Subsidiary of Eaton prior to the transfer of Eaton's share ownership thereof to Axcelis Technologies, and thereafter is a Subsidiary of Axcelis Technologies.

Section 4.31 Taxes. "Taxes" has the meaning set forth in the Tax Sharing Agreement.

Section 4.32 Tax Sharing Agreement. "Tax Sharing Agreement" means the Tax Sharing and Indemnification Agreement which is an Exhibit to the Separation Agreement.

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IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officers or representatives on the date first above written.

	AXCELIS TECHNOLOGIES, INC.
By: /s/ MARY G. PUMA	By: /s/ BRIAN R. BACHMAN
Name: Mary G. Puma	Name: Brian R. Bachman
Title: President, Chief Operating Officer and Secretary	Title: Chief Executive Officer and Vice Chairman of the Board
	EATON CORPORATION
By: /s/ KEN SEMELSBERGER	By: /s/ ADRIAN T. DILLON
Name: Ken Semelsberger	Name: Adrian T. Dillon
Title: Vice President--Strategic Planning	Title: Executive Vice President-- Chief Financial and Planning Officer

[Schedules omitted. The registrant hereby agrees to furnish supplementally, upon request, a copy of any omitted Schedule to this Agreement.]

EXHIBIT 2.3

TRADEMARK LICENSE AGREEMENT

THIS AGREEMENT is made this 30th day of June, 2000, between EATON CORPORATION, a corporation organized and existing under the laws of the State of Ohio, United States of America, and having its principal place of business at 1111 Superior Avenue, Eaton Center, Cleveland, Ohio 44114, United States of America (hereinafter called "EATON"), and AXCELIS TECHNOLOGIES, INC. (formerly known as Eaton Semiconductor Equipment, Inc.), a corporation organized and existing under the laws of the State of Delaware, and having executive offices at 55 Cherry Hill Drive, Beverly, Massachusetts 01915 (hereinafter called "LICENSEE"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Article I hereof.

WITNESSETH:

WHEREAS, EATON manufactures and sells PRODUCTS (as hereinafter defined) in the United States of America (U.S.A.) and in other countries of the world;

WHEREAS, EATON has adopted and for many years has used the LICENSED TRADEMARKS (as hereinafter defined) throughout the world in connection with the PRODUCTS, and EATON is the owner in many countries in the world of registrations and applications for registration of the LICENSED TRADEMARKS;

WHEREAS, the business of LICENSEE consists of the business and operations conducted by EATON and its subsidiaries as EATON's Semiconductor Equipment Operations and LICENSEE desires to use the LICENSED TRADEMARKS in connection with the PRODUCTS in accordance with the terms and provisions set forth in this TRADEMARK LICENSE AGREEMENT (hereinafter called this "AGREEMENT");

WHEREAS, EATON is agreeable to such use of LICENSED TRADEMARKS by LICENSEE on the terms set forth below provided that the LICENSED TRADEMARKS remain the exclusive property of EATON; and

WHEREAS, EATON has also licensed one or more of the LICENSED TRADEMARKS in connection with products similar to the PRODUCTS to Sumitomo Eaton Nova Kabushiki Kaisha (hereinafter called "SEN") subject to and upon the terms of a Trademark Agreement dated January 16, 1996, as amended (hereinafter called the "SEN Trademark Agreement"), and EATON has authorized SEN to use "EATON" in its corporate name, subject to and upon the terms of a Corporate Name Agreement dated April 1, 1983 (hereinafter called the

SEN Corporate Name Agreement), and these agreements with SEN have been assigned by EATON to LICENSEE.

NOW, THEREFORE, in consideration of the promises, terms, covenants and provisions hereinafter contained, and intending to be legally bound, the parties hereby agree as follows:

I. DEFINITIONS:

1.01 "PRODUCTS" as used herein shall mean semiconductor manufacturing equipment including dry strip, photostabilization, rapid thermal processing, and ion implantation equipment.

1.02 "LICENSED TRADEMARKS" as used herein shall mean the following trademarks, all of which are owned exclusively by EATON:

(i) "EATON" in block, Helvetica or other type letters; and

(ii) "EATON" in stylized form, also referred to as LOGO or logomark.

1.03 "SEPARATION DATE" and "SEPARATION AGREEMENT" are described in Section 3.06 herein.

1.04 "PERSON" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or governmental entity or any department, agency or political subdivision thereof.

1.05 "AFFILIATED COMPANY" of any PERSON means any entity that controls, is controlled by or is under common control with such PERSON. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

1.06 "SUBSIDIARY" of any PERSON means a corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such PERSON and/or by any one or more of its SUBSIDIARIES; provided that no PERSON that is not directly or indirectly wholly-owned by any other PERSON shall be a SUBSIDIARY of such other PERSON unless such other PERSON controls, or has the right power or ability to control, that PERSON.

1.07 "AXCELIS TECHNOLOGIES GROUP" means the LICENSEE, SUBSIDIARY and AFFILIATED COMPANY of the LICENSEE immediately after the SEPARATION DATE or that is contemplated to be a SUBSIDIARY or AFFILIATED COMPANY of LICENSEE pursuant to the NON-US PLAN and each PERSON that becomes a SUBSIDIARY or AFFILIATED COMPANY of LICENSEE after the SEPARATION DATE. NON-US PLAN is defined in the SEPARATION AGREEMENT.

1.08 "EATON GROUP" means EATON, each SUBSIDIARY and AFFILIATED COMPANY of EATON (other than any member of the AXCELIS TECHNOLOGIES GROUP) immediately after the SEPARATION DATE, after giving effect to the NON-US PLAN, and each PERSON that becomes a SUBSIDIARY or AFFILIATED COMPANY of EATON after the SEPARATION DATE.

II. GRANT :

2.01 EATON hereby grants to LICENSEE for the term of this AGREEMENT a worldwide, royalty free, non-exclusive right and license to use the LICENSED TRADEMARKS in connection with the PRODUCTS manufactured by or for LICENSEE.

III. MARKING AND USE:

3.01 LICENSEE may use one or more of the LICENSED TRADEMARKS (a) on the PRODUCTS and/or packaging for the PRODUCTS, and (b) in or on literature, signs, stationery, nameplates, labels, and advertising and promotional materials associated with the PRODUCTS in such a manner which will at all times preserve the validity of the LICENSED TRADEMARKS. EATON shall have the right to review (a) whether and which of the LICENSED TRADEMARKS will be used by the LICENSEE on the PRODUCTS and/or on the packaging and (b) the manner in which the LICENSED TRADEMARKS are affixed or applied to the PRODUCTS and/or the packaging. Such determination will take into consideration the type and size of the PRODUCTS. Unless otherwise approved in writing, all the PRODUCTS, literature, signs, packaging, stationery, nameplates, labels, advertising and promotional materials shall include the following notice:

"EATON" is a trademark of and used under license from Eaton Corporation, U.S.A."

3.02 LICENSEE shall follow the rules and guidelines regarding form, layout, letter size and colors of the LICENSED TRADEMARKS as set forth in EATON's Corporate Identity Manual, including any amendments to said Manual by EATON from time to time.

3.03 LICENSEE shall not do any act that will in any way impair or affect the validity of the LICENSED TRADEMARKS.

3.04 LICENSEE shall take all action necessary to satisfy trademark marking requirements in all countries in which the LICENSED TRADEMARKS are used.

3.05 LICENSEE further agrees that all use of the LICENSED TRADEMARKS shall inure to the benefit of EATON.

3.06 Unless otherwise approved in writing by EATON, LICENSEE shall not use any trademark, designation or insignia in combination with the LICENSED TRADEMARKS on the PRODUCTS, packaging and literature, signs, stationery, nameplates, labels, and/or advertising and promotional material associated with the PRODUCTS, except that, for the term of this AGREEMENT, (i) LICENSEE will be allowed to phase in any reasonable use of the mark "AXCELIS" with the LICENSED TRADEMARKS subject to prior review and written approval by EATON; and (ii) LICENSEE will be allowed to use the LICENSED TRADEMARKS with other trademarks in the same manner and appearance as was used before the "SEPARATION DATE" as defined in the Master Separation and Distribution Agreement dated June 30, 2000 by and between EATON and LICENSEE (the "SEPARATION AGREEMENT"), to which this AGREEMENT is an exhibit.

IV. QUALITY STANDARDS:

4.01 The rights granted under this AGREEMENT by EATON to LICENSEE are all expressly conditioned upon the maintenance by LICENSEE of the standards of quality and reliability for the PRODUCTS established in conformity with past practices by EATON.

4.02 LICENSEE shall submit to EATON upon request regular production samples or photographs of the PRODUCTS for inspection and/or testing by EATON. LICENSEE shall permit authorized representatives of EATON to inspect, during normal business hours, the plant, equipment, manufacturing and assembly techniques of LICENSEE which relate to the PRODUCTS and EATON shall have the right to test the PRODUCTS at its own expense on the premises of LICENSEE or at any other location so as to determine whether LICENSEE is manufacturing the PRODUCTS in conformity with the past practices of quality standards and specifications of EATON. EATON shall advise LICENSEE of any discrepancies in quality or specifications and LICENSEE, upon receipt of such advice, agrees to promptly correct any discrepancies to the satisfaction of EATON.

V. SAMPLE APPROVAL:

5.01 LICENSEE shall submit for examination and approval by EATON samples or photographs of all the PRODUCTS, packaging for the PRODUCTS and literature, signs, stationery, labels, nameplates, advertising and promotional material associated with the PRODUCTS (hereinafter called "TRADEMARKED ARTICLES") prior to use and/or distribution by

LICENSEE. Such submission shall be made to EATON's Patent Law Department and the Communications Department at Eaton Corporation, 1111 Superior Avenue, Eaton Center, Cleveland, Ohio 44114, U.S.A.

5.02 In the event EATON does not approve any such proposed use of the LICENSED TRADEMARKS on the TRADEMARKED ARTICLES, LICENSEE shall not make such use of the TRADEMARKED ARTICLES.

5.03 EATON shall approve any proposed use of the LICENSED TRADEMARKS which is reasonable, but in no event will approve any such proposed use which would diminish the value of or impair the validity of any of the LICENSED TRADEMARKS or violate any of the trademark laws of any country in which the TRADEMARKED ARTICLES will be used and/or distributed.

VI. SIMILAR TRADEMARKS:

6.01 Other than the right to use the LICENSED TRADEMARKS provided for in this AGREEMENT, LICENSEE shall not use any mark confusingly similar to any of the LICENSED TRADEMARKS without express written permission from EATON. Should LICENSEE, during the term of this AGREEMENT, assert ownership in any insignia, designation or trademark which, in the reasonable opinion of EATON, is the same as, or confusingly similar to any insignia, designation or trademark owned by EATON, its subsidiaries and/or associated companies, LICENSEE will upon request of EATON, transfer and assign all right, title and interest in such insignia, designation or trademark to EATON or EATON's designee.

VII. OTHER MARKS:

7.01 Except as authorized by the terms of this AGREEMENT, LICENSEE shall not use any trademark insignia or designation similar to any of the LICENSED TRADEMARKS on or in connection with the PRODUCTS or file

or cause to be filed any trademark or service mark application in any country of the world covering any of the PRODUCTS or any trademark, service mark, insignia or designation similar to any of the LICENSED TRADEMARKS without first obtaining written permission from EATON.

VIII. CONTINUED RIGHTS:

8.01 Upon termination of this AGREEMENT all rights granted to LICENSEE herein shall revert to EATON, but LICENSEE may continue to enjoy the trademark privileges set forth herein for a period of six (6) months after the date of termination or until the depletion of LICENSEE's stock of the PRODUCTS which bear the LICENSED TRADEMARKS, whichever shall occur first. However, the aforementioned six (6) months' continued use privilege shall not apply if EATON terminates this AGREEMENT pursuant to Sections 10.02 or 10.03 hereof and in such case the use shall cease immediately as of the date of termination.

IX. ALLEGED INFRINGEMENT:

9.01 LICENSEE shall promptly notify EATON of any alleged and/or suspected infringement of the LICENSED TRADEMARKS and agrees to cooperate with EATON and do all acts, deeds and things necessary for protecting the LICENSED TRADEMARKS against alleged infringers. EATON shall have the sole right to initiate and control legal proceedings with respect to alleged infringers or take whatever action it deems necessary with respect thereto. EATON shall have the right to institute such legal proceedings in its name, or in the name of LICENSEE, or in the joint names of EATON and LICENSEE. All costs incurred regarding the LICENSED TRADEMARKS under this Section 9.01 shall be borne by EATON.

9.02 LICENSEE hereby agrees to indemnify, defend, save and hold EATON and its subsidiaries and affiliates harmless from any and all costs or expenses relating to any claims of injury or damage to person or property

arising out of the manufacture, marketing, and/or use of PRODUCTS sold, leased, or promoted in connection with the LICENSED TRADEMARKS, unless such are shown to have been caused by EATON's gross negligence or willful misconduct.

X. TERM AND TERMINATION:

10.01 This AGREEMENT shall be effective on the "SEPARATION DATE" as defined in the SEPARATION AGREEMENT. As to the use of the LICENSED TRADEMARKS by LICENSEE, excluding the use thereof by SEN in accordance with the terms of the SEN Trademark Agreement and the use of "EATON" in its corporate name by SEN in accordance with the terms of the SEN Corporate Name Agreement (defined in Section 11.01(a) hereinbelow), this Agreement shall remain in effect, unless terminated earlier pursuant to Sections 10.02 or 10.03 hereof, for a period of three (3) years ending June 30, 2003. As to the use of the Licensed Trademarks by SEN in accordance with the terms of the SEN Trademark Agreement and the use of "EATON" in its corporate name by SEN in accordance with the terms of the SEN Corporate Name Agreement, this Agreement shall remain in effect until December 31, 2004 unless the SEN Trademark Agreement and/or the SEN Corporate Name Agreement are terminated earlier in accordance with their respective terms.

10.02 LICENSEE shall have the right to terminate this AGREEMENT at any time upon written notice to EATON.

10.03 EATON shall have the right to terminate this AGREEMENT immediately upon written notice to LICENSEE in the event of:

(a) liquidation, insolvency, bankruptcy, or receivership of LICENSEE or any assignment for the benefit of creditors by LICENSEE; or

(b) any litigation arising from or in connection with LICENSEE's use of the LICENSED TRADEMARKS which in EATON's reasonable opinion may adversely diminish the value of the LICENSED TRADEMARKS in the jurisdiction of the litigation; or

(c) if LICENSEE is in default of any Section of this Agreement, which default is not remedied by LICENSEE within thirty (30) days notice from EATON.

10.04 This AGREEMENT may be terminated and the IPO abandoned, or the IPO may be delayed, at any time prior to the IPO Closing by and in the sole discretion of EATON without the consent of LICENSEE. This AGREEMENT may be terminated at any time after the IPO Closing and before the Distribution Date by mutual consent of EATON and LICENSEE. In the event of termination pursuant to this Section 10.04, no party shall have any liability of any kind to the other party. "IPO", "IPO Closing" and "Distribution Date" are each defined in the SEPARATION AGREEMENT and incorporated herein by reference.

XI. EATON-SEN INTELLECTUAL PROPERTY AGREEMENTS:

11.01 LICENSEE and EATON acknowledge the following:

(a) EATON and SEN are parties to a Master License Agreement dated January 16, 1996, as amended (hereinafter called the "Master License Agreement"), the SEN Corporate Name Agreement and the SEN Trademark Agreement. These agreements between EATON and SEN are hereinafter collectively referred to as the "EATON-SEN IP Agreements";

(b) The Master License Agreement by its terms shall continue until December 31, 2004 and be automatically renewed

unless either of the parties thereto provides written notice by December 31, 2003 to the other of its intention to terminate the agreement or renew with modifications, subject to renegotiation. The SEN Trademark Agreement by its terms shall continue in effect for a period which is concurrent with the Master License Agreement and any renewal thereof. The SEN Corporate Name Agreement provides that EATON may withdraw its consent to use by SEN of the name "EATON" in SEN's corporate name upon sixty (60) days written notice to SEN.

(c) Pursuant to the Consent Letter dated April 25, 2000, Sumitomo Heavy Industries, Ltd. ("SHI"), SHI agreed to the assignment of the EATON-SEN IP Agreements by EATON to LICENSEE.

(d) Pursuant to the terms of an agreement between EATON and LICENSEE titled "Assignment And Assumption Agreement" to be executed on or about the same date as this Agreement, EATON has assigned its rights and obligations under the terms of the EATON-SEN IP Agreements to LICENSEE.

11.02 In accordance with Sections 21.02 and 21.03 of the Master License Agreement, LICENSEE shall notify SEN by December 31, 2003 of its intent to renegotiate the EATON-SEN IP Agreements in order to effect the termination of the SEN Trademark Agreement and the SEN Corporate Name Agreement by December 31, 2004, including therein that the notice also constitutes notice of termination of the SEN Trademark Agreement and the SEN Corporate Name Agreement effective December 31, 2004. LICENSEE shall promptly provide copies to EATON of the notice to and any reply from SEN and keep EATON timely informed of the renegotiation as it relates to this matter.

11.03 LICENSEE shall not amend, renew, extend or allow the extension of the SEN Corporate Name Agreement or the SEN Trademark Agreement beyond December 31, 2004 without the prior written consent of EATON, which consent may be withheld in EATON's sole discretion.

11.04 If SEN ceases to use "EATON" in its corporate name and/or as a trademark prior to December 31, 2004, LICENSEE shall conduct discussions with SEN regarding the termination of the SEN Corporate Name Agreement and/or the SEN Trademark Agreement prior to December 31, 2004. LICENSEE shall keep EATON informed regarding such discussions and/or any decision by SEN to phase out its use of "EATON", and provide a copy to EATON of any written agreement resulting from such discussions.

11.05 None of the terms of the EATON-SEN IP Agreements that provides a right of early termination is intended to be waived or modified by any term of this Agreement and shall continue in effect.

11.06 LICENSEE shall be responsible for monitoring and enforcement of the quality control and other rights to protect the use of the name "EATON" in SEN's corporate name under the terms of the SEN Corporate Name Agreement and the LICENSED TRADEMARKS under the terms of the SEN Trademark Agreement, including enforcement of Section 6 entitled "Marking and Use", Section 7 entitled "Quality Standards" and Section 8 entitled "Sample Approval". LICENSEE shall promptly provide notice to EATON of any breach or perceived breach of any of the terms of the SEN Trademark Agreement or the SEN Corporate Name Agreement.

11.07 The above Sections 11.01-11.06 shall survive the termination or expiration of the LICENSEE's right to use the LICENSED TRADEMARKS pursuant to Section 10.01 above and shall continue in effect until the SEN Trademark Agreement is terminated or has expired and the SEN Corporate Name Agreement is terminated.

XII. RECORDAL:

12.01 LICENSEE shall execute all papers which are necessary to record LICENSEE or SEN as a user of the LICENSED TRADEMARKS in the countries where such recordal is necessary or advisable in order to protect EATON's rights in the LICENSED TRADEMARKS. The fees for such recordal shall be paid for by LICENSEE.

XIII. SUBLICENSING RIGHTS:

13.01 LICENSEE shall not have the right to sublicense any of its rights granted under this AGREEMENT except to carry out the terms of the SEN Trademark Agreement and the SEN Corporate Name Agreement.

XIV. BINDING EFFECT; ASSIGNMENT:

14.01 This AGREEMENT shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. This AGREEMENT may be enforced separately by each member of the Eaton Group and each member of the Axcelis Technologies Group. LICENSEE may not assign this AGREEMENT or any right or obligation hereunder in whole or in part without the prior written consent of EATON, which consent may be withheld by EATON in its sole discretion, and without such consent any assignment shall be void. EATON shall have the right to assign this AGREEMENT or any right or obligation under this Agreement in whole or in part to any party without consent of LICENSEE. No permitted assignment of any right or obligation hereunder, in whole or in part, by operation of law or otherwise, will release the assigning party as the obligor, jointly and severally with the assignee, from any of its obligations hereunder.

XV. FORCE MAJEURE:

15.01 Neither party shall be liable or responsible for damages or in any manner to the other for failure or delay to perform or fulfill any provisions of this AGREEMENT when such failure is due to fires, strikes, acts of God, legal acts of public authorities, or delays and default caused by public carriers, or for any other acts or causes whatsoever whether similar or dissimilar, which cannot responsibly be predicted or provided against, provided, however, that the party so affected shall promptly give notice in writing to the other party setting forth the reason or causes for such delay or non-performance and shall use its best efforts to avoid or remove such reason or cause and shall continue performance hereunder with the utmost dispatch. Whenever such reason or cause for delay and non-performance is not eliminated within a period of sixty (60) days, the other party may, at its option, without any liability whatsoever, suspend or terminate this AGREEMENT by giving sixty (60) days written notice to the affected party.

XVI. ENTIRE AGREEMENT; AMENDMENT:

16.01 This AGREEMENT, along with the Separation Agreement and the other Ancillary Agreements (as defined in the Separation Agreement), constitute the sole and entire understandings of the parties hereto with respect to the matters contemplated hereby and supersedes and renders null and void all prior negotiations, representations, agreements and understandings (oral and written) between the parties with respect to such matters. No change or amendment may be made to this AGREEMENT except by an instrument in writing signed on behalf of each of the parties.

XVII. FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE:

17.01 Any provisions of this AGREEMENT or any breach thereof may only be waived if done specifically and in writing by the party hereto that is entitled to the benefits thereof. No failure or delay on the part of either

party hereto or thereto in the exercise of any right hereunder or thereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein or therein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this AGREEMENT are cumulative to, and not exclusive of, any rights or remedies otherwise available.

17.02 EATON MAKES NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE LICENSED TRADEMARKS. IN NO EVENT SHALL EATON BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, OR SPECIAL DAMAGES (INCLUDING LOSS OF BUSINESS PROFITS) ARISING FROM OR RELATED TO LICENSEE'S USE OF THE LICENSED TRADEMARKS.

17.03 EXCEPT TO THE EXTENT, IF ANY, SPECIFICALLY PROVIDED TO THE CONTRARY HEREIN, IN THE SEPARATION AGREEMENT OR ANY OTHER AGREEMENT, IN NO EVENT SHALL ANY MEMBER OF THE EATON GROUP OR THE AXCELIS TECHNOLOGIES GROUP BE LIABLE TO ANY OTHER MEMBER OF THE EATON GROUP OR THE AXCELIS TECHNOLOGIES GROUP FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES AS SET FORTH IN THE SEPARATE INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT BETWEEN THE PARTIES HERETO.

XVIII. COUNTERPARTS:

18.01 This AGREEMENT will be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

XIX. GOVERNING LAW:

19.01 This AGREEMENT shall be construed in accordance with and all disputes hereunder should be governed by the local laws of the State of Ohio, U.S.A., excluding its conflict of law rules. The United States District Court for the Northern District of Ohio shall have jurisdiction and venue over, and shall be the sole court used by either of the parties hereto to initiate resolution of any dispute between the parties under this AGREEMENT.

XX. NOTICES:

20.01 Notices, offers, instructions, consents, requests or other communications required or permitted to be given by either party hereto pursuant to the terms of this AGREEMENT shall be given in writing to the following addresses:

If to Eaton:

Office of the Secretary
Eaton Corporation
Eaton Center
1111 Superior Avenue
Cleveland, Ohio 44114, U.S.A.
Fax: (216) 479-7103

If to Axcelis Technologies:

Chief Executive Officer
Axcelis Technologies, Inc.
55 Cherry Hill Drive
Beverly, Massachusetts 01915
Fax: (978) 232-4221

or to such other address as the party to whom notice is given may have previously furnished to the other in writing as provided herein. Any notice involving non-performance, termination, or renewal shall be sent by hand delivery, recognized overnight courier or, within the United States, may also be sent via certified mail, return receipt requested. All other notices may also be sent by fax, confirmed by first class mail. All notices shall be deemed to have been given and received on the earlier of actual delivery or three (3) days from the date of postmark.

XXI. SEVERABILITY:

21.01 If any term or other provision of this AGREEMENT is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this AGREEMENT shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this AGREEMENT so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

XXII. AUTHORITY:

22.01 Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this AGREEMENT, (b) the executive, delivery and performance of this AGREEMENT by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this AGREEMENT, and (d) this AGREEMENT constitutes a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or

other similar laws affecting creditors' rights generally and subject to general equity principles.

XXIII. INTERPRETATION:

23.01 The headings contained in this AGREEMENT are for reference purposes only and shall not affect in any way the meaning or interpretation hereof. Any capitalized term used in any Exhibit or Schedule to this AGREEMENT but not otherwise defined therein shall have the meaning assigned to such term in this AGREEMENT. When a reference is made in this AGREEMENT to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this AGREEMENT unless otherwise indicated. The language used in this AGREEMENT will be deemed to be the language chosen by the parties hereto to express their mutual intent and agreement, and no rule of strict construction or canons or aids in interpretation will be applied against either party.

XXIV. CONFLICTING AGREEMENTS:

24.01 In the event of conflict between this AGREEMENT and the Separation Agreement or any other Ancillary Agreement executed in connection herewith, the provisions of this AGREEMENT shall prevail.

XXV. PUBLIC ANNOUNCEMENTS:

25.01 Through the Distribution Date, in regard to any matter covered by this AGREEMENT, EATON shall determine the contents of all press releases to be issued by either of the parties hereto after consultation with LICENSEE, including without limitation any termination of this AGREEMENT for any reason, and such press releases shall be consistent with the respective disclosure obligations of the parties.

XXVI. SUBSEQUENT LEGAL FEES:

26.01 In the event that any arbitration or litigation is initiated to interpret or enforce the terms and provisions of this AGREEMENT, the party hereto prevailing in said action shall be entitled to its reasonable attorneys' fees and costs from the other party and shall be paid same in full by the losing party promptly upon demand by the prevailing party. A party may also include its claim for such fees and costs in such arbitration or litigation.

XXVII. NO THIRD-PARTY BENEFICIARIES OR RIGHT TO RELY:

27.01 Notwithstanding anything to the contrary in this AGREEMENT, (a) nothing in this AGREEMENT is intended to or shall create for or grant to any third PERSON any rights or remedies whatever, as a third party beneficiary or otherwise; (b) no third PERSON is entitled to rely on any of the representations, warranties, covenants or agreements contained herein; and (c) no party hereto shall incur any liability or obligation to any third PERSON because of any reliance by such third PERSON on any representation, warranty, covenant or agreement.

IN WITNESS WHEREOF, each of the parties hereto has executed this AGREEMENT by its duly authorized officers or representatives on the date first above written.

EATON CORPORATION (EATON)	AXCELIS TECHNOLOGIES, INC. (LICENSEE)
By: /s/ ADRIAN T. DILLON	By: /s/ BRIAN R. BACHMAN
Title: Executive Vice President -- Chief Financial and Planning Officer	Title: Chief Executive Officer and Vice Chairman of the Board
Date: June 30, 2000	Date: June 30, 2000
By: /s/ KEN SEMELSBERGER	By: /s/ MARY G. PUMA
Title: Vice President -- Strategic Planning	Title: President, Chief Operating Officer and Secretary
Date: June 30, 2000	Date: June 30, 2000

EXHIBIT 2.4

EMPLOYEE MATTERS AGREEMENT

BETWEEN

EATON CORPORATION

AND

AXCELIS TECHNOLOGIES, INC.

DATED

June 30, 2000

TABLE OF CONTENTS

TABLE OF CONTENTS
(Continued)

TABLE OF CONTENTS
(Continued)

EMPLOYEE MATTERS AGREEMENT

This EMPLOYEE MATTERS AGREEMENT is made and entered into on June 30, 2000, by and between Eaton Corporation, an Ohio corporation, and Axcelis Technologies, Inc., a Delaware corporation, to be effective on and after the Separation Date (as defined herein). Capitalized terms used herein (other than the formal names of Eaton Plans (as defined below) and related trusts of Eaton) and not otherwise defined, shall have the respective meanings assigned to them in Article I hereof.

WHEREAS, the Board of Directors of Eaton has determined that it is in the best interests of Eaton and its shareholders to separate Eaton's existing businesses into two (2) independent businesses, Eaton and the Axcelis Technologies Business, so that each business may reach its full potential by focusing its management and employees specifically on its own operations and the methods of better fitting its own market;

WHEREAS, in furtherance of the foregoing, Eaton and Axcelis Technologies have agreed to enter into this Agreement to allocate between them Assets, Plan Obligations, Employment Obligations and responsibilities with respect to certain employee compensation and benefit plans, programs and arrangements and certain employment matters; and

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, Eaton Corporation and Axcelis Technologies, intending to be legally bound hereby, agree as follows:

ARTICLE I

DEFINITIONS

Wherever used in this Agreement, the following terms shall have the meanings indicated below, unless a different meaning is plainly required by the context. The singular and plural shall include each other and any gender, all genders, unless the context indicates otherwise. Headings of sections are used for convenience of reference only, and in case of conflict, the text of this Agreement, rather than such headings, shall control:

1.1 AD&D Plan. "AD&D Plan," when immediately preceded by "Eaton," means the Eaton Accidental Death and Dismemberment ("AD&D") Plan. When immediately preceded by "Axcelis Technologies," "AD&D Plan" means the accidental death and dismemberment plan to be established by Axcelis Technologies pursuant to Sections 2.2 and 5.4.

1.2 Affiliated Company. "Affiliated Company" of any Person means any entity that Controls, is Controlled by, or is under common Control with such Person. As used herein, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by control, or otherwise.

1.3 Agreement. "Agreement" means this Employee Matters Agreement, including all the Schedules hereto and all amendments made hereto from time to time.

1.4 Ancillary Agreements. "Ancillary Agreements" means all of the underlying agreements, documents and instruments referred to, contemplated by, or made a part of the Separation Agreement.

1.5 ASO Contracts. "ASO Contracts" is defined in Subsection 5.1(b)(i).

1.6 Assets. "Assets" is defined in the General Assignment and Assumption Agreement.

1.7 Axcelis Technologies. "Axcelis Technologies" means Axcelis Technologies, Inc., a Delaware corporation. Axcelis Technologies shall be solely responsible to Eaton for ensuring that each member of the Axcelis Technologies Group complies with the applicable terms of this Agreement.

1.8 Axcelis Technologies Business. "Axcelis Technologies Business" means the business and operations conducted by Eaton and its Subsidiaries as Eaton's Semiconductor Equipment Operations as described in the IPO Registration Statement.

1.9 Axcelis Technologies Employee. "Axcelis Technologies Employee" means any individual who is: (a) either actively employed the Axcelis Technologies Group on the Separation Date; (b) on an unpaid leave of absence on the Separation Date and having his or her name appear on Schedule 1.9; (c) any other employee or group of employees designated as Axcelis Technologies Employees (as of the specified date) by Eaton and Axcelis Technologies by mutual agreement; or (d) an alternate payee under a QDRO affecting the Axcelis Technologies Savings Plan, or an alternate recipient under a QMCSO, or a beneficiary, covered dependent or qualified beneficiary (as such terms are defined under COBRA), in each case, of an employee with respect to that employee's or former employee's benefit under the applicable Plan(s). Unless specified otherwise in this Agreement, such an alternate payee, alternate recipient, beneficiary, covered dependent or qualified beneficiary is an Axcelis Technologies Employee only to the extent provided in the QDRO or QMSO or under COBRA, and shall not otherwise be considered a Axcelis Technologies Employee with respect to any benefits he or she accrues or accrued under any applicable Plan(s), unless he or she is a Axcelis Technologies Employee by virtue of Subsections 1.9(a) or (b). Any employees on a paid leave of absence, including, but not limited to, salary continuation, short term disability or long term disability will become an Axcelis Technologies Employee, if at all, upon commencing active employment with Axcelis Technologies after the Separation Date.

1.10 Axcelis Technologies Group. "Axcelis Technologies Group" means Axcelis Technologies and each Subsidiary and Affiliated Company of Axcelis Technologies immediately after the Separation Date, or that is contemplated to be a Subsidiary or Affiliated Company of Axcelis Technologies pursuant to the Separation Agreement or an Ancillary Agreement, and each Person that becomes a Subsidiary or Affiliated Company of Axcelis Technologies after the Separation Date.

1.11 Axcelis Technologies Stock Value. "Axcelis Technologies Stock Value" means the opening per-share price of Axcelis Technologies common stock as listed on Nasdaq on the first trading day after the Distribution Date.

1.12 Axcelis Technologies Transferred Employee. "Axcelis Technologies Transferred Employee" means any individual who, as of the Separation Date, is: (a) either actively employed by the Axcelis Technologies Group; (b) an employee or group of employees designated by Eaton and Axcelis Technologies, by mutual agreement, as Axcelis Technologies Transferred Employees; or (c) an alternate payee under a QDRO affecting the Axcelis Technologies Savings Plan, or an alternate recipient under a QMCSO, or a beneficiary, covered dependent or qualified beneficiary (as such term is defined under COBRA), in each case, of an employee or former employee, described in Subsections 1.13(a) or (b) with respect to that employee's or former employee's benefit under the applicable Plan(s). Unless specified otherwise in this Agreement, such an alternate payee, alternate recipient, beneficiary, covered dependent, or qualified beneficiary is an Axcelis Technologies Transferred Employee only to the extent provided in the QDRO or QMCSO or under COBRA or shall not otherwise be considered a Axcelis Technologies Transferred Employee with respect to any benefits he or she accrues or accrued under any applicable Plan(s), unless he or she is a Axcelis Technologies Transferred Employee by virtue of Subsections 1.13(a) or (b)). An employee may be an Axcelis Technologies Transferred Employee pursuant to this Section regardless of whether such employee is, as of the Separation Date, alive, actively employed, on a temporary leave of absence from active employment, on layoff, terminated from employment, in pay status or eligible for a benefit under the Eaton Defined Benefit Plan or on any other type of employment or post-employment status relative to an Eaton Plan, and regardless of whether, as of the Separation Date, such employee is then receiving any coverage under or benefits from an Eaton Plan.

1.13 Bonus Plan. "Bonus Plan" means, when immediately preceded by "Eaton," the Eaton annual execution incentive plan as applied to Axcelis Technologies Employees and, when immediately preceded by Axcelis Technologies means the annual incentive plan as adopted by Axcelis Technologies effective on or after the Separation Date.

1.14 Business Travel Accident Insurance. "Business Travel Accident Insurance," when immediately preceded by "Eaton," means the policy or policies covering Eaton Business Travel Accident Insurance in the U.S. and to the extent applicable, outside the U.S. When immediately preceded by "Axcelis Technologies," "Business Travel Accident Insurance" means the policy or policies covering the business travel accident insurance which may be established by Axcelis Technologies as described in Section 5.7.

1.15 COBRA. "COBRA" means the continuation coverage requirements for "group health plans" under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended from time to time, and as codified in Code Section 4980B and ERISA Sections 601 through 608.

1.16 Code. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.17 Deferred Compensation Plan. "Deferred Compensation Plan," means, collectively, all plans or programs of deferred compensation sponsored by Eaton which are not qualified under Section 401(a) of the Code.

1.18 Defined Benefit Plan. "Defined Benefit Plan" means the Pension Plan for Eaton Corporation Employees to the extent of the Schedules thereto applying to Axcelis Technologies Employees.

1.19 Disability Plan. "Disability Plan," when immediately preceded by "Eaton," means the Eaton Disability Plan which consists of the Eaton Short-Term Disability Plan and the Eaton Long-Term Disability Plan. When immediately preceded by "Axcelis Technologies," "Disability Plan" means the Axcelis Technologies Short-Term Disability Plan and the Axcelis Technologies Long-Term Disability Plan, to be established by Axcelis Technologies pursuant to Sections 2.2 and 5.6.

1.20 Distribution. "Distribution" means Eaton's disposition of all of its interest in the common stock of Axcelis Technologies, either by distribution to holders of Eaton's common stock of all the shares of Axcelis Technologies common stock owned by Eaton or in some other manner.

1.21 Distribution Date. "Distribution Date" means the date of the consummation of the Distribution.

1.22 DOL. "DOL" means the United States Department of Labor.

1.23 Eaton. "Eaton" means Eaton Corporation, an Ohio corporation. Eaton shall be solely responsible to Axcelis Technologies for ensuring that each member of the Eaton Group complies with the applicable terms of this Agreement.

1.24 Eaton Employee. "Eaton Employee" means an individual who, on the Separation Date, is: (a) either actively employed by, or on leave of absence from, the Eaton Group; (b) on a paid leave of absence, including salary continuation, short term disability or long term disability from the Axcelis Technologies Group; (c) an Eaton Terminated Employee; or (d) an employee or group of employees designated as Eaton Employees by Eaton and Axcelis Technologies, by mutual agreement.

1.25 Eaton Group. "Eaton Group" means Eaton and each Subsidiary and Affiliated Company of Eaton (other than any member of the Axcelis Group) immediately after the Separation Date, giving effect to the Non-US Plan and each Person that became a Subsidiary or Affiliated Company of Eaton after the Separation Date.

1.26 Eaton Severance Agreement. "Eaton Severance Agreement" means an agreement between Eaton and an Axcelis Technologies Transferred Employee setting forth the terms and conditions of his or her separation from service with Eaton.

1.27 Eaton Stock Value. "Eaton Stock Value" means the closing per-share price of Eaton common stock as listed on the New York Stock Exchange on the last trading day before the Distribution Date.

1.28 Eaton Terminated Employee. "Eaton Terminated Employee" means any individual who is a former employee of the Eaton Group and who, on the Separation Date, is not an Axcelis Technologies Transferred Employee.

1.29 Educational Assistance Program. "Educational Assistance Program," when immediately preceded by "Eaton," means the Eaton Educational Assistance Program. When immediately preceded by "Axcelis Technologies," "Educational Assistance Program" means the educational assistance program which may be established by Axcelis Technologies as described in Section 7.2.

1.30 Employee Assistance Program. "Employee Assistance Program," when immediately preceded by "Eaton," means the Eaton Employee Assistance Program. When immediately preceded by "Axcelis Technologies," "Employee Assistance Program" means the employee assistance program which may be established by Axcelis Technologies as described in Section 7.1.

1.31 Employment Obligations. "Employment Obligations" means all contractual, statutory and common law obligations of an employer with respect to Axcelis Technologies Employees and Axcelis Technologies Transferred Employees, except with regard to benefits accrued under the Eaton Defined Benefit Plan or an Eaton deferred compensation plan.

1.32 ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.33 FMLA. "FMLA" means the Family and Medical Leave Act of 1993, as amended from time to time.

1.34 Foreign Plan. "Foreign Plan," when immediately preceded by "Eaton," means a Plan maintained by the Eaton Group for the benefit of its employees outside the U.S. When immediately preceded by "Axcelis Technologies," "Foreign Plan" means a Plan to be established by Axcelis Technologies for the benefit of its employees outside the U.S.

1.35 Fringe Benefit Plans. "Fringe Benefit Plans," when immediately preceded by "Eaton," means the Eaton employee assistance program, educational assistance program and other fringe benefit plans, programs and arrangements, sponsored and maintained by Eaton which provide coverage or benefits to Axcelis Technologies Employees as of the Separation Date (as set forth in Article VII and Schedule 7.3). When immediately preceded by "Axcelis Technologies," "Fringe Benefit Plans" means the fringe benefit plans, programs and arrangements to be established by Axcelis Technologies pursuant to Section 2.2 and Article VII.

1.36 FSA/Dependent Reimbursement Plan. "FSA/Dependent Reimbursement Plan," when immediately preceded by "Eaton," means the Eaton FSA/Dependent Reimbursement Plan. When immediately preceded by "Axcelis Technologies," "FSA/Dependent Reimbursement Plan" means the dependent care assistance reimbursement plan to be established by Axcelis Technologies pursuant to Sections 2.2 and 5.8.

1.37 FSA/Medical Reimbursement Plan. "FSA/Medical Reimbursement Plan," when immediately preceded by "Eaton," means the Eaton FSA/Medical Reimbursement Plan. When immediately preceded by "Axcelis Technologies," "FSA/Medical Reimbursement Plan" means the medical expense reimbursement plan to be established by Axcelis Technologies pursuant to Sections 2.2 and 5.8.

1.38 General Assignment and Assumption Agreement. "General Assignment and Assumption Agreement" means the Ancillary Agreement having that name which is an Exhibit to the Separation Agreement.

1.39 Group Life Plan. "Group Life Plan," when immediately preceded by "Eaton," means the Eaton Group Life Plan. When immediately preceded by "Axcelis Technologies," "Group Life Plan" means the group life plan to be established by Axcelis Technologies pursuant to Sections 2.2 and 5.3.

1.40 HCFA. "HCFA" means the United States Health Care Financing Administration.

1.41 Health and Welfare Plans. "Health and Welfare Plans," when immediately preceded by "Eaton," means, to the extent providing benefits to Axcelis Technologies Employees as of a relevant time, the Eaton Health Plans, the Eaton Group Life Plan, the Eaton Group Insurance Policies, the Eaton Section 125 Plan, and the health and welfare plans listed on Schedule 5.2 established and maintained by Eaton for the benefit of eligible employees of the Eaton Group, and such other welfare plans or programs as may apply to Axcelis Technologies Employees as in effect during the period beginning on the Separation Date and ending on the Non-Controlled Group Date or such other dates as Eaton and Axcelis Technologies may agree. When immediately preceded by "Axcelis Technologies," "Health and Welfare Plans" means the Axcelis Technologies Health Plans, the Axcelis Technologies Section 125 Plan, and the health and welfare plans to be established by Axcelis Technologies pursuant to Section 2.2, Article V, and Schedule 5.1(a).

1.42 Health Plans. "Health Plans," when immediately preceded by "Eaton," means the medical, HMO, vision, and dental plans and any similar or successor Plans to the extent they provide coverage to Axcelis Technologies Employees as in effect during the period beginning on the Separation Date and ending on the Non-Controlled Group Date (or such other dates as Eaton and Axcelis may agree). When immediately preceded by "Axcelis Technologies," "Health Plans" means the medical, HMO, vision and dental plans to be established by Axcelis Technologies pursuant to Section 2.2 and Article V and any similar or successor plans thereto.

1.43 HMO. "HMO" means a health maintenance organization that provides benefits to Axcelis Technologies Employees under the Eaton Health Plans or the Axcelis Technologies Health Plans.

1.44 IPO. "IPO" means the initial public offering of Axcelis Technologies common stock pursuant to a registration statement on Form S-1 pursuant to the Securities Act of 1933, as amended.

1.45 IPO Closing. "IPO Closing" means the consummation of the IPO by Axcelis in accordance with the Separation Agreement and the Underwriting Agreement, including without limitation, its delivery of Axcelis common stock to, in return for cash from, the Underwriters.

1.46 IPO Closing Date. "IPO Closing Date" means the date of the IPO Closing.

1.47 IPO Registration Statement. "IPO Registration Statement" means the registration statement on Form S-1 pursuant to the Securities Act of 1933 as amended, as filed with the SEC

registering the shares of common stock of Axcelis Technologies to be issued in the IPO, together with all amendments thereto.

1.48 IRS. "IRS" means the Internal Revenue Service.

1.49 Leave of Absence Plans. "Leave of Absence Plans," when immediately preceded by "Eaton," means the personal, educational, medical/disability, military and FMLA leaves of absence offered from time to time under the personnel policies and practices of Eaton. When immediately preceded by "Axcelis Technologies," "Leave of Absence Plans" means the leave of absence programs to be established by Axcelis Technologies pursuant to Section 2.2.

1.50 Long-Term Disability Plan. "Long-Term Disability Plan," when immediately preceded by "Eaton," means the Eaton Long-Term Disability Plan. When immediately preceded by "Axcelis Technologies," "Long-Term Disability Plan" means the long-term disability plan to be established by Axcelis Technologies pursuant to Section 2.2 and Subsection 5.6(b).

1.51 Material Feature. "Material Feature" means any feature of a Plan that could reasonably be expected to be of material importance, in the aggregate, to the sponsoring employer or the participants (or their dependents or beneficiaries) of that Plan, which could include, depending on the type and purpose of the particular Plan, the class or classes of employees eligible to participate in such Plan, the nature, type, form, source, and level of benefits provided under such Plan, the amount or level of contributions, if any, required to be made by participants (or their dependents or beneficiaries) to such Plan, and the costs and expenses incurred by the sponsoring employer or Participating Companies for implementing and/or maintaining such Plan.

1.52 Nasdaq. "Nasdaq" means the Nasdaq National Market.

1.53 Non-Controlled Group Date. "Non-Controlled Group Date" means the date Eaton and Axcelis Technologies cease to be members of the same controlled group of corporations for purposes of Section 414 of the Code.

1.54 Non-US Plan. "Non-U.S. Plan" means the Ancillary Agreement having that name which is an Exhibit to the Separation Agreement.

1.55 Option. "Option," when immediately preceded by "Eaton," means an option to purchase Eaton common stock pursuant to an Eaton Stock Plan. When immediately preceded by "Axcelis Technologies," "Option" means an option to purchase Axcelis Technologies common stock pursuant to the Axcelis Technologies Stock Plan.

1.56 Participating Company. "Participating Company" means: (a) Eaton; (b) any Person (other than an individual) that Eaton has approved for participation in, has accepted participation in, and which is participating in, a Plan sponsored by Eaton; and (c) any Person (other than an individual) which, by the terms of such Plan, participates in such Plan or any employees of which, by the terms of such Plan, participate in or are covered by such Plan.

1.57 Person. "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an

unincorporated organization, and a governmental entity or any department, agency or political subdivision thereof.

1.58 Plan. "Plan" means any plan, policy, program, payroll practice, arrangement, contract, trust, insurance policy, or any agreement or funding vehicle providing compensation or benefits to employees, former employees, directors or consultants of Eaton or Axcelis Technologies, to the extent such provides or provided coverage or benefits to Axcelis Technologies Employees.

1.59 Plan Obligations. "Plan Obligations" means all funding, benefits, claims or administrative expenses arising out of any Plan providing coverage to Axcelis Technologies Employees and Axcelis Technologies Transferred Employees, except with regard to benefits accrued under the Eaton Defined Benefit Plan or under an Eaton deferred compensation plan.

1.60 QDRO. "QDRO" means a domestic relations order which qualifies under Code Section 414(p) and ERISA Section 206(d) and which creates or recognizes an alternate payee's right to, or assigns to an alternate payee, all or a portion of the benefits payable to a participant under the Eaton Savings Plan.

1.61 QMCSO. "QMCSO" means a medical child support order which qualifies under ERISA Section 609(a) and which creates or recognizes the existence of an alternate recipient's right to, or assigns to an alternate recipient the right to, receive benefits for which a participant or beneficiary is eligible under any of the Health Plans.

1.62 Ratio. "Ratio" means the ratio determined by dividing the Axcelis Technologies Stock Value by the Eaton Stock Value.

1.63 Savings Plan. "Savings Plan," when immediately preceded by "Eaton," means the Eaton Corporation Share Purchase and Investment Plan, a defined contribution plan with 401(k) deferral features. When immediately preceded by "Axcelis Technologies," "Savings Plan" means the defined contribution plan to be established by Axcelis Technologies as described in Article III.

1.64 SEC. "SEC" means the United States Securities and Exchange Commission.

1.65 Section 125 Plan. "Section 125 Plan," when immediately preceded by "Eaton," means the Eaton FSA/Dependent Reimbursement Plan, and the Eaton FSA/Medical Reimbursement Plan. When immediately preceded by "Axcelis Technologies," "Section 125 Plan" means the Axcelis Technologies FSA/Dependent Reimbursement Plan and the Axcelis Technologies FSA/Medical Reimbursement Plan to be established by Axcelis Technologies pursuant to Sections 2.2 and 5.8.

1.66 Separation. "Separation" means Eaton's contribution and transfer to Axcelis Technologies, and Axcelis Technologies' receipt and assumption, directly or indirectly, of the Assets and Liabilities, as defined in the General Assignment and Assumption Agreement (including contingent liabilities) associated with the Axcelis Technologies Business to the extent not contributed and transferred to Axcelis Technologies prior to the Separation Date.

1.67 Separation Agreement. "Separation Agreement" means the Master Separation and Distribution Agreement, dated June 30, 2000 between Eaton and Axcelis, to which this Agreement is an Exhibit.

1.68 Separation Date. "Separation Date" means the earlier of (i) 12:01 a.m. on the IPO Closing Date and (ii) 11:59 p.m. on June 30, 2000, or as otherwise provided in the Separation Agreement.

1.69 Severance Plan. "Severance Plan," when immediately preceded by "Eaton," means the Eaton Severance Plan. When immediately preceded by "Axcelis Technologies," "Severance Plan" means the severance program, if any, to be established by Axcelis Technologies pursuant to Sections 2.2 and 5.5.

1.70 Short-Term Disability Plan. "Short-Term Disability Plan," when immediately preceded by "Eaton," means the Eaton Short-Term Disability Plan. When immediately preceded by "Axcelis Technologies," "Short-Term Disability Plan" means the short-term disability plan to be established by Axcelis Technologies pursuant to Section 2.2 and Subsection 5.6(a).

1.71 Stock Plan. "Stock Plan," when immediately preceded by "Eaton," means any plan, program or arrangement, other than the Stock Purchase Plan, pursuant to which employees and other service providers hold Options, Eaton Restricted Stock or other Eaton equity incentives. When immediately preceded by "Axcelis Technologies," "Stock Plan" means the Axcelis Technologies 2000 Stock Plan.

1.72 Stock Purchase Plan. "Stock Purchase Plan" means the plan intended to be adopted by Axcelis Technologies before the IPO Closing Date, with provisions consistent with the requirements of Section 423 of the Code by which Axcelis Technologies Employees may purchase shares of Axcelis Technologies common stock.

1.73 Subsidiary. "Subsidiary" of any person means a corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interest having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization, is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; provided, however that no Person that is not directly or indirectly wholly-owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control that Person. Unless the context otherwise requires, reference to Eaton and its Subsidiaries shall not include Axcelis or the subsidiaries of Eaton that will be or have been transferred to Axcelis Technologies after giving effect to the Separation, including the actions taken pursuant to the Non-US Plan.

1.74 Tax Sharing and Indemnification Agreement. "Tax Sharing and Indemnification Agreement" means the Ancillary Agreement having that name which is an Exhibit to the Separation Agreement.

1.75 Transitional Services Agreement. "Transitional Services Agreement" means the Ancillary Agreement having that name which is an Exhibit to the Separation Agreement.

1.76 Unemployment Insurance Program. "Unemployment Insurance Program," when immediately preceded by "Eaton," means any unemployment insurance program contributed to by Eaton from time to time. When immediately preceded by "Axcelis Technologies," "Unemployment Insurance Program" means any unemployment insurance program to be contributed to by Axcelis Technologies pursuant to Section 9.7.

ARTICLE II

GENERAL PRINCIPLES

2.1 Assumption of Axcelis Technologies Liabilities. Except as set forth in subsections 2.2(c) and (d) or as specified otherwise in this Agreement or as mutually agreed upon by Axcelis Technologies and Eaton from time to time, effective as of Separation Date, and continuing to and including the earlier of December 31, 2000 and the Non-Controlled Group Date, Axcelis Technologies hereby becomes a contributing sponsor of and designates Axcelis Technologies Employees and Axcelis Technologies Transferred Employees as participants in each and all Eaton employee, fringe, compensation and other plans providing coverage and/or benefits to such employees immediately prior to the Separation Date. Axcelis Technologies shall pay (as set forth in the Transitional Services Agreement, if applicable), perform, fulfill and discharge, in accordance with their respective terms, all Plan Obligations and all Employment Obligations. If the Non-Controlled Group Date occurs before December 31, 2000, for the period beginning on the Non-Controlled Group Date and continuing to and including December 31, 2000, Axcelis Technologies shall adopt Health and Welfare Plans with provisions exactly the same as the provisions of the Eaton Health and Welfare Plans. As of January 1, 2001, Axcelis Technologies shall adopt the Axcelis Technologies Savings Plan and the Axcelis Technologies Health and Welfare Plans. Except with respect to the Eaton Savings Plan, Eaton shall not transfer to Axcelis Technologies any trust assets and other assets that relate to, arise out of or result from Axcelis Technologies' participation in each Eaton Plan.

2.2 Establishment of Axcelis Technologies Plans.

(a) Health and Welfare Plans. Except as specified otherwise in this Agreement, effective as of January 1, 2001 (or such other date(s) as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall adopt and have effective the Axcelis Technologies Health and Welfare Plans. Except as otherwise specified in this Agreement, to the extent administratively and financially practicable, each of the foregoing Axcelis Technologies Plans as in effect shall be reasonably comparable in the aggregate to plans offered to their respective employees by other corporations engaged in a business comparable to the Axcelis Technologies Business. For the period from the Separation Date to the Non-Controlled Group Date, Axcelis Technologies Employees shall participate in the Eaton Plans at the cost and expense of Axcelis Technologies as determined under the Transitional Services Agreement. If the Non-Controlled Group Date occurs before December 31, 2000, for the period beginning on the Non-Controlled Group Date and continuing to and including December 31, 2000, Axcelis Technologies shall adopt Health and Welfare Plans with provisions exactly the same as the Eaton Health and Welfare Plans.

(b) Fringe Benefit Plans. Except as otherwise specified in this Agreement, effective as of January 1, 2001 (or such other date(s) as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall adopt and have effective such Fringe Benefit Plans as Axcelis Technologies deems appropriate. For the period beginning on the Separation Date and continuing to and including December 31, 2000, Axcelis Technologies Employees shall participate in the Eaton Fringe Benefit Plans in accordance with their respective terms at the cost and expense of Axcelis Technologies as determined under the Transitional Services Agreement.

(c) The Savings Plan. Except as specified otherwise in this Agreement, effective as of January 1, 2001 (or such other date(s) as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall adopt and have effective the Axcelis Technologies Savings Plan. As soon as administratively feasible on or after January 1, 2001, Eaton shall cause the Trustee of the Eaton Savings Plan to transfer to the Trustee of the Axcelis Technologies Savings Plan assets with a value equal to all account balances, vested and non-vested, of Axcelis Technologies Employees on or about (as determined by Eaton) the date the assets are transferred. All account balances of Axcelis Technologies Employees in the Eaton Savings Plan shall be vested on January 1, 2001 irrespective of the service rendered by such employees and shall be deemed vested in the Axcelis Technologies Savings Plan when received by the trust created pursuant to the Axcelis Technologies Savings Plan. Assets held in the Eaton Savings Plan in investment funds other than Eaton or Axcelis Technologies common stock shall be transferred to the Axcelis Technologies Savings Plan in cash. Assets held in the Eaton Savings Plan in the form of shares of Eaton and Axcelis Technologies common stock shall be transferred in the form of such shares of Eaton and Axcelis Technologies common stock. The Axcelis Technologies Savings Plan shall provide that participants in the Axcelis Technologies Savings Plan shall be permitted to maintain their Eaton common stock investments, if any, for a period of not greater than two (2) years but participants in the Axcelis Technologies Savings Plan shall not be permitted to direct the acquisition for their respective individual accounts of additional shares of Eaton common stock. On or before the date of the transfer of assets, Eaton shall cause Axcelis Technologies or its designee to receive or have access to records, statements and other administrative materials necessary for the proper crediting of transferred assets and the initial administration of the Axcelis Technologies Savings Plan. For the period from the Separation Date to the earlier (i) of January 1, 2001 and (ii) the Non-Controlled Group Date, Axcelis Technologies Employees shall participate in the Eaton Savings Plan in accordance with its terms as in effect on the Separation Date and from time to time thereafter (which specifically do not provide for Axcelis Technologies common stock as an available investment fund) at the cost and expense of Axcelis Technologies as determined under the Transitional Services Agreement.

(d) Defined Benefit Plan. For the period from the Separation Date to and including the earlier of December 31, 2000 and the Non-Controlled Group Date (or such other date(s) as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies Employees shall participate in the Eaton Defined Benefit Plan in accordance with its terms at the cost and expense of Axcelis Technologies as determined under the Transitional Services Agreement. After such earlier date, Axcelis Technologies may, but shall not be obligated to, adopt such Defined Benefit Plan as Axcelis Technologies, in its sole and complete discretion, determines appropriate. No assets or liabilities shall be transferred from the trust established with respect to the Eaton Defined Benefit Plan to any other trust, whether or not Axcelis Technologies adopts a defined benefit plan. Accrued benefits of Axcelis Technologies Employees in the Eaton Defined Benefit Plan shall be held in the Eaton Defined Benefit Plan and vested balances shall be distributed, if at all, in accordance with such plan's terms.

(e) Equity and Other Compensation. Except as specified otherwise in this Agreement, Axcelis Technologies shall adopt the Axcelis Technologies Stock Plan and the Stock Purchase Plan before the IPO Closing Date. Except as specified in Section 6.1 or otherwise in this Agreement, effective as of Distribution Date (or such other date(s) as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies may, but shall not be obligated to,

adopt such long-term, other incentive or defined compensation plan(s) as Axcelis Technologies determines appropriate in its discretion. In no event may an Axcelis Technologies Plan provide for or allow for the issuance from Axcelis Technologies of any Axcelis Technologies capital stock prior to the Distribution Date.

(f) Other Plans. Except as otherwise specified in this Agreement, effective as of the earlier of January 1, 2001 or the Non-Controlled Group Date (or such other date(s) as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall adopt certain plans equivalent to the Eaton Plans that are specifically tied to its payroll practices, including, without limitation, a salary continuation and a personal time off plan. Axcelis Technologies shall also adopt the Eaton Section 125 Plan as its plan effective beginning on the Separation Date and continuing to and including December 31, 2000. Effective on the earlier of January 1, 2001 and the Non-Controlled Group Date, Axcelis Technologies shall adopt its own such plans and shall cease participation in the comparable Eaton plan. If the Non-Controlled Group Date occurs before December 31, 2000, for the period beginning on the Non-Controlled Group Date and continuing to and including December 31, 2000, Axcelis Technologies shall adopt plans contemplated by this subparagraph with provisions exactly the same as the corresponding Eaton plan.

2.3 Axcelis Technologies Under No Obligation to Maintain Plans. Except as specified otherwise in this Agreement, nothing in this Agreement shall preclude Axcelis Technologies, at any time after the Distribution Date, from amending, merging, modifying, terminating, eliminating, reducing or otherwise altering in any respect any Axcelis Technologies Plan, any benefit under any Axcelis Technologies Plan or any trust, insurance policy or funding vehicle related to any Axcelis Technologies Plan, or any employment or other service arrangement with Axcelis Technologies Employees or vendors (to the extent permitted by law).

2.4 Axcelis Technologies' Participation in Eaton Plans.

(a) Participation in Eaton Plans. Except as otherwise specified in this Agreement or as Eaton and Axcelis Technologies may mutually agree, Axcelis Technologies shall, until the earlier of (i) Axcelis Technologies' adoption of a comparable plan and (ii) the Non-Controlled Group Date, continue to be a Participating Company in the Eaton Plans. Effective as of any date on or after the Separation Date and before the Non-Controlled Group Date (or such other date(s) as Eaton or Axcelis Technologies may mutually agree), any member of the Axcelis Technologies Group not described in the preceding sentence may, at its request and with the consent of Eaton and Axcelis Technologies, become a Participating Company in any or all of the Eaton Plans, to the extent that Axcelis Technologies has not yet established a corresponding Plan.

(b) Eaton's General Obligations as Plan Sponsor. To the extent that Axcelis Technologies is a Participating Company in any Eaton Plan, Eaton shall continue to administer, or cause to be administered, in accordance with its terms and applicable law, such Eaton Plan, and shall have the sole and absolute discretion and authority to interpret the Eaton Plan, as set forth therein. Eaton shall not amend any Material Feature of any Eaton Plan in which Axcelis Technologies is a Participating Company, except to the extent: (i) such amendment would not materially affect any coverage or benefits of Axcelis Technologies Employees or Axcelis

Technologies Transferred Employees under such Plan; (ii) Axcelis Technologies shall consent to such amendment and such consent shall not be unreasonably withheld; (iii) such amendment is necessary or appropriate to comply with applicable law; or (iv) such other amendments as shall equally apply to all then participants in such plan.

(c) Axcelis Technologies' General Obligations as Participating Company. Axcelis Technologies shall timely perform, with respect to its participation in the Eaton Plans, the duties of a Participating Company as set forth in each such Plan or any procedures adopted pursuant thereto or pursuant to the Transitional Services Agreement, including (without limitation): (i) assisting in the administration of claims, to the extent requested by the claims administrator of the applicable Eaton Plan; (ii) fully cooperating with Eaton Plan auditors, benefit personnel and benefit vendors; (iii) preserving the confidentiality of all financial arrangements Eaton has or may have with any vendors, claims administrators, trustees, service providers or any other entity or individual with whom Eaton has entered into an agreement relating to the Eaton Plans; (iv) preserving the confidentiality of participant information (including, without limitation, health information in relation to FMLA leaves) to the extent not specified otherwise in this Agreement; and (v) confirming and providing information necessary for the proper operation of Eaton's Human Resources Management System. Without limiting the foregoing, Axcelis Technologies shall timely provide to Eaton information necessary to Eaton to administer the vesting provisions of the Eaton Defined Benefit Plan with respect to Axcelis Technologies Employees after the Separation Date, including, but not limited to, the termination dates of each such Axcelis Technologies Employee who was a non-vested participant in the Eaton Defined Benefit Plan.

(d) Termination of Participating Company Status. Except as otherwise may be mutually agreed upon by Eaton and Axcelis Technologies, effective as of the Non-Controlled Group Date or such other date as Axcelis Technologies establishes a corresponding Plan (as specified in Section 2.2 or otherwise in this Agreement), Axcelis Technologies shall automatically cease to be a Participating Company in the corresponding Eaton Plan.

2.5 Terms of Participation by Axcelis Technologies Employees and Axcelis Technologies Transferred Employees in Axcelis Technologies Plans.

(a) Non-Duplication of Benefits. Except as specified otherwise in this Agreement, as of the Separation Date, or other date that applies to any particular Axcelis Technologies Plan established thereafter, the Axcelis Technologies Plans shall be, with respect to Axcelis Technologies Employees and Axcelis Technologies Transferred Employees, in all respects the successors in interest to, be primarily responsible for Plan Obligations arising thereafter and shall not provide benefits that duplicate benefits already, or which in the ordinary course will be, paid or otherwise delivered by, the corresponding Eaton Plans. Eaton and Axcelis Technologies shall agree on methods and procedures, including amending the respective Plan documents, to prevent Axcelis Technologies Employees and Axcelis Technologies Transferred Employees from receiving duplicate benefits from the Eaton Plans and the Axcelis Technologies Plans.

(b) Service Credit. Except as otherwise specified in this Agreement, with respect to Axcelis Technologies Employees and Axcelis Technologies Transferred Employees,

each Axcelis Technologies Plan shall provide that all service, all compensation and all other benefit-affecting determinations that, as of the Separation Date, were recognized under the corresponding Eaton Plan shall, as of the date the relevant Axcelis Technologies Plan is established, receive full recognition and credit and be taken into account under such Axcelis Technologies Plan to the same extent as if such items occurred under such Axcelis Technologies Plan, except to the extent that duplication of benefits would result. The service crediting provisions shall be subject to any respectively applicable "service bridging," "break in service," "employment date" or "eligibility date" rules under the Axcelis Technologies Plans and the Eaton Plans.

2.6 Claims Administration. From the date of this Agreement through the later of January 1, 2001 and the Distribution Date the management of the Plans shall be conducted under the supervision of the plan administrator appointed for such purpose under each of the respective Plans by Eaton, and claims made by participants shall be made, adjudicated and appealed in accordance with the respective Plan's claim procedure.

2.7 Foreign Plans. Axcelis Technologies and Eaton each intend that matters, issues, or Plan Obligations relating to, arising out of or resulting from Foreign Plans and non-U.S.-related employment matters be handled in a manner that is consistent with comparable U.S. matters, issues or Plan Obligations as reflected in this Agreement (to the extent permitted by applicable law or as otherwise specified in the applicable Section or Schedule thereto or Schedule 2.7). Axcelis Technologies Employees participating in the Cutler Hammer Europa Ltd. Pension Scheme ("CHE") pension plan and the Save as You Earn Scheme (as set forth on Schedule 2.7) (each in the UK) as of the Separation Date will not be eligible to participate in such plans after the Distribution Date. Eaton and Axcelis Technologies shall cause the establishment of and permit participation after the Distribution of such employees in Group Personal Pension Plans or Defined Contribution Plans in a form mutually acceptable to Eaton and Axcelis Technologies and at employer and company contribution rates having regard to comparable benefits at retirement to the CHE and Save as You Earn Plans.

ARTICLE III

QUALIFIED PENSION PLANS

3.1 Defined Contribution and 401(k) Plan.

(a) Savings Plan Trust. Effective as of January 1, 20001 (or such other date as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall establish, or cause to be established, a separate trust, which is intended to be tax-qualified under Code Section 401(a), to be exempt from taxation under Code Section 501(a)(1), and to form the Axcelis Technologies Savings Plan.

(b) Savings Plan: Assumption of Liabilities and Transfer of Assets. Effective as of January 1, 2001 (or such other date as Eaton and Axcelis Technologies may mutually agree) and subject to Section 2.2(c): (i) the Axcelis Technologies Savings Plan shall assume and be solely responsible for all Plan Obligations relating to, arising out of or resulting from the participation by Axcelis Technologies Employees and Axcelis Technologies Transferred Employees in the Eaton Savings Plan; and (ii) Eaton shall cause the accounts of the Axcelis Technologies Employees and the Axcelis Technologies Transferred Employees under the Eaton Savings Plan that are held by its related trust to be transferred to the Axcelis Technologies Savings Plan and its related trust, and Axcelis Technologies shall cause such transferred accounts to be accepted by such Plan and its related trust. Effective as of January 1, 2001 (or such other date as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall enter into agreements to accomplish such assumption and transfer, the maintenance of the necessary participant records, the appointment of an initial trustee under the Axcelis Technologies Savings Plan and the engagement of an initial record keeper under the Axcelis Technologies Savings Plan. Axcelis Technologies and Eaton shall use commercially reasonable efforts to accomplish the establishment of the Savings Plan and related trust spin-off.

(c) Stock Considerations. Axcelis Technologies and Eaton shall assume sole responsibility for ensuring that their respective company stock funds, and underlying employer securities held in each such fund, are maintained in compliance with all applicable SEC and other requirements. The Axcelis Technologies Savings Plan shall permit the participants to maintain investments in Eaton Technologies common stock for a period of up to two years.

(d) No Distribution to Axcelis Technologies Transferred Employees. The Eaton Savings Plan and the Axcelis Technologies Savings Plan shall provide that no distribution of account balances shall be made to any Axcelis Technologies Employee or Axcelis Technologies Transferred Employee solely on account of the Axcelis Technologies Group ceasing to be an Affiliated Company of the Eaton Group as of the Non-Controlled Group Date.

3.2 Defined Benefit Plan.

(a) Defined Benefit. Effective as of the earlier of December 31, 2000 and the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies Employees shall cease to be participants in the Eaton Defined Benefit Plan. All accrued benefits of Axcelis Technologies Employees shall be held by

the Eaton Defined Benefit Plan and administered in accordance with the terms of the Eaton Defined Benefit Plan, provided (i) service rendered to Axcelis Technologies after the Non-Controlled Group Date by Axcelis Technologies Employees and Axcelis Technologies Transferred Employees who formerly participated in the Eaton Defined Benefit Plan will be credited for vesting purposes under the Eaton Defined Benefit Plan and (ii) an Axcelis Technologies Employee or an Axcelis Technologies Transferred Employee who formerly participated in the Eaton Defined Benefit Plan who is employed by Axcelis Technologies on the second anniversary of the Distribution Date shall be fully vested under the Eaton Defined Benefit Plan regardless of the number of years of service actually rendered. The Eaton Defined Benefit Plan shall be administered in accordance with its terms with respect to determining whether the disposition of Eaton of all or any portion of its ownership interest in Axcelis Technologies causes a separation from service for purposes of making distributions to participants under the Eaton Defined Benefit Plan then eligible to receive benefits under the Eaton Defined Benefit Plan.

ARTICLE IV

NON-QUALIFIED PLAN

4.1 Deferred Compensation Plan.

(a) Amounts Accrued Under Eaton Deferred Compensation Plans. Amounts accrued under Eaton Deferred Compensation Plans on behalf of Axcelis Technologies Employees shall be the sole responsibility of Eaton and such amounts shall be paid by Eaton in accordance with the terms of such plans or an Eaton Severance Agreement. Axcelis Technologies shall not be obligated with respect to any Eaton Deferred Compensation Plan.

(b) Axcelis Technologies Deferred Compensation Plans. From and after the Distribution Date, Axcelis Technologies may, but shall not be obligated to, establish deferred compensation plans, programs or arrangements as Axcelis Technologies deems appropriate in its discretion.

ARTICLE V

HEALTH AND WELFARE PLANS

5.1 Health Plans as of the Non-Controlled Group Date.

(a) Axcelis Technologies Health Plans. As of January 1, 2001 (or such other date(s) as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall have established the Axcelis Technologies Health Plans, and Axcelis Technologies shall cease to be a Participating Company in the Eaton Health Plans. If the Non-Controlled Group Date occurs prior to December 31, 2000, for the period beginning on the Non-Controlled Group Date and continuing to and including December 31, 2000, Axcelis Technologies shall adopt Health Plans with provisions exactly the same as the Eaton Health Plan. After their respective adoptions, Axcelis Technologies shall be solely responsible for the administration of the Axcelis Technologies Health Plans, including the payment of all employer-related costs in establishing and maintaining the Axcelis Technologies Health Plans responsibilities, and for the collection and remittance of employee premiums, subject to Section 8.2.

(b) Vendor Arrangements. Eaton and Axcelis Technologies shall each use commercially reasonable efforts for and on behalf of Axcelis Technologies to procure, effective as of January 1, 2001 (or such other date(s) as Eaton and Axcelis Technologies may mutually agree): (i) third party ASO contracts which are comparable in the aggregate in all Material Features to the ASO contracts entered into by Eaton (the "ASO Contracts"); (ii) group insurance policies which are reasonably comparable in the aggregate to plans offered to their employees by other corporations engaged in a business comparable to the Axcelis Technologies Business; and (iii) HMO agreements which are reasonably comparable in the aggregate to HMO agreements offered to their employees by other corporations engaged in a business comparable to the Axcelis Technologies Business. In each case, Axcelis Technologies shall, as of January 1, 2001 (or such other date as Eaton and Axcelis Technologies may mutually agree), establish, adopt and/or implement such contracts, agreements or arrangements. Axcelis Technologies may elect to discontinue any or all such contracts, agreements or arrangements after the Distribution Date in accordance with Section 2.3.

(c) Continuance of Elections, Co-Payments and Maximum Benefits.

Beginning on the Separation Date and continuing until January 1, 2001 or such other date as Axcelis Technologies and Eaton may mutually agree, Axcelis Technologies shall cause the Axcelis Technologies Health Plans to recognize and maintain all coverage and contribution elections made by Axcelis Technologies Employees and Axcelis Technologies Transferred Employees under the Eaton Health Plans and apply such elections under the Axcelis Technologies Health Plans for the remainder of the period or periods for which such elections are by their terms applicable. The transfer or other movement of employment between Eaton to Axcelis Technologies at any time upon or before the Distribution Date shall neither constitute nor be treated as a "status change" or termination of employment under the Eaton Health Plans or the Axcelis Technologies Health Plans.

(d) HCFA. As of the Separation Date (or such other date as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall assume all Plan Obligations relating to, arising out of or resulting from claims, if any, under the HCFA data match reports that relate to Axcelis Technologies Employees and Axcelis Technologies Transferred Employees.

5.2 Health Plans from the Separation Date through the Non-Controlled Group Date. Except as otherwise agreed by Eaton and Axcelis Technologies, for the period beginning with the Separation Date and ending on the Non-Controlled Group Date (or such other period as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall be a Participating Company in the Eaton Health Plans listed on Schedule 5.2. Eaton shall administer claims incurred under the Eaton Health Plans by Axcelis Technologies Employees before the Non-Controlled Group Date but only to the extent that Axcelis Technologies has not, before the Non-Controlled Group Date, established and assumed administrative responsibility for a corresponding Health Plan. Any determination made or settlements entered into by Eaton with respect to such claims shall be final and binding. Axcelis Technologies shall reimburse Eaton for any and all direct and indirect costs and expenses associated with its participation in the Eaton Health Plans, subject to Section 8.1.

5.3 Group Life Plan.

(a) Axcelis Technologies' Participation in Eaton Group Life Plan. Axcelis Technologies shall, until the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree), continue to be a Participating Company in the Eaton Group Life Plan. Axcelis Technologies shall cease to be a Participating Company in the Eaton Group Life Plan coincident with the Non-Controlled Group Date. Axcelis Technologies shall reimburse Eaton for any and all direct and indirect costs and expenses associated with its participation in the Eaton Group Life Plan, subject to Section 8.1.

(b) Axcelis Technologies' Establishment of Axcelis Technologies Group Life Plan. Eaton and Axcelis Technologies shall each use commercially reasonable efforts to procure an arrangement on behalf of Axcelis Technologies for a Group Life Plan which shall be reasonably comparable to life plans offered by other corporations engaged in a business comparable to the Axcelis Technology Business and is financially, administratively and legally practicable. Axcelis Technologies will reimburse Eaton for its direct and indirect costs and expenses associated with its procurement, preparation, and implementation of the Axcelis Technologies Group Life Plan, subject to Section 8.1.

5.4 AD&D Plan.

(a) Axcelis Technologies' Participation in Eaton AD&D Plan. Axcelis Technologies shall, until the earlier of December 31, 2000 and the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree), continue to be a Participating Company in the Eaton AD&D Plan. Axcelis Technologies shall cease to be a Participating Company in the Eaton AD&D Plan coincident with such earlier applicable date. Axcelis Technologies shall reimburse Eaton for any and all direct and indirect costs and expenses associated with its participation in the Eaton AD&D Plan, subject to Section 8.2.

(b) Axcelis Technologies' Establishment of Axcelis Technologies AD&D Plan. Eaton and Axcelis Technologies shall each use commercially reasonable efforts to procure an arrangement on behalf of Axcelis Technologies for an AD&D Plan which shall be comparable in the aggregate reasonably comparable in the aggregate to plans offered to their employees by other corporations engaged in a business comparable to the Axcelis Technologies Business. Axcelis Technologies will reimburse Eaton for its direct and indirect costs and expenses associated with its procurement, preparation and implementation of the Axcelis Technologies AD&D Plan, subject to Section 8.1.

5.5 Severance Plan. Axcelis Technologies shall, until the earlier of December 31, 2000 or the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree), continue to be a Participating Company in the Eaton Severance Plan. Axcelis Technologies shall cease to be a Participating Company in the Eaton Severance Plan coincident with such earlier applicable date. If Axcelis Technologies so elects, Eaton will assist Axcelis Technologies in establishing the Axcelis Technologies Severance Plan. Axcelis Technologies will reimburse Eaton for any and all direct and indirect payments, costs and expenses related to its participation in the Eaton Severance Plan and Eaton's preparation and implementation of the Axcelis Technologies Severance Plan, subject to Section 8.1. None of the Separation, the IPO, the Non-Controlled Group Date or the Distribution shall be an event giving rise to severance payments under the Eaton Severance Plan or the Axcelis Technologies Severance Plan.

5.6 Disability Plans.

(a) Short-Term Disability Plan. Effective on the earlier of December 31, 2000 or the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall implement or cause to be implemented, the Axcelis Technologies Short-Term Disability Plan. Eaton will administer Axcelis Technologies' Short-Term Disability Plan through the earlier of December 31, 2000 or the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree). Axcelis Technologies shall reimburse Eaton for its costs and expenses associated with such administration, subject to Section 8.1.

(b) Long-Term Disability Plan. Axcelis Technologies shall, until the earlier of December 31, 2000 or the Non-Controlled Group Date (or such other date as Axcelis Technologies and Eaton may mutually agree), continue to be a Participating Company in the Eaton Long-Term Disability Plan. Eaton and Axcelis Technologies shall each use commercially reasonable efforts for and on behalf of Axcelis Technologies to procure, effective as of January 1, 2001 (or such other date as Eaton and Axcelis Technologies may mutually agree), an Axcelis Technologies Long-Term Disability Plan. Axcelis Technologies will reimburse Eaton for any and all direct and indirect costs and expenses associated with its participation in the Eaton Long-Term Disability Plan and Eaton's assistance in procuring, preparing, and implementing the Axcelis Technologies Long-Term Disability Plan, subject to Section 8.2.

5.7 Business Travel Accident Insurance. Through the earlier of December 31, 2000 or the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall remain a Participating Company in the Eaton

Business Travel Accident Insurance policy. Eaton shall be responsible for administering or causing to be administered the Eaton Business Travel Accident Insurance policy with respect to Axcelis Technologies Employees. Axcelis Technologies shall reimburse Eaton for any and all direct and indirect expenses and costs associated with its participation in the Eaton Business Travel Accident Insurance policy, subject to Section 8.2. Eaton and Axcelis Technologies shall each use commercially reasonable efforts for and on behalf of Axcelis Technologies to procure a Business Travel Accident Insurance policy which shall be reasonably comparable in the aggregate to plans offered to their employees by other corporations engaged in a business comparable to the Axcelis Technologies Business, effective as of January 1, 2000 (or such other date as Eaton and Axcelis Technologies may mutually agree). Effective as of January 1, 2001, Axcelis Technologies shall be solely responsible for maintaining its own Business Travel Accident Insurance policy.

5.8 Section 125 Plan. Through the earlier of December 31, 2000 and the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies and designated members of the Axcelis Technologies Group shall remain Participating Companies in the Eaton Section 125 Plan. The existing elections for Axcelis Technologies Employees participating in the Eaton Section 125 Plan and for newly-eligible Axcelis Technologies Employees who elect to participate in the Eaton Section 125 Plan shall remain in effect through December 31, 2000 (or such other date as Eaton and Axcelis Technologies may mutually agree). Effective on January 1, 2001 (or such other date immediately following the date that Axcelis Technologies' participation in the Eaton Section 125 Plan terminates), Axcelis Technologies shall establish, or cause to be established, the Axcelis Technologies Section 125 Plan and Axcelis Technologies shall be solely responsible for the Axcelis Technologies Section 125 Plan. Eaton will administer, or cause to be administered, the Eaton Section 125 Plan for Axcelis Technologies Employees and the Axcelis Technologies Section 125 Plan through such date as Eaton and Axcelis Technologies may mutually agree. Axcelis Technologies shall reimburse Eaton for any and all direct and indirect expenses and costs attributable to Axcelis Technologies Employees, subject to Section 8.2.

5.9 COBRA. Eaton shall be responsible through the earlier of December 31, 2000 and the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree) for compliance with the health care continuation coverage requirements of COBRA and the Eaton Health and Welfare Plans with respect to Axcelis Technologies Employees, Axcelis Technologies Transferred Employees and qualified beneficiaries (as such term is defined under COBRA). Axcelis Technologies shall be responsible for providing Eaton with all necessary employee change notices and related information for covered dependents, spouses, qualified beneficiaries (as such terms are defined under COBRA) and alternate recipients pursuant to QMCSO, in accordance with applicable Eaton COBRA policies and procedures. As soon as administratively practicable after the earlier of December 31, 2000 or the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree), Eaton shall provide Axcelis Technologies (through hard copy, electronic format or such other mechanism as is appropriate under the circumstances) with a list of all qualified beneficiaries (as such term is defined under COBRA) that relate to the Axcelis Technologies Group and the relevant information pertaining to their coverage elections and remaining COBRA time periods. Effective as of the earlier of January 1, 2001 and the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree), Axcelis

Technologies shall be solely responsible for compliance with the health care continuation coverage requirements of COBRA and the Axcelis Technologies Health and Welfare Plans for Axcelis Technologies Employees and Axcelis Technologies Transferred Employees and their qualified beneficiaries (as such term is defined under COBRA).

5.10 Administrative Services. To the extent not provided otherwise in this Article, Eaton shall provide certain administrative services to Axcelis Technologies in conjunction with both the Eaton and Axcelis Technologies Health and Welfare Plans in such manner and for such period as Eaton and Axcelis Technologies may mutually agree. Axcelis Technologies shall compensate Eaton for any and all such services as provided in the Transitional Services Agreement, subject to Section 8.2.

5.11 Foreign Plans. Eaton and Axcelis Technologies each will make reasonable efforts to amend each contract with a foreign third-party administrator/government agency that relates to any of Eaton's Health and Welfare Plans in existence as of the date of this Agreement to permit Axcelis Technologies to have its own contracts after the Distribution Date. In those cases where the above is not possible due to governmental restrictions or plan provisions or other reasons, reasonable efforts will be made by Eaton and Axcelis Technologies to identify similar plans for participation by Axcelis Technologies employees.

ARTICLE VI

EQUITY AND OTHER COMPENSATION

6.1 Bonus Plan. Except as may be provided in an Eaton Severance Agreement, Employees of the Axcelis Technologies Business (including, for this purpose, any employees of Eaton who are designated as employees of the Axcelis Technologies Business for purposes of the Separation) shall cease their participation in the Eaton plans providing annual and multi-year incentive compensation opportunities, and each other compensation plan as of the Separation Date. Payment of amounts earned by Axcelis Technologies Employees or Axcelis Technologies Transferred Employees under the Eaton annual and multi-year incentive compensation plan(s) previously covering such employees shall be the responsibility of Axcelis Technologies. Effective as of the Separation Date (or such other date as Eaton and Axcelis Technologies may mutually agree), Axcelis Technologies shall establish the Axcelis Technologies Bonus Plan for Axcelis Technologies Employees and Axcelis Technologies Transferred Employees for Axcelis Technologies fiscal period(s) beginning on and after the Separation Date (or such other date as Eaton and Axcelis Technologies may mutually agree), to be administered at the direction of the Axcelis Technologies Board of Directors.

6.2 Eaton Options.

(a) (i) Option Assumption by Axcelis Technologies. If Eaton disposes of its interests in Axcelis Technologies by a dividend to Eaton shareholders, at the Distribution Date (or such later date as Eaton and Axcelis Technologies may mutually agree), each outstanding Eaton Option held by Axcelis Technologies Transferred Employees, whether vested or unvested, shall be, in connection with the Distribution, assumed by Axcelis Technologies. Each Eaton Option so assumed by Axcelis Technologies shall continue to have, and be subject to, the same terms and conditions as are set forth in the Eaton Stock Plans and as provided in the respective option agreements governing such Eaton Option as of the Distribution Date (or such other date as Eaton and Axcelis Technologies may mutually agree), except that (i) such Eaton Option shall be exercisable for that number of whole shares of Axcelis Technologies common stock equal to the quotient of the number of shares of Eaton common stock that were issuable upon exercise of such Eaton Option as of the Distribution Date divided by the Ratio, rounded down to the nearest whole number of shares of Axcelis Technologies common stock, and (ii) the per share exercise price for the shares of Axcelis Technologies common stock issuable upon exercise of such assumed Eaton Option shall be equal to the product determined by multiplying the exercise price per share of Eaton common stock at which such Eaton Option was exercisable as of the Distribution Date by the Ratio, rounded up to the nearest whole cent.

(ii) Assumption Criteria. The assumption of Eaton Options by Axcelis Technologies pursuant to Subsection 6.2(a) shall meet the following criteria: (i) the aggregate intrinsic value of the assumed Eaton Options immediately after the assumption shall not be greater than such value immediately before the assumption; (ii) with respect to each such assumed Eaton Option, the Ratio of the exercise price per share to the Axcelis Technologies Stock Value of the assumed Eaton Options immediately after the assumption shall not be less than the Ratio of the exercise price per share to the Eaton Stock Value immediately before the assumption; and (iii) the vesting and option term of the assumed Eaton Options shall not be

changed. If any assumed option has vesting provisions based on performance, the substituted option shall also have performance vesting criteria reasonably comparable as determined by the Axcelis Technologies Board of Directors.

(b) If Eaton disposes of its interest in Axcelis Technologies in a transaction which is not a dividend to its shareholders, Eaton and Axcelis Technologies shall use their best efforts to make arrangements with respect to Eaton options as are in Eaton's judgment necessary or desirable under the terms of such disposition transaction.

(c) Certain Non-U.S. Optionees. Except as may otherwise be agreed upon by Eaton and Axcelis Technologies, this Section 6.2 shall govern the treatment of Eaton Options held by non-U.S. Axcelis Technologies Transferred Employees.

6.3 Stock Purchase Plan. On or after the Distribution Date, Axcelis Technologies Employees and Axcelis Technologies Transferred Employees may be eligible to begin purchases of Axcelis Technologies common stock under the Stock Purchase Plan. In no event may any stock purchases or orders to purchase be consummated under the Stock Purchase Plan prior to the Distribution Date.

ARTICLE VII

FRINGE AND OTHER BENEFITS

7.1 Employee Assistance Program. Axcelis Technologies shall use commercially reasonable efforts for and on behalf of Axcelis Technologies to procure, effective as of the January 1, 2001 (or such other date as Eaton and Axcelis Technologies may mutually agree), a contract with a service provider that provides coverage to or for an Axcelis Technologies Employee Assistance Program. Axcelis Technologies shall cease to be a Participating Company in the Eaton Employee Assistance Program coincident with Axcelis Technologies' establishment of the Axcelis Technologies Employee Assistance Program. Axcelis Technologies shall reimburse Eaton for any and all direct and indirect costs and expense associated with its participation in the Eaton Employee Assistance Program.

7.2 Educational Assistance Program. Effective as of January 1, 2001 (or such other date as Axcelis Technologies and Eaton may mutually agree), Axcelis Technologies shall provide an Axcelis Technologies Educational Assistance Program to Axcelis Technologies Employees which is reasonably comparable to the Educational Assistance Program provided to Axcelis Technologies Employees prior to the Separation Date. Axcelis Technologies shall cease to be a Participating Company in the Eaton Educational Assistance Program coincident with Axcelis Technologies' establishment of the Axcelis Technologies Educational Assistance Program. At such time, any and all outstanding approved reimbursements under the Eaton Educational Assistance Program for Axcelis Technologies Employees shall be made by Axcelis Technologies. Furthermore, Axcelis Technologies shall reimburse Eaton for any and all direct and indirect costs and expenses associated with its participation in the Eaton Educational Assistance Program.

7.3 Other Benefits. To the extent that Eaton maintains, sponsors or provides other fringe benefits as specified in Schedule 7.3 to its eligible employees, then Eaton shall, to the extent permitted by law, continue to make such benefits available to Axcelis Technologies Employees on substantially similar terms and conditions as are offered to the employees of the Eaton Group through the Distribution Date (or such other date upon which Axcelis Technologies and Eaton mutually agree). Axcelis Technologies shall reimburse Eaton for any and all direct and indirect costs and expenses associated with, arising out of or resulting from providing such other fringe benefits to its employees, subject to Section 8.2. Axcelis Technologies and Eaton shall each use commercially reasonable efforts to mutually agree on whether, when and on what terms any member of the Axcelis Technologies Group shall maintain, sponsor or offer fringe benefits after the Distribution Date.

7.4 Administrative Services. To the extent not provided otherwise in this Article, Eaton shall provide certain administrative services to Axcelis Technologies in conjunction with both the Eaton and the Axcelis Technologies Fringe Benefit Plans in such manner and for such period as Eaton and Axcelis Technologies may mutually agree. Axcelis Technologies shall compensate Eaton for any and all such services as provided for in the Transitional Services Agreement, subject to Section 8.1.

ARTICLE VIII

ADMINISTRATIVE PROVISIONS

8.1 Payment of Liabilities, Plan Expenses and Related Matters.

(a) Expenses and Costs Chargeable to a Trust. Effective as of the Separation Date, Axcelis Technologies shall pay its share of any contributions made to or expenses incurred by any trust maintained in connection with any Eaton Plan while Axcelis Technologies is a Participating Company in that Eaton Plan.

(b) Contributions to Trusts. Eaton shall use reasonable procedures to determine the allocable share of Axcelis Technologies contributions to and expenses incurred by the respective trusts established under the Eaton Defined Benefit Plan and the Eaton Savings Plan, Health and Welfare and other plans in which Axcelis Technologies Employees and Axcelis Technologies Transferred Employees then participate.

(c) Administrative Expenses Not Chargeable to a Trust. Effective as of the Separation Date, to the extent not charged pursuant to the Transitional Services Agreement (as contemplated by Section 8.1) or another Ancillary Agreement, to the extent not otherwise agreed to in writing by Eaton and Axcelis Technologies and to the extent not chargeable to a trust established in connection with an Eaton Plan (as provided in paragraph 8.1(a)), Axcelis Technologies shall be responsible, through either direct payment or reimbursement to Eaton in accordance with Section 5.6 of the Separation Agreement and/or in accordance with the Transitional Services Agreement as applicable, for its allocable share of actual third party and/or vendor costs and expenses incurred by Eaton and additional costs and expenses, subject to the methodology determined by Eaton in the administration of (i) the Eaton Plans while Axcelis Technologies participates in such Eaton Plans, and (ii) the Axcelis Technologies Plans, to the extent Eaton procures, prepares, implements and/or administers such Axcelis Technologies Plans. To the extent not otherwise determinable through direct allocation of costs and expenses, Axcelis Technologies' allocable share of such costs and expenses will be based on the number of Axcelis Technologies Employees then participating as a percentage of total Eaton employees then participating.

8.2 Sharing of Participant Information. In addition to the responsibilities and obligations of Eaton and Axcelis Technologies contemplated by the Separation Agreement for non-U.S. locations, Eaton and Axcelis Technologies shall share, or cause to be shared, all participant information that is necessary or appropriate for the efficient and accurate administration of each of the Eaton Plans and the Axcelis Technologies Plans during the respective periods applicable to such Plans as Eaton may determine. Eaton and Axcelis Technologies and their respective authorized agents shall, subject to applicable laws of confidentiality and data protection, be given reasonable and timely access to, and may make copies of, all information relating to the subjects of this Agreement in the custody of the other party or its agents, to the extent necessary or appropriate for such administration, provided that each recipient of such information shall provide the same confidential treatment to such information as it would to such information of its own.

8.3 Reporting and Disclosure Communications to Participants. While Axcelis Technologies is a Participating Company in the Eaton Plans, Axcelis Technologies shall take, or cause to be taken, all actions necessary or appropriate to facilitate the distribution of all Eaton Plan-related communications and materials to Axcelis Technologies Employees, participants and beneficiaries, including (without limitation) summary plan descriptions and related summaries of material modification(s), summary annual reports, investment information, prospectuses, notices and enrollment material for the Eaton Plans and Axcelis Technologies Plans. Axcelis Technologies shall assist Eaton in complying with all reporting and disclosure requirements of ERISA, including the preparation of Form Series 5500 annual reports for the Eaton Plans and plan audits, where applicable.

8.4 Audits Regarding Vendor Contracts. From the period beginning as of the Separation Date and ending on such date as Eaton and Axcelis Technologies may mutually agree (but no later than three years after the Distribution Date), Eaton and Axcelis Technologies and their duly authorized representatives shall have the right upon mutually agreeable terms to conduct joint audits with respect to any vendor contracts that relate to both the Eaton Health and Welfare Plans and the Axcelis Technologies Health and Welfare Plans. The scope of such audits shall encompass the review of all correspondence, account records, claim forms, canceled drafts (unless retained by the bank), provider bills, medical records submitted with claims, billing corrections, vendor's internal corrections of previous errors and any other documents or instruments relating to the services performed by the vendor under the applicable vendor contracts. Prior to the commencement of any audit, Eaton and Axcelis Technologies shall agree on the performance standards, audit methodology, auditing policy and quality measures, reporting requirements and the manner in which costs and expenses incurred in connection with such audits will be shared.

8.5 Employee Identification Numbers. Until the Distribution Date (or such other date as Eaton and Axcelis Technologies may mutually agree), Eaton and Axcelis Technologies shall not change any employee identification numbers assigned by Eaton. Eaton and Axcelis Technologies will establish a policy pursuant to which employee identification numbers assigned to either employees of Eaton or Axcelis Technologies shall not be duplicated between Eaton and Axcelis Technologies.

8.6 Beneficiary Designation. On or before the Non-Controlled Group Date Axcelis Technologies shall (i) advise Axcelis Technologies Employees of its adoption of new plans and (ii) solicit Axcelis Technologies Employees to provide current beneficiary designation forms.

8.7 Requests for IRS and DOL Opinions. Eaton and Axcelis Technologies shall make such applications to regulatory agencies, including the IRS and DOL, as may be necessary or appropriate in regard to any matter covered by this Agreement. Axcelis Technologies and Eaton shall cooperate fully with one another on any issue relating to the transactions contemplated by this Agreement for which Eaton and/or Axcelis Technologies elects to seek a determination letter or private letter ruling from the IRS or an advisory opinion from the DOL.

8.8 Fiduciary Matters. Eaton and Axcelis Technologies acknowledge that actions contemplated to be taken pursuant to this Agreement may be subject to fiduciary duties or standards of conduct under ERISA or other applicable law, and that no party shall be deemed to

be in violation of this Agreement if such party fails to comply with any provisions hereof based upon such party's good faith determination that to do so would violate such a fiduciary duty or standard.

8.9 Consent of Third Parties. If any provision of this Agreement is dependent on the consent of any third party (such as a vendor) and such consent is withheld, Eaton and Axcelis Technologies shall use commercially reasonable efforts to implement the applicable provisions of this Agreement. If any provision of this Agreement cannot be implemented due to the failure of such third party to consent, Eaton and Axcelis Technologies shall negotiate in good faith to implement the provision in a mutually satisfactory manner.

8.10 Foreign Plans; Requests for Foreign Government Authority Rulings. Axcelis Technologies shall cooperate fully with Eaton on any issue relating to the transactions contemplated by this Agreement for which Eaton elects to seek a determination letter, private letter ruling or advisory opinion from a foreign government authority with respect to any of the Axcelis Technologies Plans relating to the transactions contemplated by this Agreement.

ARTICLE IX

EMPLOYMENT-RELATED MATTERS

9.1 Terms of Axcelis Technologies Employment. All basic terms and conditions of employment for Axcelis Technologies Employees and Axcelis Technologies Transferred Employees, including without limitation their pay and benefits in the aggregate, shall remain reasonably comparable to the pay and benefits offered to their employees by other corporations engaged in the Axcelis Technology Business through December 31, 2003 or the Non-Controlled Group Date. In addition, nothing in the Separation Agreement, an Eaton Severance Agreement, this Agreement or any other Ancillary Agreement shall be construed to change the at-will status of the employment of any of the employees of the Eaton Group or the Axcelis Technologies Group.

9.2 HR Data Support Systems. Eaton shall provide human resources data support for Axcelis Technologies Employees and Axcelis Technologies Transferred Employees to the extent and under the terms and conditions set forth in the Transitional Services Agreement.

9.3 Employment of Employees with U.S. Work Visas. Axcelis Technologies Employees with U.S. work visas authorizing them to work for Axcelis Technologies will continue to hold work authorization for the Axcelis Technologies Group after the Separation Date. Axcelis Technologies will request and process all necessary amendments to the nonimmigrant visa status of Axcelis Technologies Employees and Axcelis Technologies Transferred Employees with U.S. work visas authorizing them to work for Eaton, to obtain authorization to work for Axcelis Technologies.

9.4 Confidentiality and Proprietary Information. No provision of this Agreement, the Separation Agreement or any other Ancillary Agreement shall be deemed to release any individual from his or her obligations under any agreement relating to confidential or proprietary information of any member of the Eaton Group, or otherwise relieve any individual of his or her obligations under any non-competition agreement.

9.5 Personnel Records. Subject to applicable laws on confidentiality and data protection, Eaton shall make available to Axcelis Technologies prior to the earlier of December 31, 2000 and the Non-Controlled Group Date (or such other date as Eaton and Axcelis Technologies may mutually agree), personnel records of Axcelis Technologies Employees and Axcelis Technologies Transferred Employees to the extent such records relate to Axcelis Technologies Employees' and Axcelis Technologies Transferred Employees' active employment by, unpaid leave of absence from or termination of employment with Axcelis Technologies, provided that each recipient of such information shall provide confidential treatment to such information as it would to such information of its own. Axcelis Technologies shall fully reimburse Eaton for any and all direct and indirect costs and expenses associated with making such records available, subject to Section 8.1.

9.6 Medical Records. Subject to applicable laws on confidentiality and data protection, Eaton shall make available to Axcelis Technologies prior to the earlier of December 31, 2000 or the Non-Controlled Group Date (or such other date as Eaton and Axcelis

Technologies may mutually agree), medical records of Axcelis Technologies Employees and Axcelis Technologies Transferred Employees to the extent such records (a) relate to Axcelis Technologies Employees' and Axcelis Technologies Transferred Employees' active employment by, leave of absence from, or termination of employment with Axcelis Technologies, and (b) are necessary to administer and maintain employee benefit plans, including Axcelis Technologies Health Plans and Axcelis Technologies workers' compensation plans, and for determining eligibility for paid and unpaid leaves of absence for medical reasons. Axcelis Technologies shall fully reimburse Eaton for any and all direct and indirect costs and expenses associated with making such records available.

9.7 Unemployment Insurance Program.

(a) Claims Administration Through December 31, 2000. Unless otherwise directed by Axcelis Technologies, Eaton and Axcelis Technologies shall each use commercially reasonable efforts to cause Axcelis Technologies to receive service from Eaton's third party unemployment insurance administrators through December 31, 2000 (or such other date as Eaton and Axcelis Technologies may mutually agree). Axcelis Technologies shall reimburse Eaton for its allocable share of fees and related costs and expenses paid by Eaton to its third party unemployment insurance administrator for services rendered during such period, pursuant to the Transitional Services Agreement. Axcelis Technologies shall cooperate with the unemployment insurance administrator by providing any and all necessary or appropriate information reasonably available to Axcelis Technologies.

(b) Claim Administration After December 31, 2000. Before December 31, 2000, Eaton and Axcelis Technologies shall use commercially reasonable efforts for and on behalf of Axcelis Technologies to procure an agreement with Eaton's third party unemployment insurance administrator to administer all unemployment compensation claims of Axcelis Technologies Transferred Employees and Axcelis Technologies Employees, regardless of when such claims were filed. Axcelis Technologies shall reimburse Eaton for any and all direct and indirect costs and expenses associated with such procurement, subject to the Transitional Services Agreement.

9.8 Non-Termination of Employment; No Third-Party Beneficiaries. No provision of this Agreement, the Separation Agreement or any other Ancillary Agreement shall be construed to create any right or accelerate entitlement to any compensation or benefit whatsoever on the part of any Axcelis Technologies Employee, Axcelis Technologies Transferred Employee or other former, present or future employee of Eaton or Axcelis Technologies under any Eaton Plan or Axcelis Technologies Plan or otherwise. Without limiting the generality of the foregoing: (a) none of the Separation, the IPO or the Distribution, nor the termination of the Participating Company status of Axcelis Technologies or any member of the Axcelis Technologies Group shall cause any employee to be deemed to have incurred a termination of employment unless required by applicable law; and (b) no transfer of employment between Eaton and Axcelis Technologies shall be deemed a termination of employment for any purpose hereunder.

9.9 Employment Claims. Axcelis Technologies shall have the sole responsibility for all employment-related claims, including benefit-related claims other than claims for breach of fiduciary duty relating to or for benefits due under the Eaton Defined Benefit Plan, regarding

Axcelis Technologies Employees and Axcelis Technologies Transferred Employees that came into existence before, were made before, came into existence after or were made after the Separation Date relating to, arising out of or resulting from their employment as a part of Eaton.

9.10 Foreign Works Councils and Employee Associations. To the extent any provision of this Agreement is contrary to the provisions of any Works Council/Collective Bargaining/Employee Association agreement to which Eaton or any Affiliated Company of Eaton is a party, the terms of such agreement shall prevail. Should any provisions of this Agreement be deemed by any appropriate authority to be a mandatory subject for any works council/collective bargaining/employee association, Eaton may be obligated to communicate/bargain with the respective party representing affected employees concerning those subjects, and the outcome thereof shall be binding on Axcelis as between Eaton and Axcelis.

ARTICLE X

MISCELLANEOUS

10.1 Relationship of Parties. Nothing in this Agreement shall be deemed or construed by the parties or any third party as creating the relationship of principal and agent, partnership or joint venture between the parties, the understanding and agreement being that no provision contained herein, and no act of the parties, shall be deemed to create any relationship between the parties other than the relationship set forth herein.

10.2 Affiliates. Each of Eaton and Axcelis Technologies shall cause to be performed any and all actions of the Eaton Group or the Axcelis Technologies Group, respectively, required to be performed by this Agreement.

10.3 Limitation of Liability. EXCEPT TO THE EXTENT, IF ANY, SPECIFICALLY PROVIDED HEREIN, IN THE SEPARATION AGREEMENT OR IN ANY OTHER ANCILLARY AGREEMENT, IN NO EVENT SHALL ANY MEMBER OF THE EATON GROUP OR THE AXCELIS GROUP BE LIABLE TO ANY OTHER MEMBER OF THE EATON GROUP OR THE AXCELIS GROUP FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE), ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EACH PARTY'S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES AS SET FORTH IN ANY ANCILLARY AGREEMENT PROVIDING FOR INDEMNIFICATION OR INSURANCE.

10.4 Governing Law. To the extent not preempted by applicable federal law, including, without limitation, ERISA, the Code and applicable securities laws, this Agreement shall be construed in accordance with and all disputes hereunder shall be governed by the local laws of the State of Ohio, excluding its conflict of law rules. The United States District Court for the Northern District of Ohio shall have jurisdiction and venue over, and shall be the sole court used by the parties to initiate resolution of, all disputes between the parties that are permitted to be brought in a court of law pursuant to the Separation Agreement.

10.5 Termination. This Agreement may be terminated in accordance with Section 6.3 of the Separation Agreement.

10.6 Notices. Notices, offers, instructions, consents, requests or other communications required or permitted to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties to the following addresses:

if to Eaton:

Office of the Secretary Eaton
Corporation Eaton Center
1111 Superior Avenue
Cleveland, Ohio 44114
Fax: 216-479-7103

if to Axcelis:

Chief Executive Officer
Axcelis Technologies, Inc.
55 Cherry Hill Drive
Beverly, Massachusetts 01915
Fax: 978-232-4221

or to such other address as the party to whom notice is given may have previously furnished to the other in writing as provided herein. Any notice involving non-performance, termination, or renewal shall be sent by hand delivery or recognized overnight courier or, within the United States, may also be sent via certified mail, return receipt requested. All other notices may also be sent by fax, confirmed by first class mail. All notices shall be deemed to have been given and received on the earlier of actual delivery or three (3) days from the date of postmark.

10.7 Counterparts. This Agreement, including the Schedules hereto and the other documents referred to herein, will be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

10.8 Binding Effect; Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal successors and permitted assigns. This Agreement may be enforced separately by each member of the Eaton Group and each member of the Axcelis Technologies Group. Neither party may assign this Agreement or any rights or obligations hereunder in whole or in part, without the prior written consent of the other party, which consent will not be unreasonably withheld, and any assignment without such consent shall be void. No permitted assignment of any rights or obligations hereunder, in whole or in part, by operation of law or otherwise, will release the assigning party as the obligor, jointly and severally with the assignee, from any of its obligations hereunder.

10.9 Severability. If any term or other provision of this Agreement is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible and in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest possible extent.

10.10 Failure or Indulgence Not Waiver; Remedies Cumulative. Any provision of this agreement or any breach thereof may only be waived if done specifically and in writing by the

party which is entitled to the benefits thereof. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Schedules attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

10.11 Entire Agreement; Amendment. This Agreement, the Separation Agreement, and the other Ancillary Agreements, including the Exhibits and Schedules attached hereto and thereto, constitute the sole and entire understanding of the parties with respect to the matters contemplated hereby and thereby and supersede and render null and void all prior negotiations, representations, agreements and understandings (oral and written) between the parties with respect to such matters. No change or amendment shall be made to this Agreement (including any exhibits or schedules hereto) except by an instrument in writing signed by each of the parties hereto.

10.12 Authority. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

10.13 Interpretation. The headings contained in this Agreement or any Schedule hereto are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule but not otherwise defined therein shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article, Section or Schedule, such reference shall be to an Article of, Section of, or Schedule to this Agreement unless otherwise indicated. The language used in this agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent and agreement, and no rule of strict construction or canons or aids in interpretation will be applied against either party.

10.14 Conflict. In the event of any conflict between the provisions of this Agreement and the Separation Agreement or any other Ancillary Agreement, the provisions of this Agreement shall control.

10.15 Subsequent Legal Fees. In the event any arbitration or litigation is initiated to enforce the terms and provisions of this Agreement, the party prevailing in said action shall be entitled to its reasonable attorneys fees and costs and shall be paid same in full by the losing party promptly upon demand by the prevailing party. A party may also include its claim for such fees and costs in said action for adjudication thereof.

10.16 No Third-Party Beneficiaries or Right to Rely. Notwithstanding anything to the contrary in this Agreement (a) nothing in this Agreement is intended to or shall create for or grant to any third person any rights whatever, as a third party beneficiary or otherwise; (b) no third person is entitled to rely on any of the representations, warranties, covenants or agreements contained herein; and (c) no party hereto shall incur any liability or obligation to any third person because of any reliance by such third person on any representation, warranty, covenant or agreement herein.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officers or representatives on the date first above written.

EATON CORPORATION

By: /s/ KEN SEMELSBERGER
Name: Ken Semelsberger
Title: Vice President--Strategic Planning

By: /s/ ADRIAN T. DILLON
Name: Adrian T. Dillon
Title: Executive Vice President, Chief Financial and Planning Officer

AXCELIS TECHNOLOGIES, INC.

By: /s/ MARY G. PUMA
Name: Mary G. Puma
Title: President, Chief Operating Officer and Secretary

By: /s/ BRIAN R. BACHMAN
Name: Brian R. Bachman
Title: Chief Executive Officer and Vice Chairman of the Board

[Schedules omitted. The registrant hereby agrees to furnish supplementally, upon request, a copy of any omitted Schedule to this Agreement.]

EXHIBIT 2.5

TAX SHARING AND INDEMNIFICATION AGREEMENT,

dated as of June 30, 2000

by and among

EATON CORPORATION

and

AXCELIS TECHNOLOGIES, INC.

TABLE OF CONTENTS

PAGE

PAGE

PAGE

7

TAX SHARING AND INDEMNIFICATION AGREEMENT

TAX SHARING AND INDEMNIFICATION AGREEMENT (this "Agreement"), dated as of June 30, 2000, by and among Eaton Corporation ("Eaton"), an Ohio corporation, and Axcelis Technologies, Inc. ("Axcelis Technologies"), a Delaware corporation and wholly owned subsidiary of Eaton.

RECITALS

WHEREAS, Eaton is the common parent corporation of an affiliated group of corporations within the meaning of Section 1504(a) of the Code (as defined herein) and of consolidated, combined, unitary and other similar groups as defined under similar laws of other jurisdictions, and Axcelis Technologies and certain Axcelis Technologies Affiliates (as defined herein) are members of such groups;

WHEREAS, the groups of which Eaton is the common parent and Axcelis Technologies and the Axcelis Technologies Affiliates are members file or intend to file Consolidated Returns, Combined Returns and Separate Returns (as defined herein);

WHEREAS, in addition to its other businesses, Eaton has been engaged through Axcelis Technologies and its various subsidiaries and divisions in the Axcelis Business (as defined herein);

WHEREAS, Axcelis Technologies and its various subsidiaries and divisions have been engaged in various businesses, primarily manufacturing, selling and servicing semiconductor manufacturing equipment;

WHEREAS, the Boards of Directors of Eaton and Axcelis Technologies have each determined that it would be appropriate and desirable for Eaton to contribute and transfer to Axcelis Technologies, and for Axcelis Technologies to receive and assume, directly or indirectly, the assets and liabilities (including contingent liabilities) of Eaton and its Subsidiaries associated with the Axcelis Technologies Business to the extent not contributed and transferred to Axcelis Technologies prior to the date hereof (the "Separation");

WHEREAS, Eaton and Axcelis Technologies currently contemplate that, following the Separation, Axcelis Technologies will make an initial public offering ("IPO") of an amount of its common stock pursuant to a registration statement on Form S-1 under the Securities Act of 1933, as amended that will reduce Eaton's ownership interest in Axcelis Technologies to not less than 80.1% of the outstanding common stock of Axcelis Technologies;

WHEREAS, Eaton currently plans to complete the Distribution (as defined herein) approximately six months following the IPO; and

WHEREAS, it is appropriate and desirable to set forth the principles and responsibilities of the parties to this Agreement regarding the allocation of Taxes (as defined

herein) and other related liabilities and adjustments with respect to Taxes, Audits (as defined herein) and other related Tax matters.

NOW, THEREFORE, in consideration of the premises or promises and the mutual covenants contained herein and intending to be legally bound hereby, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS - Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Master Separation and Distribution Agreement (as defined herein). As used in this Agreement, capitalized terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined).

"AFFILIATED PERSON" has the meaning ascribed to such term in the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

"ASSOCIATES" has the meaning ascribed to such term in the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"AUDIT" includes any audit, assessment of Taxes, other examination by any Tax Authority, proceeding, or appeal of such a proceeding relating to Taxes, whether administrative or judicial (including without limitation any determination with respect to a claim for refund).

"AXCELIS TECHNOLOGIES AFFILIATE" means any corporation or other entity in which Axcelis Technologies owns at least fifty percent (50%) of the total combined voting power (at any time after the completion of the Separation).

"AXCELIS TECHNOLOGIES BUSINESS" has the meaning set forth in the Master Separation and Distribution Agreement.

"AXCELIS TECHNOLOGIES GROUP" means the affiliated group of corporations as defined in Section 1504(a) of the Code, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions following the completion of the Separation, of which Axcelis Technologies would be the common parent if it were not a subsidiary of Eaton, and any corporation or other entity which would be a member of such group for the relevant taxable period or portion thereof.

"AXCELIS TECHNOLOGIES GROUP COMBINED RETURNS" means, any tax return with respect to Non-Federal Taxes filed on a consolidated, combined (including nexus combination, worldwide combination, domestic combination, line of business combination or any other form of combination) or unitary basis wherein Axcelis Technologies and one or more Axcelis Technologies Affiliates join in the filing of such Tax Return.

"AXCELIS TECHNOLOGIES GROUP COMBINED TAX LIABILITY" means, with respect to any taxable period, the Axcelis Technologies Group's liability for Non-Federal Combined Taxes as determined under Section 4.2 of this Agreement.

"AXCELIS TECHNOLOGIES GROUP CONSOLIDATED RETURNS" means, any Tax Return with respect to Federal Income Taxes filed on a consolidated basis wherein Axcelis Technologies and one or more Axcelis Technologies Affiliates join in the filing of such Tax Return (for any taxable period or portion thereof).

"AXCELIS TECHNOLOGIES GROUP FEDERAL INCOME TAXES" means, means any Tax imposed under Subtitle A of the Code or any other provision of United States federal Income Tax law (including the Taxes imposed by Sections 11, 55, 59A, and 1201(a) of the Code), and any interest, additions to Tax or penalties applicable or related thereto that are assessed against Axcelis Technologies or any Axcelis Technologies Affiliate.

"AXCELIS TECHNOLOGIES GROUP FEDERAL INCOME TAX LIABILITY" means, with respect to any taxable period, the Axcelis Technologies Group's liability for Federal Income Taxes as determined under Section 4.1 of this Agreement.

"AXCELIS TECHNOLOGIES GROUP NON-FEDERAL COMBINED TAXES" means, any Non-Federal Tax with respect to which a Combined Return is filed by the Axcelis Technologies Group.

"AXCELIS TECHNOLOGIES GROUP NON-FEDERAL SEPARATE RETURNS" means, any tax return filed with respect to Non-Federal Separate Taxes by Axcelis Technologies or any member of the Axcelis Technologies Group.

"AXCELIS TECHNOLOGIES GROUP NON-FEDERAL SEPARATE TAXES" means, any Non-Federal Tax other than a Non-Federal Combined Tax assessed again Axcelis Technologies or any member of the Axcelis Technologies Group.

"AXCELIS TECHNOLOGIES GROUP NON-FEDERAL SEPARATE TAX LIABILITY" means, with respect to any taxable period, the Axcelis Technologies Group's liability for Non-Federal Separate Taxes as determined under Section 4.3 of this Agreement.

"BENEFICIAL OWNERSHIP" has the meaning ascribed to such term in the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"CODE" means the United States Internal Revenue Code of 1986, as amended, or any successor statute.

"COMBINED GROUP" means a group of corporations or other entities that files a Combined Return or a corporation or other entity that files a Combined Return described in clause (ii) or clause (iii) of the definition of "Combined Return."

"COMBINED RETURN" means any Tax Return with respect to Non-Federal Taxes (i) filed on a consolidated, combined (including nexus combination, worldwide combination, domestic combination, line of business combination or any other form of combination) or unitary basis wherein Axcelis Technologies or one or more Axcelis Technologies Affiliates join in the filing of such Tax Return (for any taxable period or portion thereof) with Eaton or one or more Eaton Affiliates, (ii) filed on a separate basis that includes Tax Items relating to, or arising from, both the Axcelis Business and the Retained Business, or (iii) pursuant to which Tax Items or Tax Assets of (A) Eaton (or any Eaton Affiliate) are included on a separate Tax Return of Axcelis Technologies (or any Axcelis Technologies Affiliate) or (B) Axcelis Technologies (or any Axcelis Technologies Affiliate) are included on a separate Tax Return of Eaton (or any Eaton Affiliate).

"CONSOLIDATED GROUP" means an affiliated group of corporations within the meaning of Section 1504(a) of the Code that files a Consolidated Return.

"CONSOLIDATED RETURN" means any Tax Return with respect to Federal Income Taxes filed on a consolidated basis wherein Axcelis Technologies or one or more Axcelis Technologies Affiliates join in the filing of such Tax Return (for any taxable period or portion thereof) with Eaton or one or more Eaton Affiliates.

"DECONSOLIDATION" means with respect to each Tax Return (i) any event pursuant to which Axcelis Technologies ceases to be a subsidiary corporation includible in the Consolidated Return, (ii) any event pursuant to which neither Axcelis Technologies nor any Axcelis Technologies Affiliate continues to be included in a Combined Return which includes Eaton and/or a Eaton Affiliate, (iii) any event (including as a result of transactions contemplated by the Separation) pursuant to which Tax Items relating to, or arising from, both the Axcelis Business and the Retained Business are no longer included on a Combined Return described in clause (ii) of the definition of Combined Return or (iv) any event pursuant to which a Tax Return described in clause (iii) of the definition of Combined Return no longer includes Tax Items or Tax Assets of both Eaton (or any Eaton Affiliate) and Axcelis Technologies (or any Axcelis Technologies Affiliate).

"DECONSOLIDATION DATE" means the day on which a Deconsolidation occurs.

"DECONSOLIDATION TAX" means any Tax, resulting from a Deconsolidation, taken into account under Section 1.1502-13 or Section 1.1502-19 or any predecessor provision of the Treasury Regulations (or any similar provision under Non-Federal Tax law).

"DISTRIBUTION" means any distribution (or exchange) by Eaton or any Eaton Affiliate, with respect to its stock, of the stock of Axcelis Technologies (or any successor corporation or corporation which owns stock of Axcelis Technologies) in a transaction intended to qualify under Section 355 of the Code.

"EATON AFFILIATE" means any corporation or other entity in which Eaton owns more than fifty percent (50%) of the total combined voting power (at any time after the

completion of the Separation), other than Axcelis Technologies or any Axcelis Technologies Affiliate.

"EATON GROUP" means the affiliated group of corporations as defined in Section 1504(a) of the Code, or similar group of entities as defined under corresponding provisions of the laws of other jurisdictions, of which Eaton is the common parent, and any corporation or other entity which is a member of such group for the relevant taxable period or portion thereof, but excluding any member of the Axcelis Technologies Group.

"ESTIMATED TAX INSTALLMENT DATE" means, in the case of Federal Income Tax, the installment due dates prescribed in Section 6655(c) of the Code (presently April 15, June 15, September 15 and December 15) together with due date for applying for an extension of time to file a return prescribed in Section 6072 of the Code or such other dates as may be prescribed by relevant provisions by statute or regulation with respect to other Federal and Non-Federal Taxes.

"FEDERAL INCOME TAX" means any Tax imposed under Subtitle A of the Code or any other provision of United States federal Income Tax law (including the Taxes imposed by Sections 11, 55, 59A, and 1201(a) of the Code), and any interest, additions to Tax or penalties applicable or related thereto.

"FEDERAL TAX" means any Tax imposed under the Code or otherwise under United States federal Tax law.

"FINAL DETERMINATION" means the final resolution of any Tax (or other matter) for a taxable period, including related interest or penalties, that, under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise, including (1) by the expiration of a statute of limitations or a period for the filing of claims for refunds, amending Tax Returns, appealing from adverse determinations, or recovering any refund (including by offset), (2) by a decision, judgment, decree, or other order by a court of competent jurisdiction, which has become final and unappealable, (3) by a closing agreement or an accepted offer in compromise under Section 7121 or 7122 of the Code, or comparable agreements under laws of other jurisdictions, (4) by execution of an Internal Revenue Service Form 870 or 870AD, or by a comparable form under the laws of other jurisdictions (excluding, however, with respect to a particular Tax Item for a particular taxable period any such form that reserves (whether by its terms or by operation of law) the right of the taxpayer to file a claim for refund and/or the right of the Tax Authority to assert a further deficiency with respect to such Tax Item for such period), or (5) by any allowance of a refund or credit, but only after the expiration of all periods during which such refund or credit may be recovered (including by way of offset).

"GROSS ASSET VALUE" means, when used with respect to a specified Person, the fair market value of such Person's assets unencumbered by any liabilities.

"GROUP" means either the Eaton Group or the Axcelis Technologies Group, as the context provides.

"INCOME TAX" means (a) any Tax based upon, measured by, or calculated with respect to (1) net income or profits (including, without limitation, any capital gains Tax, minimum Tax and any Tax on items of Tax preference, but not including sales, use, real or personal property, gross or net receipts, transfer or similar Taxes) or (2) multiple bases if one or more of the bases upon which such Tax may be based, measured by, or calculated with respect to, is described in clause (1) above, or (b) any United States state or local franchise Tax.

"INTEREST ACCRUAL PERIOD" has the meaning set forth in Section 6.4 of this Agreement.

"IPO" has the meaning set forth in the Recitals.

"MASTER SEPARATION AND DISTRIBUTION AGREEMENT" means the Master Separation and Distribution Agreement, dated as of June 30, 2000 by and between Eaton and Axcelis Technologies.

"NON-FEDERAL COMBINED TAX" means any Non-Federal Tax with respect to which a Combined Return is filed.

"NON-FEDERAL SEPARATE TAX" means any Non-Federal Tax other than a Non-Federal Combined Tax.

"NON-FEDERAL SEPARATE TAX RETURN" means any Tax Return filed with respect to Non-Federal Separate Taxes.

"NON-FEDERAL TAX" means any Tax other than a Federal Tax.

"PAYMENT PERIOD" has the meaning set forth in Section 6.4 of this Agreement.

"PERSON" means any natural person, corporation, limited liability company, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"POST-DECONSOLIDATION PERIOD" means any taxable period with respect to a Consolidated Return or Combined Return, as the case may be, beginning after a Deconsolidation Date.

"PRE-DECONSOLIDATION PERIOD" means any taxable period with respect to a Consolidated Return or Combined Return, as the case may be, beginning and ending on or before a Deconsolidation Date.

"PRIVILEGE" means any privilege that may be asserted under applicable law including, any privilege arising under or relating to the attorney-client relationship (including the attorney-client and work product privileges), the accountant-client privilege, and any privilege relating to internal evaluation processes.

"PRO FORMA AXCELIS TECHNOLOGIES GROUP COMBINED RETURN" means a pro forma Non-Federal Combined Tax return or other schedule prepared pursuant to Section 4.2 of this Agreement.

"PRO FORMA AXCELIS TECHNOLOGIES GROUP CONSOLIDATED RETURN" means a pro forma consolidated Federal Income Tax return or other schedule prepared pursuant to Section 4.1 of this Agreement.

"PRO FORMA AXCELIS TECHNOLOGIES GROUP NON-FEDERAL SEPARATE TAX RETURNS" means a pro forma Non-Federal Separate Tax return or other schedule prepared pursuant to Section 4.3 of this Agreement.

"RESTRICTED PERIOD" means the two-year period following the date the Distribution occurs.

"RETAINED BUSINESS" means all lines of business retained by Eaton following any Deconsolidation.

"RULING" means (a) the initial private letter ruling, if any, issued by the Service in connection with the Distribution (and any related transactions) or (b) any similar ruling issued by any Tax Authority other than the Service in connection with the Distribution (and any related transactions).

"RULING DOCUMENTS" means (a) the request for the Ruling submitted to the Service, together with the appendices and exhibits thereto and any supplemental filings or other materials subsequently submitted to the Service, in connection with the Distribution (and any related transactions) or (b) any similar filings submitted to any other Tax Authority in connection with the Distribution (and any related transactions).

"SEPARATE RETURN" means any Tax Return with respect to Non-Federal Separate Taxes filed by Eaton, Axcelis Technologies, or any of their respective affiliates.

"SEPARATION" has the meaning set forth in the Recitals.

"SEPARATION DATE" has the meaning set forth in the Master Separation and Distribution Agreement.

"SEPARATION TAX" means any Tax (net of any current benefit arising from any Tax Asset) resulting from the Separation imposed upon Eaton or any Eaton Affiliate or Axcelis Technologies or any Axcelis Technologies Affiliate; provided that, such term shall not refer to the collateral Tax effects of the Separation (including, without limitation, relating to the tax basis of assets comprising the Axcelis Business or the amount, if any, of Tax Assets or earnings and profits of Axcelis Technologies or any Axcelis Technologies Affiliate following the Separation).

"SERVICE" means the Internal Revenue Service or any successor agency or authority.

"STRADDLE PERIOD" means any taxable period with respect to a Consolidated Return, Combined Return or Separate Return, as the case may be, beginning on or before the Deconsolidation Date and ending after the Deconsolidation Date.

"TAX" means any charges, fees, levies, imposts, duties, or other assessments of a similar nature, including income, alternative or add-on minimum, gross receipts, profits, lease, service, service use, wage, wage withholding, employment, workers compensation, business occupation, occupation, premiums, environmental, estimated, excise, employment, sales, use, transfer, license, payroll, franchise, severance, stamp, occupation, windfall profits, withholding, social security, unemployment, disability, ad valorem, highway use, commercial rent, capital stock, paid up capital, recording, registration, property, real property gains, value added, business license, custom duties, or other tax or governmental fee of any kind whatsoever, imposed or required to be withheld by any Tax Authority including any interest, additions to tax, or penalties applicable or related thereto.

"TAX ASSET" means any Tax Item that could reduce a Tax, including a net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction or credit related to alternative minimum tax or any other Tax credit.

"TAX AUTHORITY" means a U. S. or foreign governmental authority or any subdivision, agency, commission or authority thereof or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or imposition of any Tax (including, without limitation, the Service).

"TAX ITEM" means any item of income, gain, loss, deduction or credit, or other attribute that may have the effect of increasing or decreasing any Tax.

"TAX RETURN" means any return, report, certificate, form or similar statement or document (including, any related or supporting information or schedule attached thereto and any information return, amended tax return, claim for refund or declaration of estimated tax) required to be supplied to, or filed with, a Tax Authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

"TREASURY REGULATIONS" means the final, temporary and proposed income tax regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

SECTION 2. PREPARATION AND FILING OF TAX RETURNS

2.1 IN GENERAL. (a) For any Pre-Deconsolidation Period, Eaton shall have the sole and exclusive responsibility for the preparation and filing of: (1) all Consolidated Returns, (2) all Combined Returns and (3) all Separate Returns.

(b) For the Straddle Period, Eaton shall have the sole and exclusive responsibility for the preparation and filing of: (1) all Consolidated Returns, (2) all Combined Returns and (3) all Separate Returns.

(c) For all Post-Deconsolidation Periods, Axcelis Technologies shall have the sole and exclusive responsibility for the preparation and filing of: (1) all Axcelis Technologies Group Consolidated Returns, (2) all Axcelis Technologies Group Combined Returns, and (3) all Axcelis Technologies Group Non-Federal Separate Returns.

2.2 MANNER OF PREPARING AND FILING TAX RETURNS. (a) All Tax Returns filed after the date of this Agreement by Eaton or any Eaton Affiliate, shall be (1) prepared in a manner that is consistent with (i) Sections 5.1 and 10.3 of this Agreement and (ii) any Ruling Documents or Ruling, and (2) filed on a timely basis (taking into account applicable extensions) by Eaton.

(b) Eaton shall have the exclusive right, in its sole discretion, with respect to any Tax Return relating to the Pre-Deconsolidation and Straddle Periods to determine (1) the manner in which such Tax Return shall be prepared and filed, including the elections, methods of accounting, positions, conventions and principles of taxation to be used and the manner in which any Tax Item shall be reported, (2) whether any extensions may be requested, (3) the elections that will be made by Eaton, any Eaton Affiliate, Axcelis Technologies, and any Axcelis Technologies Affiliate on such Tax Return, (4) whether any amended Tax Returns shall be filed, (5) whether any claims for refund shall be made, (6) whether any refunds shall be paid by way of refund or credited against any liability for the related Tax, and (7) whether to retain outside firms to prepare or review such Tax Return. Eaton agrees to provide Axcelis Technologies with a copy of each such Tax Return prior to the due date for the filing of any such Tax Return (giving effect to applicable extensions) for such taxable years sufficiently in advance of such date to allow Axcelis Technologies the opportunity to review and comment on any such Tax Return.

(c)(1) Axcelis Technologies shall be responsible for providing financial, transactional, legal and other information in a timely manner as necessary for the preparation of the returns described in Sections 2.1(a) and (b) of this Agreement. Information shall be requested and submitted by way of annual tax workpaper packages (due no later than March 31, for the preceding tax year ended December 31), sales and use tax reports (submitted as required to meet reporting deadlines in accordance with the continuation of the current process), other miscellaneous information requests and other supporting documentation. Such information shall be submitted within 30 days of written request in accordance with Eaton's normal information request practices and due dates.

(2) For a period of one year beginning on the Deconsolidation Date, Axcelis Technologies may elect to have Eaton prepare the returns described in Section 2.1(c) of this Agreement. If Axcelis Technologies so elects then it shall provide written notice to Eaton as provided in Section 10.2. Eaton shall prepare such returns in accordance with the terms and conditions contained in the Transitional Services Agreement, dated as of June 30, 2000 by

and between Eaton and Axcelis Technologies, for services rendered pursuant to this Section 2.2(c)(2).

2.3 AGENT. Subject to the other applicable provisions of this Agreement, Axcelis Technologies hereby irrevocably designates, and agrees to cause each Axcelis Technologies Affiliate to so designate, Eaton as its sole and exclusive agent and attorney-in-fact to take such action (including execution of documents) as Eaton, in its sole discretion, may deem appropriate in any and all matters (including Audits) relating to any Tax Return described in Sections 2.1(a) and (b) of this Agreement.

SECTION 3. PAYMENT OF TAXES TO TAX AUTHORITIES

3.1 FEDERAL INCOME TAXES. Eaton shall pay (or cause to be paid) to the Service all Federal Income Taxes with respect to any Consolidated Return due and payable for all Pre-Deconsolidation Periods and Straddle Periods. Axcelis Technologies shall pay (or cause to be paid) to the Service all Axcelis Technologies Group Federal Income Taxes due and payable for all Post-Deconsolidation Periods.

3.2 NON-FEDERAL COMBINED TAXES. Eaton shall pay (or cause to be paid) to the appropriate Tax Authorities all Non-Federal Combined Taxes with respect to any Combined Return due and payable for all Pre-Deconsolidation Periods and Straddle Periods. Axcelis Technologies shall pay (or cause to be paid) to the appropriate Tax Authorities all Axcelis Technologies Group Non-Federal Combined Taxes with respect to any Combined Return due and payable for Post-Deconsolidation Periods.

3.3 NON-FEDERAL SEPARATE TAXES. Eaton shall pay (or cause to be paid) to the appropriate Tax Authorities all Non-Federal Separate Taxes due and payable for Pre-Deconsolidation Periods and Straddle Periods. Axcelis Technologies shall pay (or cause to be paid) to the appropriate Tax Authorities all Axcelis Technologies Group Non-Federal Separate Taxes due and payable for Post-Deconsolidation Periods.

3.4 OTHER FEDERAL TAXES. The parties shall each pay (or cause to be paid) to the appropriate Tax Authorities all of their respective Federal Taxes (excluding Federal Income Taxes for Pre-Deconsolidation Periods and Straddle Periods which are governed by Section 3.1 of this Agreement).

SECTION 4. ALLOCATION OF TAXES

4.1 AXCELIS TECHNOLOGIES GROUP FEDERAL INCOME TAX LIABILITY. With respect to each Pre-Deconsolidation Period beginning after December 31, 1999 (including the Straddle Period), the Axcelis Technologies Group Federal Income Tax Liability for such taxable period shall be the Axcelis Technologies Group's liability for Federal Income Taxes for such taxable period, as determined on a Pro Forma Axcelis Technologies Group Consolidated Return prepared:

(i) on a basis consistent with the preparation of the Consolidated Return for such period, determined by including only Tax Items of members of the Axcelis Technologies Group which are included in the Consolidated Return and by allocating Tax Assets to the Axcelis Technologies Group to the extent that the Tax Asset was created by a member of the Axcelis Technologies Group and such Tax Asset was actually utilized on the relevant Consolidated Return; and

(ii) applying the highest statutory marginal corporate income Tax rate in effect for such taxable period (or portion thereof); provided that, in the event that the federal alternative minimum Tax applies to the Consolidated Return, the Axcelis Technologies Group Federal Income Tax Liability shall equal the lesser of (i) the alternative minimum Tax liability with respect to the Consolidated Return that would result by including only Tax Items and Tax Assets of members of the Axcelis Technologies Group included in the Consolidated Return or (ii) the aggregate Tax liability payable with respect to such Consolidated Return.

(iii) The principles of Treasury Regulation Section 1.1502-33(d)(3) also shall apply to the allocation set forth in Sections 4.1(i) and (ii). If the amount of the consolidated federal income tax liability due under any Consolidated Return is less than the sum of the aggregate separate return tax liabilities of the Axcelis Technology Group and the Eaton Group (as computed pursuant to Sections 4.1(i) and (ii) above) due to losses or tax credits of one Group (including losses or tax credits carried over from prior years), the decrease in tax liability resulting therefrom shall be allocated 100 percent to that Group. A Group thus may have a "negative" income tax liability as a result of such an allocation (a "Loss Group"). If a Loss Group exists, the other Group shall pay to the Loss Group in a timely manner an amount equal to such "negative" income tax liability. In other words, if Tax attributes (e.g., losses or tax credits) of one Group are utilized by the other Group to reduce taxable income or Tax, as the case may be, the Group utilizing such Tax attributes shall pay to the other Group, with respect to losses, an amount equal to such reduction in taxable income resulting from the utilization of such losses multiplied by the top marginal federal corporate income Tax rate actually used by the Group utilizing the losses in calculating its deemed Tax liability (prior to the application of Tax credits against such liability) under Sections 4.1(i) and (ii) for the taxable period during which such losses are utilized and, with respect to Tax credits, an amount equal to the actual amount by which the deemed Tax liability calculated pursuant to Sections 4.1(i) and (ii) is reduced by such Tax credits for the taxable period during which such Tax credits are utilized.

4.2 AXCELIS TECHNOLOGIES GROUP COMBINED TAX LIABILITY. With respect to any Pre-Deconsolidation Period beginning after December 31, 1999, the Axcelis Technologies Group Combined Tax Liability shall be the sum for such taxable period of the Axcelis Technologies Group's liability for each Non-Federal Combined Tax, as determined on Pro Forma Axcelis Technologies Group Combined Returns prepared in a manner consistent with the principles and procedures set forth in Sections 4.1(i) and (ii) hereof. The Pro Forma Axcelis Technologies Group Combined Returns relating to Tax Returns described in clauses (ii) and (iii) of the definition of "Combined Return" shall be prepared by including only Tax Items and Tax Assets relating to or arising from the Axcelis Business. The principles of Section 4.1(iii) shall also apply to this section 4.2.

4.3 AXCELIS TECHNOLOGIES GROUP NON-FEDERAL SEPARATE TAX LIABILITY. With respect to any Pre-Deconsolidation Period beginning after December 31, 1999, the Axcelis Technologies Group Non-Federal Separate Tax Liability shall be the sum for such taxable period of the Axcelis Technologies Group's liability for each Non-Federal Separate Tax, as determined on Pro Forma Axcelis Technologies Group Non-Federal Separate Returns prepared in a manner consistent with the principles and procedures set forth in Section 4.1 hereof. The Pro Forma Axcelis Technologies Group Non-Federal Separate Returns shall be prepared by including only Tax Items and Tax Assets relating to or arising from the Axcelis Business.

4.4 COOPERATION. (a) Eaton and Axcelis Technologies agree to cooperate in good faith in connection with the preparation of such pro forma tax returns and agree to make reasonably available any documents, information or employees in connection therewith. However, with respect to any Pre-Deconsolidation Period beginning after December 31, 1999, Eaton shall have the sole and exclusive responsibility for the preparation of any Pro Forma Axcelis Technologies Group Consolidated Returns, Pro Forma Axcelis Technologies Group Combined Returns and Pro Forma Axcelis Technologies Group Non-Federal Separate Returns. and Eaton shall have the exclusive right, in its sole discretion, to determine the proper application of the requirements set forth in Section 4.1 hereof.

(b) The Pro Forma Axcelis Technologies Group Consolidated Returns, Pro Forma Axcelis Technologies Group Combined Returns and Pro Forma Axcelis Technologies Group Non-Federal Separate Returns, workpapers and other supporting documentation shall be completed no later than thirty (30) business days prior to the date on which the related Consolidated Return, Combined Return or Separate Return, as the case may be, is filed with the appropriate Tax Authority.

4.5 TAX SHARING INSTALLMENT PAYMENTS. (a) FEDERAL INCOME TAXES. Not later than two (2) business days prior to each Estimated Tax Installment Date with respect to any Pre-Deconsolidation Period beginning after December 31, 1999, the parties shall, consistent with Eaton's current period annualization election and past practice, determine under the principles of Section 6655 of the Code the estimated amount of the related installment of the Axcelis Technologies Group Federal Income Tax Liability. Axcelis Technologies shall pay to Eaton the amount thus determined on or before such Estimated Tax Installment Date. The parties acknowledge and agree that, for purposes of this Section 4.5(a), Axcelis Technologies has paid to Eaton no amounts as of the date hereof, with respect to the taxable period beginning January 1, 2000.

(b) NON-FEDERAL COMBINED TAXES. Eaton shall, in connection with any installment payment (payable with respect to any Combined Return prepared and filed by Eaton) with respect to Non-Federal Combined Taxes for any Pre-Deconsolidation Period beginning after December 31, 1999, consistent with Eaton's current period annualization elections and past practice, determine the estimated amount of the related installment of the Axcelis Technologies Group Combined Tax Liability. From time to time, Eaton may provide Axcelis Technologies with a written statement setting forth amounts owed by Axcelis

Technologies in connection with any installment payments with respect to Non-Federal Combined Taxes made by Eaton for the immediately preceding month and any other month for which a statement has not previously been provided by Eaton. Axcelis Technologies shall pay the amounts set forth on any statement upon receipt of such statement. The parties acknowledge and agree that, for purposes of this Section 4.5(b), Axcelis Technologies has paid no amounts to Eaton with respect to the taxable period beginning January 1, 2000.

(c) NON-FEDERAL SEPARATE TAXES. Eaton shall, in connection with any installment payment (payable with respect to any Separate Return prepared and filed by Eaton) with respect to Non-Federal Separate Taxes for any Pre-Deconsolidation Period beginning after December 31, 1999, consistent with Eaton's current period annualization elections and past practice, determine the estimated amount of the related installment of the Axcelis Technologies Group Non-Federal Separate Tax Liability. From time to time, Eaton may provide Axcelis Technologies with a written statement setting forth amounts owed by Axcelis Technologies in connection with any installment payments with respect to Non-Federal Separate Taxes made by Eaton for the immediately preceding month and any other month for which a statement has not previously been provided by Eaton. Axcelis Technologies shall pay the amounts set forth on any statement upon receipt of such statement. The parties acknowledge and agree that, for purposes of this Section 4.5(c), Axcelis Technologies has paid no amounts to Eaton with respect to the taxable period beginning January 1, 2000.

4.6 TAX SHARING TRUE UP PAYMENTS. (a) FEDERAL INCOME TAXES. Not later than thirty (30) business days following the completion of any Pro Forma Axcelis Technologies Group Consolidated Return, Axcelis Technologies shall pay to Eaton, or Eaton shall pay to Axcelis Technologies, as appropriate, an amount equal to the difference, if any, between the Axcelis Technologies Group Federal Income Tax Liability for the Pre-Deconsolidation Period and the aggregate amount paid by Axcelis Technologies with respect to such period under Section 4.5(a) of this Agreement.

(b) NON-FEDERAL COMBINED TAXES. Not later than thirty (30) business days following the completion of any Pro Forma Axcelis Technologies Group Combined Return, Axcelis Technologies shall pay to Eaton, or Eaton shall pay to Axcelis Technologies, as appropriate, an amount equal to the difference, if any, between the Axcelis Technologies Group Combined Tax Liability for the Pre-Deconsolidation Period and the amounts paid by Axcelis Technologies with respect to such period under Section 4.5(b) of this Agreement.

(c) NON-FEDERAL SEPARATE TAXES. Not later than thirty (30) business days following the completion of any Pro Forma Axcelis Technologies Group Separate Return, Axcelis Technologies shall pay to Eaton, or Eaton shall pay to Axcelis Technologies, as appropriate, an amount equal to the difference, if any, between the Axcelis Technologies Group Separate Tax Liability for the Pre-Deconsolidation Period and the amounts paid by Axcelis Technologies with respect to such period under Section 4.5(c) of this Agreement.

4.7 REDETERMINATION AMOUNTS. For any Pre-Deconsolidation Period or Straddle Period beginning after December 31, 1999, in the event of a redetermination of any Tax Item of any member of a Consolidated Group or Combined Group as a result of a Final Determination, the filing of a Tax refund claim or the filing of an amended Tax Return pursuant to which Taxes are paid to a Tax Authority or a refund of Taxes is received from a Tax Authority, Eaton shall prepare, in accordance with the principles and procedures set forth in this Section 4, revised Pro Forma Axcelis Technologies Group Consolidated Returns, revised Pro Forma Axcelis Technologies Group Combined Returns and/or revised Pro Forma Axcelis Technologies Group Non-Federal Separate Returns, as appropriate, to reflect the redetermination of such Tax Item as a result of such Final Determination, filing of a Tax refund claim or filing of an amended Tax Return. Following the preparation of such revised pro forma tax returns, Axcelis Technologies's payment obligations under Sections 4.1, 4.2 and 4.3 hereof shall be redetermined to reflect Axcelis Technologies's Tax liability pursuant to the revised Pro Forma Axcelis Technologies Group Consolidated Returns, revised Pro Forma Axcelis Technologies Group Combined Returns and/or revised Pro Forma Axcelis Technologies Group Non-Federal Separate Returns prepared pursuant to this Section 4.7. Axcelis Technologies shall pay to Eaton the amount by which the Tax liability reflected on the revised Pro Forma Axcelis Technologies Group Consolidated Returns, revised Pro Forma Axcelis Technologies Group Combined Returns and/or revised Pro Forma Axcelis Technologies Group Non-Federal Separate Returns exceeds the Tax liability reflected on the original Pro Forma Axcelis Technologies Group Consolidated Returns, original Pro Forma Axcelis Technologies Group Combined Returns and/or original Pro Forma Axcelis Technologies Group Non-Federal Separate Returns, and Eaton shall pay to Axcelis Technologies the amount by which the Tax liability reflected on the original Pro Forma Axcelis Technologies Group Consolidated Returns, original Pro Forma Axcelis Technologies Group Combined Returns and/or original Pro Forma Axcelis Technologies Group Non-Federal Separate Returns exceeds the Tax liability reflected on the revised Pro Forma Axcelis Technologies Group Consolidated Returns, revised Pro Forma Axcelis Technologies Group Combined Returns and or revised Pro Forma Axcelis Technologies Group Non-Federal Separate Returns.

4.8 PAYMENT OF TAXES FOR POST-DECONSOLIDATION PERIODS. Except as otherwise provided in this Agreement, Eaton shall pay or cause to be paid all Taxes and shall be entitled to receive and retain all refunds of Taxes with respect to Tax Returns relating to Post-Deconsolidation Periods for which Eaton has filing responsibility, including under this Agreement. Except as otherwise provided in this Agreement, Axcelis Technologies shall pay or cause to be paid all Taxes and shall be entitled to receive and retain all refunds of Taxes with respect to Tax Returns relating to Post-Deconsolidation Periods for which Axcelis Technologies has filing responsibility, including under this Agreement.

SECTION 5. TAX ATTRIBUTES

5.1 ALLOCATION OF TAX ITEMS. (a) IN GENERAL. All Tax computations for (i) any Pre-Deconsolidation Period ending on a Deconsolidation Date, (ii) the immediately following taxable period of Axcelis Technologies or any Axcelis Technologies Affiliate and (iii) any Straddle Period, shall be made pursuant to the principles of Section 1.1502-76(b) of the

Treasury Regulations or of a corresponding provision under the laws of other jurisdictions and, to the extent possible, in a manner consistent with the principles set forth in Section 4.1(a) of this Agreement.

(b) REATTRIBUTION. In the event of a Deconsolidation, Eaton may, at its option, elect to reattribute to itself certain Tax Items of the Axcelis Technologies Group pursuant to Section 1.1502-20(g) of the Treasury Regulations. If Eaton makes such election, Axcelis Technologies shall comply with the requirements of Section 1.1502-20(g)(5) of the Treasury Regulations.

5.2 POST DECONSOLIDATION. To the extent permitted by applicable law, following any Deconsolidation, the relevant Tax Assets with respect to the Consolidated Group or Combined Group, as the case may be, shall be allocated to the corporation or entity that created or generated the Tax Asset.

SECTION 6. ADDITIONAL OBLIGATIONS

6.1 PROVISION OF INFORMATION AND MUTUAL COOPERATION. (a) Eaton and Axcelis Technologies shall, and shall cause their respective affiliates to, (1) furnish to the other in a timely manner such information, documents and other materials as the other may reasonably request for purposes of (i) preparing any Tax Return (or pro forma Tax Return prepared in accordance with Section 4 hereof) or portion thereof for which the other has responsibility for preparing under this Agreement, (ii) contesting or defending any Audit (including the provision of such information, documents and other materials as may be requested by any Tax Authority), and (iii) making any determination or computation necessary or appropriate under this Agreement, (2) make its employees available to the other to provide explanations of documents and materials and such other information as the other may reasonably request in connection with any of the matters described in subclauses (i), (ii) and (iii) of clause (1) above, (3) reasonably cooperate in connection with any Audit. For purposes of this Agreement, "timely" shall mean furnishing such information, documents and other materials or making its employees available within thirty (30) days of the time a request therefor is made by the other.

(b) In the event that either Eaton or Axcelis Technologies or their respective affiliates shall fail for any reason to timely comply with any written request pursuant to Section 6.1, Eaton or Axcelis Technologies, as the case may be, may, in its sole discretion, have its employees or agents fulfill such request and charge the non-complying party for its costs incurred in fulfilling such request at the highest hourly rate then shown on the Appendix attached hereto but not less than $5,000 for each such request. For purposes of this Section 6.1(b), each written request made by any Tax Authority and properly forwarded by one party to the other for action shall be deemed a separate request.

(c) Eaton and Axcelis Technologies shall, and shall cause their respective affiliates to, retain and provide on reasonable demand books, records, documentation or other information relating to any Tax Return or Audit, with respect to any taxable period in which Eaton owns, directly or indirectly, 50% or more (by vote or value) of the outstanding stock of

Axcelis Technologies, until the later of (i) the expiration of the applicable statute of limitations (after giving effect to any extension, waiver, or mitigation thereof) and (ii) in the event any claim is made under this Agreement or by any Tax Authority for which such information is relevant, until a Final Determination is reached with respect to such claim. Notwithstanding anything to the contrary included in this Agreement, the parties will comply in all respects with the requirements of any applicable record retention agreement with the Service or other Tax Authority.

(d) Notwithstanding any other provision of this Agreement, no member of the Eaton Group shall be required to provide Axcelis Technologies or any Axcelis Technologies Affiliate access to or copies of (1) any Tax information that relates exclusively to any member of the Eaton Group, (2) any Tax information as to which any member of the Eaton Group is entitled to assert the protection of any Privilege, or (3) any Tax information as to which any member of the Eaton Group is subject to an obligation to maintain the confidentiality of such information. Eaton shall use reasonable efforts to separate any such information from any other information to which Axcelis Technologies is entitled to access or to which Axcelis Technologies is entitled to copy under this Agreement, to the extent consistent with preserving its rights under this Section 6.1(d).

(e) Notwithstanding any other provision of this Agreement, with respect to Tax information that relates to any taxable period in which Axcelis Technologies is no longer included in the Consolidated Group of which Eaton is the common parent and no Combined Return is filed, no member of the Axcelis Technologies Group shall be required to provide Eaton or any Eaton Affiliate access to or copies of (1) any Tax information as to which any member of the Axcelis Technologies Group is entitled to assert the protection of any Privilege or (2) any Tax information as to which any member of the Axcelis Technologies Group is subject to an obligation to maintain the confidentiality of such information. Axcelis Technologies shall use reasonable efforts to separate any such information from any other information to which Eaton is entitled to access or to which Eaton is entitled to copy under this Agreement, to the extent consistent with preserving its rights under this Section 6.1(e).

(f) The parties agree to give the other party reasonable written notice prior to destroying or discarding any records pertaining to the Pre-Deconsolidation Period or Straddle Period records, and if the other party so requests, the party shall allow the other party to take possession of such tax records. Tax records shall include, inter alia, journal vouchers, cash vouchers, general ledgers, material contracts, authorizations for expenditures, and copies of returns.

6.2 INDEMNIFICATION. (a) GENERAL. Eaton shall be liable for (and indemnify Axcelis Technologies and each Axcelis Technologies Affiliate against) Taxes of the Eaton Group and its Affiliates (including the Axcelis Technologies Group) not specifically allocated to Axcelis Technologies and the Axcelis Technologies Affiliates under this Agreement (including without limitation Taxes for any and all Pre-Deconsolidation Periods beginning before December 31, 1999), and Axcelis Technologies shall be liable for and indemnify the Eaton Group against

Taxes which are specifically allocated to Axcelis Technologies and the Axcelis Technologies Affiliates under this Agreement.

(b) FAILURE TO PAY. Eaton and each Eaton Affiliate shall jointly and severally indemnify and hold Axcelis Technologies and each Axcelis Technologies Affiliate harmless from and against any Tax that is attributable to, or results from the failure of Eaton or any Eaton Affiliate to make any payment required to be made by them under this Agreement, including without limitation any Tax for all Pre-Deconsolidation Periods (other than any Tax described in the succeeding sentence). Axcelis Technologies and each Axcelis Technologies Affiliate shall jointly and severally indemnify and hold Eaton and each Eaton Affiliate harmless from and against any Tax that is attributable to, or results from, the failure of Axcelis Technologies or any Axcelis Technologies Affiliate to make any payment required to be made under this Agreement.

(c) INACCURATE OR INCOMPLETE INFORMATION. Eaton and each Eaton Affiliate shall jointly and severally indemnify Axcelis Technologies and hold Axcelis Technologies and each Axcelis Technologies Affiliate harmless from and against any Tax or loss attributable to the negligence of Eaton or any Eaton Affiliate in supplying Axcelis Technologies or any Axcelis Technologies Affiliate with inaccurate or incomplete information, in connection with the preparation of any Tax Return or any Audit. Axcelis Technologies and each Axcelis Technologies Affiliate shall jointly and severally indemnify and hold Eaton and each Eaton Affiliate harmless from and against any Tax or loss attributable to the negligence of Axcelis Technologies or any Axcelis Technologies Affiliate in supplying Eaton or any Eaton Affiliate with inaccurate or incomplete information, in connection with the preparation of any Tax Return or any Audit.

6.3 TAX CONSEQUENCES OF PAYMENTS. For all Tax purposes and notwithstanding any other provision of this Agreement, to the extent permitted by applicable law, the parties hereto shall treat any payment made pursuant to this Agreement (other than any payment made in satisfaction of an intercompany obligation) as a capital contribution or dividend distribution, as the case may be, immediately prior to the Separation Date and, accordingly, as not includible in the taxable income of the recipient. If, as a result of a Final Determination, it is determined that the receipt or accrual of any payment made under this Agreement is taxable to the recipient, the payor shall pay to the recipient an amount equal to any increase in the Income Taxes of the recipient as a result of receiving the payment from the payor (grossed up to take into account such payment, if applicable).

6.4 INTEREST. Payments pursuant to this Agreement that are not made within the period prescribed in this Agreement or, if no period is prescribed, within thirty (30) business days after demand for payment is made (the "Payment Period") shall bear interest for the period from and including the date immediately following the last date of the Payment Period through and including the date of payment (the "Interest Accrual Period") at a per annum rate equal to the prime rate (as quoted in the Wall Street Journal) in effect on the last day of such Payment Period, plus 500 basis points. Such interest will be payable at the same time as the payment to which it

relates and shall be calculated on the basis of a year of 365 days and the actual number of days for which due.

6.5 OUTSIDE FEES. For any Pre-Deconsolidation Period beginning after December 31, 1999 Axcelis Technologies and all Axcelis Technologies Affiliates will be allocated their proportional share of all outside fees as determined by Eaton. For purposes of this Section 6.5, outside fees will be allocated to the period to which they relate (as Eaton shall in its sole discretion determine) and not the period in which they may be incurred. Outside fees include (but are not limited to) accounting, legal and other fees for preparation and filing of Tax Returns, Tax research, planning, strategy, and assistance with Tax Audits. The allocated amount will be billed to the Axcelis Technologies Group and is due upon receipt.

6.6 CARRYBACKS. Axcelis Technologies shall make an election under Section 172(b)(3) of the Code to relinquish the entire carryback period with respect to any net operating loss attributable to Axcelis Technologies or any Axcelis Technologies Affiliate in any taxable period beginning on or after a Deconsolidation Date that could be carried back to a taxable year of Axcelis Technologies or any Axcelis Technologies Affiliate ending on or before the Deconsolidation Date. Neither Eaton nor any member of the Eaton Group shall be required to pay to Axcelis Technologies or any Axcelis Technologies Affiliate any refund or credit of Taxes that results from the carryback to any taxable period ending on or before the Deconsolidation Date of any net operating loss, capital loss, or tax credit attributable to Axcelis Technologies or any Axcelis Technologies Affiliate in any taxable period beginning on or after the Deconsolidation Date.

SECTION 7. AUDITS

7.1 IN GENERAL. (a) Eaton shall have the exclusive right, in its sole discretion, to control, contest, and represent the interests of Eaton, any Eaton Affiliate, Axcelis Technologies or any Axcelis Technologies Affiliate in any Audit relating to any Tax Return described in Sections 2.1(a) and (b) of this Agreement and to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Audit. Eaton's rights shall extend to any matter pertaining to the management and control of an Audit, including, without limitation, execution of waivers, choice of forum, scheduling of conferences and the resolution of any Tax Item.

(b) Eaton shall keep Axcelis Technologies informed of all material developments and events pertaining to any Audit that relates directly to any Tax Item included in any Consolidated Return or Combined Return for which Axcelis Technologies is responsible for the resulting tax liability. Axcelis Technologies shall have the right to review at its own expense any materials that it may reasonably request that pertain to any Audit that relates directly to any Tax Item included in any Consolidated Return or Combined Return for which Axcelis Technologies is responsible for the resulting tax liability.

(c) Axcelis Technologies shall have the exclusive right, in its sole discretion, to control, contest, and represent the interests of Axcelis Technologies or any Axcelis Technologies Affiliate in any Audit relating to any Tax Return described in Section 2.1(c) of this

Agreement and to resolve, settle, or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Audit.

7.2 NOTICE. If Eaton or any member of the Eaton Group receives written notice of, or relating to, an Audit from a Tax Authority that asserts, proposes or recommends a deficiency, claim or adjustment that, if sustained, would result in the redetermination of a Tax Item of a member of the Axcelis Technologies Group, Eaton shall promptly provide a copy of such notice to Axcelis Technologies (but in no event later than thirty (30) business days following the receipt of such notice). If Axcelis Technologies or any member of the Axcelis Technologies Group receives written notice of, or relating to, an Audit from a Tax Authority with respect to a Tax Return described in Section 2.1(a) or (b) of this Agreement, Axcelis Technologies shall promptly provide a copy of such notice to Eaton (but in no event later than thirty (30) business days following the receipt of such notice).

7.3 FAILURE TO NOTIFY. The failure of Eaton or Axcelis Technologies to notify the other of any matter relating to a particular Tax for a taxable period or to take any action specified in this Agreement shall not relieve such other party of any liability and/or obligation which it may have under this Agreement with respect to such Tax for such taxable period except to the extent that such other party's rights hereunder are materially prejudiced by such failure.

7.4 REMEDIES. Axcelis Technologies agrees that no claim against Eaton and no defense to Axcelis Technologies' liabilities to Eaton under this Agreement shall arise from the resolution by Eaton of any deficiency, claim or adjustment relating to the redetermination of any Tax Item of Eaton or a Eaton Affiliate.

SECTION 8. IPO

8.1 IPO RELATED ITEMS. (a) LIABILITY FOR SEPARATION TAXES AND DECONSOLIDATION TAXES. Only except as provided in Section 8.1(b) hereof, Eaton shall be responsible for the payment of, and shall indemnify and hold Axcelis Technologies harmless from and against, any Separation Taxes and Deconsolidation Taxes.

(b) LIABILITY FOR UNDERTAKING CERTAIN ACTIONS. Notwithstanding Section 8.1(a) of this Agreement, Axcelis Technologies and each member of the Axcelis Technologies Group shall be jointly and severally responsible for, and shall indemnify and hold Eaton harmless from and against, any Separation Taxes that are attributable to, or result from, (i) any action taken by Axcelis Technologies or any member of the Axcelis Technologies Group that was not contemplated by the parties in connection with the Separation (including, without limitation, by taking any action not contemplated in connection with obtaining a ruling from any Tax Authority) or (ii) the failure by Axcelis Technologies or any member of the Axcelis Technologies Group to take any action that Axcelis Technologies is responsible for taking under this Agreement, the Master Separation and Distribution Agreement or any other agreement related to the Separation or the IPO (including, without limitation, by failing to make an election or enter into a transaction specifically required in connection with obtaining a ruling from any Tax Authority). Each of the parties hereto agrees to act in good faith and without negligence in connection with the Tax reporting of and all other aspects related to the Tax

consequences of the Separation and any Deconsolidation and shall be responsible for any Taxes or losses arising from any failure to act in good faith or any negligent act or omission with respect thereto.

8.2 TAX REPORTING OF IPO RELATED ITEMS. (a) SEPARATION TAXES. Any Tax Return (or portion thereof) that includes any Tax Item resulting from the Separation shall be prepared and filed by Eaton.

(b) DECONSOLIDATION TAXES. Any Tax Return (or portion thereof) that includes any Tax Item relating to any Deconsolidation (to the extent resulting in Deconsolidation Taxes) shall be prepared and filed by Eaton.

8.3 AUDITS RELATING TO SEPARATION. Notwithstanding any other provision of this Agreement, Eaton shall have the exclusive right, in its sole discretion, to control, contest, and represent the interests of Eaton, any Eaton Affiliate, Axcelis Technologies or any member of the Axcelis Technologies Group in any Audit with respect to Tax Items related to the Separation or Deconsolidation (to the extent resulting in Deconsolidation Taxes), and to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with or as a result of any such Audit. Eaton's rights shall extend to any matter pertaining to the management and control of an Audit, including execution of waivers, choice of forum, scheduling of conferences and the resolution of any Tax Item.

8.4 PROVISION OF INFORMATION AND MUTUAL COOPERATION. In addition to the parties' respective obligations under Section 6.1 and subject to the provisions of Section 6.1(b) of this Agreement, Eaton and Axcelis Technologies shall, and shall cause their respective Affiliates to, cooperate with respect to all aspects of the Separation including, without limitation, by (1) furnishing to the other in a timely manner such information, documents and other materials as the other may reasonably request for purposes of (i) preparing any Tax Return that includes Tax Items relating to or arising from the Separation and (ii) contesting or defending any Audit with respect to Tax Items relating to or arising from the Separation and (2) make its employees available to the other to provide explanations of documents and materials and such other information as the other may reasonably request in connection with any of the matters described in subclauses (i) and (ii) of clause (1) above.

8.5 PRESS RELEASES. Notwithstanding any other provision of this Agreement to the contrary, Eaton shall have the exclusive right, in its sole discretion, to review and approve all press releases and other public communications with respect to the subjects to which this Agreement relates prior to their release. Axcelis Technologies shall provide all such press releases or other public communication to Eaton no later than one (1) day prior to their proposed release date at the place and manner specified in Section 10.2 of this Agreement.

SECTION 9. DISTRIBUTION

9.1 DISTRIBUTION RELATED ITEMS. (a) RESTRICTIONS ON CERTAIN POST-DISTRIBUTION ACTIONS. Axcelis Technologies agrees that it will not take or fail to take, or permit any member of the Axcelis Technologies Group to take or fail to take, any action where

such action or failure to act would be inconsistent with any material, information, covenant or representation in the Ruling Documents or the Ruling.

(b) CERTAIN AXCELIS TECHNOLOGIES ACTIONS FOLLOWING DISTRIBUTION. (1) COVENANTS. Without limiting the generality of Section 9.1(a), Axcelis Technologies and each member of the Axcelis Technologies Group jointly and severally covenant and agree with Eaton that during the Restricted Period:

(i) Axcelis Technologies and the members of the Axcelis Technologies Group will continue to engage in their business, and will continue to maintain a substantial portion of their respective assets and business operations, as they existed immediately prior to the Distribution; provided that the foregoing shall not be deemed to prohibit Axcelis Technologies and the members of the Axcelis Technologies Group from entering into or acquiring other businesses or operations or from disposing of or shutting down segments of such businesses so long as Axcelis Technologies and the members of the Axcelis Technologies Group continue to engage in such businesses and continue to so maintain such substantial portion of their assets and business operations;

(ii) Axcelis Technologies will continue to manage and to own (A) directly, assets which represent at least 50% of the Gross Asset Value which Axcelis Technologies managed and owned directly immediately after the Distribution, and (B) directly or indirectly, through one or more entities, assets which represent at least 50% of the Gross Asset Value which Axcelis Technologies owned indirectly through one or more entities immediately after the Distribution;

(iii) Except as provided in Section 9.1(b)(3), neither Axcelis Technologies nor any member of the Axcelis Technologies Group nor any of its or their respective directors, officers or other representatives (acting in their capacity as directors, officers, or representatives) will undertake, authorize, approve, recommend, permit, facilitate, or enter into any contract, or consummate any transaction with respect to:

(a) the issuance of Axcelis Technologies common stock (including options, warrants, rights or securities exercisable for, or convertible into, Axcelis Technologies common stock) in a single transaction or in a series of related or unrelated transactions (including the IPO) which represents (treating any such options, warrants, rights, or securities as exercised or converted) 40% or more of the outstanding shares of Axcelis Technologies common stock;

(b) the issuance of any class or series of capital stock or any other instrument (other than Axcelis Technologies common stock and options, warrants, rights or securities exercisable for, or convertible into, Axcelis Technologies common stock) that would constitute equity for federal tax purposes (such classes or series of capital stock and other instruments being referred to herein as "Disqualified Axcelis Technologies Stock");

(c) the issuance of any options, rights, warrants, securities or similar arrangements exercisable for, or convertible into, Disqualified Axcelis Technologies Stock;

(d) any redemptions, repurchases or other acquisitions of capital stock or other equity interests in Axcelis Technologies;

(e) the dissolution, merger, or complete or partial liquidation of Axcelis Technologies or any announcement of such action; and/or

(f) any other action that may result in the Distribution being characterized as a distribution to which section 355(e) applies.

(2) In addition to the other representations, warranties, covenants and agreements set forth in this Agreement, Axcelis Technologies and each member of the Axcelis Technologies Group will take, or refrain from taking, as the case may be, such actions as Eaton may request to ensure that the Distribution qualifies for the tax-free treatment stated in the Ruling, including, without limitation, such actions as Eaton determines may be necessary or advisable to preserve the validity of the Ruling. Without limiting the generality of the foregoing and subject to the provisions of Section 6.1(b), Axcelis Technologies and the Axcelis Technologies Group shall cooperate with Eaton if Eaton, in its sole discretion, determines to obtain additional or supplemental rulings pertaining to whether any actual or proposed change in facts and circumstances affects the tax-free status of the Distribution. The Eaton Group shall bear responsibility for all expenses associated with any such additional or supplemental rulings, except that expenses associated with any additional or supplemental rulings based on a proposed action or omission by Axcelis Technologies or a member of the Axcelis Technologies Group will be borne solely by Axcelis Technologies.

(3) Following the Deconsolidation Date and during the Restricted Period, neither Axcelis Technologies nor any member of the Axcelis Technologies Group shall take any action or engage in conduct otherwise prohibited by Section 9.1(b) unless prior to such action or conduct, as the case may be, Axcelis Technologies receives express written consent from Eaton which consent will be granted, if at all, in the sole discretion of Eaton.

(c) LIABILITY OF AXCELIS TECHNOLOGIES FOR CERTAIN TRANSACTIONS. (1) AXCELIS TECHNOLOGIES INDEMNITY. If Axcelis Technologies, or another member (or former member) of the Axcelis Technologies Group (collectively, the "Indemnifying Parties") takes or fails to take any action whether or not prohibited or required by Section 9.1 or violates a representation or covenant in Section 9.1 or in the Ruling Documents, and the Distribution fails to or otherwise does not qualify for the tax treatment stated in the Ruling as a result of such action, failure to take action, or violation, then the Indemnifying Parties shall jointly and severally defend, indemnify and hold harmless (the "Indemnified Party") against any liability for such Taxes which the Indemnified Party may assume or otherwise incur and any and all Taxes or other liabilities directly or indirectly imposed upon or incurred by the Indemnified Party as a result of such failure or lack of qualification, including, without

limitation, any liability of the Indemnified Party arising from Taxes imposed on shareholders of Eaton whether or not any shareholder or shareholders of Eaton or Axcelis Technologies, or the Service or other taxing authority, successfully seeks recourse against the Indemnified Party on account of any such failure.

(2) TENDER OFFER OR PURCHASE OFFER. Notwithstanding anything to the contrary set forth in this Agreement, if, during the Restricted Period, any Person or group of Affiliated Persons or Associates acquires Beneficial Ownership of Axcelis Technologies common stock (or any other class of outstanding Axcelis Technologies stock) or commences a tender or other purchase offer for the capital stock of Axcelis Technologies or initiates any other form of transaction to acquire directly or indirectly Axcelis Technologies capital stock, upon consummation of which such Person or Group of Affiliated Persons or Associates would acquire Beneficial Ownership of Axcelis Technologies common stock (or any other class of outstanding Axcelis Technologies stock or equity) and as a result thereof the Distribution fails to or otherwise does not qualify for the tax treatment stated in the Ruling then the Indemnifying Parties shall defend, indemnify and hold harmless the Indemnified Party against any liability for Taxes which the Indemnified Party may assume or otherwise incur and any and all Taxes or other liabilities directly or indirectly imposed upon or incurred by any Indemnified Party and/or its shareholders as a result of such failure.

(3) EFFECT OF EXPRESS WRITTEN CONSENT OF EATON. The Indemnified Party shall be defended, indemnified and held harmless under Section 9.1(c)(1) without regard to the fact that the Indemnifying Party may have received the express written consent of Eaton as contemplated by Section 9.1. The Indemnified Party shall be defended, indemnified and held harmless under Section 9.1(c)(2) whether or not the acquisition of Beneficial Ownership results from a transaction that is not prohibited under Section 9.1.

(4) AMOUNT OF INDEMNITY. The amount indemnified against under Sections 9.1(c)(1)-(3) ("Indemnified Liability") for a Tax based on or determined with reference to income shall be deemed to be the sum of (x) for each applicable taxing jurisdiction, an amount determined by multiplying (i) the taxing jurisdiction's highest marginal corporate income tax rate for the taxable period in which the Distribution occurs, times (ii) the gain or income of the Indemnified Party which is subject to such Tax, plus (y) an amount determined by multiplying (i) an assumed marginal income tax rate of 45%, times (ii) the total amount of gain or income asserted as allocable to or imposed on the shareholders of Eaton and/or Axcelis Technologies by the Service or any other Tax Authority. In the case of other Indemnified Liabilities, the amount of the Indemnified Liability shall be equal to the amount so owed. In addition, the amount of any Indemnified Liability shall be increased by any interest, costs, legal and professional fees, additions, expenses and penalties incurred by the Indemnified Party. All amounts payable under this Section 9.1(c)(4) shall, to the extent that such amounts constitute taxable income, be grossed-up, based on the tax rate referred to in clause (x)(i) of the first sentence of this Section 9.1(c)(4).

(d) LIABILITY FOR BREACH OF REPRESENTATION. Axcelis Technologies shall, and shall cause each member of the Axcelis Technologies Group to, comply

with each representation and statement concerning Axcelis Technologies and the Axcelis Technologies Group made in the Ruling Documents and in the materials submitted to the Service in connection with the Ruling Documents, including, without limitation, statements relating to actions regarding the IPO and the use of IPO proceeds by the Axcelis Technologies Group. Axcelis Technologies has reviewed the materials submitted to the Service in connection with the Ruling Documents and represents to Eaton that these materials, including without limitation, any statements and representations concerning Axcelis Technologies, its business operations, capital structure and/or organization, are complete and accurate. During the Restricted Period, neither Axcelis Technologies nor any member of the Axcelis Technologies Group shall take any action, refrain from taking any action or enter into any transaction or series of transactions or agree to take any action, refrain from taking any action or enter into any transaction or series of transactions that could jeopardize the tax-free status of the Distribution, including any action, inaction or transaction that would be inconsistent with any representation or statement made to the Service in connection with the Ruling Documents, unless prior thereto Axcelis Technologies obtains the express written consent of Eaton which consent will be granted, if at all, in the sole discretion of Eaton. Axcelis Technologies hereby represents and warrants to Eaton that Axcelis Technologies has no intention to undertake or allow to be undertaken any of the transactions set forth in Section 9.1(d)(1)(iii), nor does Axcelis Technologies or any member of the Axcelis Technologies Group have any intention to cease to engage in the active conduct of its trade or business (within the meaning of Section 355(b)(2) of the Code).

9.2 INFORMATION FOR SHAREHOLDERS. Eaton shall provide each shareholder that receives stock of Axcelis Technologies pursuant to the Distribution with the information necessary for such shareholder to comply with the requirements of Section 355 of the Code and the Treasury regulations thereunder with respect to statements that such shareholders must file with their United States federal income Tax Returns demonstrating the applicability of Section 355 of the Code to the Distribution.

9.3 ALLOCATION OF TAX ASSETS. In connection with the Distribution, Tax Assets shall be allocated among Eaton, each Eaton Affiliate, Axcelis Technologies and each Axcelis Technologies Affiliate in accordance with applicable law. The parties hereby agree that in the absence of controlling legal authority, Tax Assets shall be allocated to the entity that created or generated the Tax Asset.

SECTION 10. MISCELLANEOUS

10.1 EFFECTIVENESS. This Agreement shall become effective on the Separation Date.

10.2 NOTICES. All notices, requests, demands and other communications under this Agreement shall be in writing and, unless otherwise provided herein, shall be deemed to have been duly given (i) on the date of service if served personally on the party to whom notice is given, (ii) on the day of transmission if sent via facsimile transmission to the facsimile number given below; provided, telephonic confirmation of receipt is obtained promptly after completion of transmission, (iii) on the business day after delivery to an overnight courier service or the

Express mail service maintained by the United States Postal Service; provided, receipt of delivery has been confirmed, or (iv) on the fifth day after mailing; provided, receipt of delivery is confirmed, if mailed to the party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, properly addressed and return-receipt requested, to the party as follows:

If to Eaton or any Eaton Affiliate, to:

Eaton Corporation
Eaton Center
1111 Superior Avenue
Cleveland, Ohio 44114
Facsimile: 216-479-7268
Attention: Vice-President-Taxes

If to Axcelis Technologies or any Axcelis Technologies Affiliate to:

Axcelis Technologies, Inc.
55 Cherry Hill Drive
Beverly, Massachusetts 01915
Facsimile: 978-232-4221
Attention: President

Any party may change its address or fax number by giving the other party written notice of its new address or fax number in the manner set forth above.

10.3 CHANGES IN LAW. Any reference to a provision of the Code or a law of another jurisdiction shall include a reference to any applicable successor provision or law.

10.4 SUCCESSORS AND ASSIGNS. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party without the prior written consent of the other party.

10.5 AUTHORIZATION, ETC. Each of the parties hereto hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such party, that this Agreement constitutes a legal, valid and binding obligation of each such party and that the execution, delivery and performance of this Agreement by such party does not contravene or conflict with any provision of law or of its charter or bylaws or any agreement, instrument or order binding on such party.

10.6 COMPLETE AGREEMENT. This Agreement shall constitute the entire agreement between Eaton or any Eaton Affiliate and Axcelis Technologies or any Axcelis Technologies Affiliate with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter. Unless the context

indicates otherwise, any reference to Axcelis Technologies in this Agreement shall refer to Axcelis Technologies and the Axcelis Technologies Affiliates and any reference to Eaton in this Agreement shall refer to Eaton and the Eaton Affiliates.

10.7 INTERPRETATION. The Section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. Whenever any words are used herein in the masculine gender, they shall be construed as though they were also used in the feminine gender in all cases where they would so apply.

10.8 GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio (regardless of the laws that might otherwise govern under applicable principles of conflicts law) as to all matters, including, without limitation, matters of validity, construction, effect, performance and remedies.

10.9 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.10 LEGAL ENFORCEABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.11 NO THIRD PARTY BENEFICIARIES. This Agreement is solely for the benefit of Eaton, the Eaton Affiliates, Axcelis Technologies and the Axcelis Technologies Affiliates, and is not intended to confer upon any other person any rights or remedies hereunder.

10.12 JURISDICTION; FORUM. (a) By the execution and delivery of this Agreement, Eaton and Axcelis Technologies submit and agree to cause the Eaton Affiliates and Axcelis Technologies Affiliates, respectively, to submit to the personal jurisdiction of any state or federal court in the State of Ohio in any suit or proceeding arising out of or relating to this Agreement.

(b) To the extent that Eaton, Axcelis Technologies, any Eaton Affiliate or any Axcelis Technologies Affiliate has or hereafter may acquire any immunity from jurisdiction of any Ohio court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Eaton or Axcelis Technologies, as the case may be, hereby irrevocably waives, and agrees to cause the Eaton Affiliates and the Axcelis Technologies Affiliates, respectively, to waive such immunity in respect of its obligations with respect to this Agreement.

(c) The parties hereto agree that an appropriate and convenient, non-exclusive forum for any disputes between any of the parties hereto or the Eaton Affiliates and the Axcelis Technologies Affiliates arising out of this Agreement shall be in any state or federal court in the State of Ohio.

10.13 AMENDMENT AND MODIFICATION. This Agreement may be amended, modified or supplemented only by written agreement of the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by a duly authorized officer as of the date first above written.

EATON CORPORATION
on behalf of itself and its affiliates

By /s/ ADRIAN T. DILLON

Name: Adrian T. Dillon
Title: Vice President -- Chief Financial and Planning Officer

By /s/ KEN SEMELSBERGER

Name: Ken Semelsberger
Title: Vice President -- Strategic Planning

AXCELIS TECHNOLOGIES, INC.
on behalf of itself and its affiliates

By /s/ BRIAN R. BACHMAN

Name: Brian R. Bachman
Title: Chief Executive Officer and Vice Chairman of the Board

By /s/ MARY G. PUMA

Name: Mary G. Puma
Title: President, Chief Operating Officer and Secretary

EXHIBIT 2.6

TRANSITIONAL SERVICES AGREEMENT

BETWEEN

EATON CORPORATION

AND

AXCELIS TECHNOLOGIES, INC.

dated

June 30, 2000

FORM OF TRANSITIONAL SERVICES AGREEMENT

This Transitional Services Agreement ("Agreement") is made and entered into on June 30, 2000 by and between Eaton Corporation, an Ohio corporation (which, together with its Subsidiaries, is herein referred to as "Eaton"), and Axcelis Technologies, Inc., a Delaware corporation (which, together with its Subsidiaries, is herein referred to as "Axcelis"), to be effective on the Separation Date as defined in the Separation Agreement.

In consideration of the covenants and agreements set forth below, Eaton and Axcelis, intending to be legally bound, hereby agree as follows:

ARTICLE 1

DEFINITIONS

For the purpose of this Agreement, the following capitalized terms shall have the following meanings:

1.1 ADDITIONAL SERVICES. "Additional Services" shall have the meaning set forth in Section 3.4.

1.2 ANCILLARY AGREEMENTS. "Ancillary Agreements" shall have the meaning set forth in the Separation Agreement.

1.3 AXCELIS SERVICE(S). "Axcelis Service(s)" shall have the meaning set forth in Section 3.1.

1.4 DISTRIBUTION DATE. "Distribution Date" shall have the meaning set forth in the Separation Agreement.

1.5 IMPRACTICABLE. "Impracticable" shall have the meaning set forth in Section 3.2.

1.6 SEPARATION AGREEMENT. " Separation Agreement" shall mean that certain Master Separation and Distribution Agreement dated June _____, 2000 between Eaton and Axcelis.

1.7 SEPARATION DATE. "Separation Date" shall mean 11:59 p.m., June 30, 2000, and have such additional meaning and conditions as set forth in the Separation Agreement.

1.8 SERVICE(S). "Service(s)" shall have the meaning set forth in Section 3.1.

1.9 SOFTWARE. "Software" means Eaton's software program(s), whether owned or licensed by Eaton, listed and described in the relevant Transition Service Schedule.

1.10 SOURCE CODE. "Source Code" means any human readable code, including interpreted code, of Eaton, listed and described in the relevant Transition Service Schedule.

1.11 SOURCE CODE DOCUMENTATION. "Source Code Documentation" means the manuals and other documentation that are reasonably necessary to use the Source Code licensed herein, including those items listed and described in the relevant Transition Service Schedule hereto.

1.12 SUBSIDIARY. "Subsidiary" of any entity means any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such entity and/or by any one or more of its Subsidiaries; provided that no entity that is not directly or indirectly wholly-owned by any other entity shall be a Subsidiary of such other entity unless such other entity controls, or has the right, power or ability to control, that entity. For purposes of this Agreement, Axcelis shall be deemed not to be a subsidiary of Eaton, and Sumitomo Eaton Nova Corporation shall not be a Subsidiary of either party.

ARTICLE 2

TRANSITION SERVICE SCHEDULES

This Agreement will govern individual transitional services as requested by Axcelis and provided by Eaton, the details of which are set forth in the Transition Service Schedules attached to this Agreement. Each Service shall be covered by this Agreement upon execution of a transition service schedule in the form attached hereto (each transition service schedule, a "Transition Service Schedule").

For each Service, the parties shall set forth, among other things, the time period during which the Service will be provided (if different from the term of this Agreement determined pursuant to Article 4), a summary of the Service to be provided, a description of the Service, and the charge, if any, for the Service and any other terms applicable thereto on the Transition Service Schedule. Obligations regarding each Transition Service Schedule shall be effective upon the Separation Date. This Agreement and all the Transition Service Schedules shall be defined as the "Agreement" and incorporated herein wherever reference to it is made.

ARTICLE 3

SERVICES

3.1 SERVICES GENERALLY. Except as otherwise provided herein, for the term determined pursuant to Article 4, Eaton shall provide or cause to be provided to Axcelis the service(s) described in the Transition Service Schedule(s) attached hereto. The service(s) described in a single Transition Service Schedule shall be referred to herein as a "Service", and,

collectively, the services described in all the Transition Service Schedules (including Additional Services) shall be referred to herein as "Services." During the term of this Agreement, Axcelis shall continue to provide or cause to be provided to Eaton any services being so provided on the Separation Date ("Axcelis Service(s)").

3.2 IMPRACTICABILITY. Neither party hereto shall be required to provide any service to the extent the performance of such service becomes "Impracticable" as a result of a cause or causes outside the reasonable control of such party, including without limitation unfeasible technological requirements, or to the extent the performance of such services would violate any applicable laws, rules, regulations or existing written policies of such parties or would breach any software license or other applicable contract.

3.3 ADDITIONAL RESOURCES. Except as provided in a Transition Service Schedule for a specific Service, in providing the Services, Eaton shall not be obligated to: (i) hire any additional employees or contract workers; (ii) maintain the employment of any specific employee; (iii) purchase, lease or license any additional equipment or software; or (iv) pay any costs related to the transfer or conversion of data or any alternate supplier of Services.

3.4 ADDITIONAL SERVICES. From time to time after the Separation Date, the parties may identify additional services that one party will provide to the other party in accordance with the terms of this Agreement (the "Additional Services"). Accordingly, the parties shall execute additional Transition Service Schedules for such Additional Services pursuant to Article 2. Except as set forth in Section 3.5, the parties may agree in writing on Additional Services during the term of this Agreement.

3.5 OBLIGATIONS AS TO ADDITIONAL SERVICES. Except as set forth in the next sentence, Eaton shall be obligated to perform, at a charge determined using the principles for determining fees under Section 5.1, any Additional Service that: (a) was provided by Eaton immediately prior to the Separation Date and that was inadvertently or unintentionally omitted from the list of Services, or (b) is essential to effectuate an orderly transition under the Separation Agreement, unless such performance would significantly disrupt Eaton's operations or materially increase the scope of its responsibilities under this Agreement. If Eaton reasonably believes the performance of Additional Services required under clauses (a) or (b) of the preceding sentence would significantly disrupt its operations or materially increase the scope of its responsibilities under this Agreement, Eaton and Axcelis shall negotiate in good faith to establish terms under which Eaton can provide such Additional Services, but Eaton shall not be obligated to provide such Additional Services if, following good faith negotiation, Eaton and Axcelis are unable to reach agreement on such terms.

ARTICLE 4

TERM

The term of this Agreement shall commence on the Separation Date and shall remain in effect until one (1) year after the Distribution Date (the "Expiration Date"), unless earlier

terminated under Article 7. This Agreement may be extended for up to one (1) additional year by the parties in writing, either in whole or with respect to one or more of the Services; provided that such extension shall only apply to the Services for which the Agreement was extended and only to the extent permissible by U.S. tax laws in order to maintain the tax-free status of the Distribution (as defined in the Separation Agreement). The parties shall be deemed to have extended this Agreement with respect to a specific Service if the Transition Service Schedule for such Service specifies a completion date beyond the aforementioned Expiration Date. The parties may agree on an earlier expiration date respecting a specific Service by specifying such date on the Transition Service Schedule for that Service. Services shall be provided up to and including the dates established pursuant to this Article 4.

ARTICLE 5

COMPENSATION

5.1 CHARGES FOR SERVICES. Each party shall pay the other party the charges, if any, set forth on the Transition Service Schedules for each of the Services listed therein as adjusted, from time to time, in accordance with the processes and procedures established under Section 5.4 and Section 5.5. Such charges shall include the direct costs, as determined using the process described in such Transition Service Schedule, and indirect costs of providing the Services plus any mark-up specified in such Transitional Service Schedule, unless specifically indicated otherwise on a Transition Service Schedule. However, if the term of this Agreement is extended beyond the Expiration Date as provided in Article 4, Axcelis will reimburse Eaton such costs plus any mark-up specified in such Transitional Service Schedule for the Services unless the Transition Service Schedule for such Service indicates it is to extend beyond the Expiration Date. The parties shall use good faith efforts to discuss any situation in which the actual charge for a Service is reasonably expected to exceed the estimated charge, if any, set forth on a Transition Service Schedule for a particular Service; provided that the incurring of charges in excess of any such estimate on such Transition Service Schedule shall not justify stopping the provision of, or payment for, Services under this Agreement.

5.2 PAYMENT TERMS. The party providing services shall bill the party receiving the services monthly for all charges pursuant to this Agreement. Such bills shall be accompanied by reasonable documentation or other reasonable explanation supporting such charges. Payment for all services provided hereunder shall be made within thirty (30) days after receipt of an invoice therefor. Late payments shall bear interest at the lesser of 12% per annum or the maximum rate allowed by law.

5.3 PERFORMANCE UNDER ANCILLARY AGREEMENTS. Notwithstanding anything to the contrary contained herein, neither party shall be charged under this Agreement for any obligations that are specifically required to be performed under the Separation Agreement or any Ancillary Agreement, and any such other obligations shall be performed and charged for (if applicable) in accordance with the terms of the Separation Agreement or such Ancillary Agreements.

5.4 ERROR CORRECTION; TRUE-UPS; ACCOUNTING. The parties shall reasonably agree on a process and procedure for conducting internal audits of variable payments that are not "fixed" and making adjustments to charges as a result of the movement of employees and functions between parties, the discovery of errors or omissions in charges, and a true-up of amounts owed. Any such internal audits must be completed within one (1) year after completion of a Service.

5.5 PRICING ADJUSTMENTS. In the event of a tax audit adjustment relating to the pricing of any or all Services provided pursuant to this Agreement in which it is determined by a taxing authority that any of the charges, individually or in combination, did not result in an arm's-length payment, then the parties, including any Eaton subcontractor providing Services hereunder, shall agree to make corresponding adjustments to the charges in question for such period to the extent necessary to achieve arm's-length pricing. Any adjustment made pursuant to this Section 5.5 at any time during the term of this Agreement or after termination of this Agreement shall be reflected in the parties' legal books and records, and the resulting underpayment or overpayment shall create, respectively, an obligation to be paid in the manner specified in Section 5.2, or a credit against amounts owed under this Agreement.

ARTICLE 6

GENERAL OBLIGATIONS; STANDARD OF CARE

6.1 PERFORMANCE BY EATON. Subject to Section 3.3 and any other terms and conditions of this Agreement, Eaton shall maintain sufficient resources to perform its obligations hereunder. Specific performance metrics for Eaton for a specific Service may be set forth in the corresponding Transition Service Schedule. Where none is set forth, Eaton shall use reasonable efforts to provide Services in accordance with its policies, procedures and practices in effect immediately before the Separation Date and shall exercise the same care and skill as it exercises in performing similar services for itself.

6.2 DISCLAIMER OF WARRANTIES. EATON MAKES NO WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE SERVICES, SOFTWARE OR OTHER DELIVERABLES PROVIDED BY IT HEREUNDER.

6.3 PERFORMANCE BY AXCELIS. Specific performance requirements for Axcelis for a specific Service may be set forth in the corresponding Transition Service Schedule. Where none is set forth, Axcelis shall use reasonable efforts, in connection with receiving services, to follow the policies, procedures and practices in effect immediately before the Separation Date, including without limitation providing information and documentation sufficient for Eaton to perform the Services as they were performed immediately before the Separation Date and making available, as reasonably requested by Eaton, sufficient resources and timely decisions, approvals and acceptances in order that Eaton may accomplish its obligations hereunder in a timely manner.

6.4 TRANSITIONAL NATURE OF SERVICES; CHANGES. The parties acknowledge the transitional nature of the Services and that Eaton may make changes from time to time in the manner of performing the Services if Eaton is making similar changes in performing similar services for itself and if Eaton furnishes to Axcelis thirty (30) days' advance written notice regarding such changes.

6.5 RESPONSIBILITY FOR ERRORS; DELAYS. Eaton's sole responsibility and liability to Axcelis:

(a) for errors or omissions in Services, shall be to correct the services, to the extent reasonably possible or to return to Axcelis the amount charged for the Services; provided that Axcelis must promptly advise Eaton of any such error or omission of which Axcelis becomes aware after having used reasonable efforts to detect any such errors or omissions; and

(b) for failure to deliver any Service on time because of Impracticability, shall be to use reasonable commercial efforts, subject to Section 3.2, to make the Services available and/or to resume performing the Services as promptly as reasonably practicable.

6.6 GOOD FAITH COOPERATION; CONSENTS. The parties will use good faith efforts to cooperate with each other in all matters relating to the provision and receipt of Services. Such cooperation shall include exchanging information, performing true-ups and adjustments, and obtaining (through reasonable commercial efforts) all third party consents, licenses, sublicenses or approvals necessary to permit each party to perform its obligations hereunder (including, by way of example and not by way of limitation, rights to use third party software needed for the performance of Services). The reasonable out-of-pocket costs incurred by either party in obtaining such third party consents, licenses, sublicenses or approvals shall be borne by Axcelis. Each of the parties will maintain, in accordance with its standard document retention procedures, documentation supporting the information relevant to cost calculations contained in the Transition Service Schedules and will cooperate with each other in making such information available as needed in the event of a tax audit, whether in the United States or any other country.

6.7 ALTERNATIVES. If Eaton reasonably believes it is unable to provide any Service because of the inability to obtain necessary consents, licenses, sublicenses or approvals pursuant to Section 6.6 or because of Impracticability, the parties shall cooperate to determine the best alternative approach. Until such alternative approach is found or the problem is otherwise resolved to the satisfaction of the parties, Eaton shall use reasonable commercial efforts, subject to Section 3.2 and Section 3.3, to continue providing the Service. To the extent an agreed-upon alternative approach requires payment above and beyond that which is included in Eaton's charge for the Service in question, the parties shall share equally in making any such payment unless they otherwise agree in writing.

ARTICLE 7

TERMINATION

7.1 TERMINATION. Subject to any specific notice provision or termination provision contained in the applicable Transition Service Schedule, Axcelis may terminate this Agreement, either with respect to all or with respect to any one or more of the Services provided to Axcelis hereunder, for any reason or for no reason, at any time upon sixty (60) days' prior written notice to Eaton, subject to the requirement that Axcelis pay Eaton the costs, if any, associated with such termination. In addition, subject to the provisions of Article 15, either party may terminate this Agreement with respect to a specific Service if the other party materially breaches a material provision with regard to that particular Service and does not cure such breach (or does not take reasonable steps required under the circumstances to cure such breach going forward) within sixty (60) days after being given notice of the breach; provided that the non-terminating party may request that the parties engage in a dispute resolution negotiation as specified in Article 15 prior to termination for breach.

7.2 SURVIVAL. Those Sections of this Agreement that, by their nature, are intended to survive termination will survive in accordance with their terms. Notwithstanding the foregoing, in the event of any termination with respect to one or more, but less than all Services, this Agreement shall continue in full force and effect with respect to any Services not terminated.

7.3 USER IDS AND PASSWORDS. The parties shall use good faith efforts at the termination or expiration of this Agreement or any specific Service to ensure that all applicable user IDs and passwords are canceled.

ARTICLE 8

RELATIONSHIP BETWEEN THE PARTIES

The relationship between the parties established under this Agreement is that of independent contractors, and neither party is an employee, agent, partner, or joint venturer of or with the other. As between Eaton and Axcelis, Eaton will be solely responsible for any employment-related taxes, insurance premiums or other employment benefits respecting its personnel's performance of Services under this Agreement, subject to any payment or reimbursement obligation of Axcelis hereunder. Axcelis will grant Eaton personnel access to sites, systems and information (subject to the provisions of confidentiality in Article 13) as necessary for Eaton to perform its obligations hereunder. Eaton will instruct its personnel to obey any and all security regulations and other published policies of Axcelis regarding access to Axcelis' facilities.

ARTICLE 9

SUBCONTRACTORS

Eaton may engage a subcontractor to perform all or any portion of Eaton's duties under this Agreement; provided that any such subcontractor agrees in writing to be bound by confidentiality obligations at least as protective as the terms of Article 13 regarding confidentiality; and, provided, further, that Eaton remain responsible for the performance of such subcontractor. As used in this Agreement, subcontractor will mean any individual, partnership, corporation, firm, association, unincorporated organization, joint venture, trust or other entity engaged to perform a service hereunder.

ARTICLE 10

INTELLECTUAL PROPERTY

10.1 ALLOCATION OF RIGHTS BY ANCILLARY AGREEMENTS. This Agreement and the performance of this Agreement will not affect the ownership of any patents, trademarks, patent applications, trademark applications, trade secrets, servicemarks, domain names, copyrights or other intellectual property rights to the extent that they are the subject of any provision in any other of the Ancillary Agreements.

10.2 EXISTING OWNERSHIP RIGHTS UNAFFECTED. Neither party will gain, by virtue of this Agreement, any rights of ownership of copyrights, patents and applications, trade secrets, trademarks and applications, domain names or any other intellectual property rights owned by the other.

10.3 OWNERSHIP OF DEVELOPED WORKS. Subject to Section 10.2, Eaton will continue to own, to the same extent as exists immediately after the Separation Date, all copyrights, patents and patent applications, trade secrets, trademarks and trademark applications, domain names and other intellectual property rights subsisting in or arising from the Software Deliverables (as defined in Section 11.1) and other preexisting works developed by or for Eaton.

10.4 LICENSE TO PREEXISTING WORKS. Axcelis grants Eaton a non-exclusive, worldwide, royalty-free license to use, copy, make derivative works of, distribute, display, perform and transmit Axcelis' preexisting copyrighted works or other intellectual property rights solely to the extent necessary to perform its obligations under this Agreement.

ARTICLE 11

SOFTWARE LICENSE

11.1 SOFTWARE DELIVERABLE/LICENSE. Unless otherwise agreed by the parties under the Ancillary Agreements or any separate license or technology agreement, if Eaton supplies Axcelis with a deliverable that in whole or in part consists of software, firmware, or

other computer code (referred to as a "Software Deliverable") as indicated in a Transition Service Schedule, such Software Deliverable will be supplied in any form in which it exists and will be subject to the terms of this Article 11. In the event that any such Software Deliverable is licensed to Eaton by third parties, Axcelis shall be bound by any conditions that are required by such third parties.

11.2 DELIVERY AND ACCEPTANCE.

(a) DELIVERY. To the extent permitted under any agreement with a third party owner or licensor of the Software, Eaton will deliver to Axcelis one (1): (i) master copy of the Software in any form in which it exists (as specified on the relevant Transition Service Schedule of the Agreement) on the media described on the relevant Transition Service Schedule and (ii) Documentation for the Software on the media described in the relevant Transition Service Schedule ((i) and (ii) collectively a "Complete Copy") as listed in the relevant Transition Service Schedule no later than ten (10) days after the Separation Date (or any other start date as specifically indicated in the relevant Transition Service Schedule). If Source Code is licensed under this Agreement, Eaton will deliver one (1) copy of such Source Code no later than ten (10) days after the Separation Date (or any other start date as specifically indicated in the relevant Transition Service Schedule). Additional Software or Source Code may be added to this Agreement from time to time by execution by the parties of a Transition Service Schedule.

(b) ACCEPTANCE OF SOFTWARE (NON-SOURCE CODE). Axcelis will have thirty (30) days from the date of receipt of a Complete Copy of the Software to evaluate the Software for conformity with the manuals and other documentation that Eaton and/or the Software owner or licensor makes available with the Software to end users, including those items listed and described in the relevant Transition Service Schedule (the "Documentation") and specifications, and either to accept the Software, to return the Software for rework to Eaton, if Eaton owns the Software, or to the licensor, if licensed to Eaton (provided that the Software has not previously been reworked), or to reject the Software. Axcelis shall accept the Software if it substantially conforms with Documentation and specifications. Axcelis will be entitled to test and evaluate the Software, and Eaton hereby grants to Axcelis the right to use and reproduce the Software only to the extent necessary for Axcelis to perform its evaluation and only to the extent permitted under the applicable Software license agreement. Such license will include the right of Axcelis to use third party subcontractors bound by the relevant restrictions herein solely as necessary to achieve the foregoing. If Axcelis returns the Software for rework, Eaton will use reasonable commercial efforts to correct or have the licensor thereof correct the identified defects and resubmit the Software for reevaluation under the same acceptance procedure. In the event Axcelis rejects the Software a second time, this Agreement will terminate with respect to that Software. Payment due from Axcelis to Eaton under a Transition Service Schedule that includes Software to be licensed shall be reduced by the pro rata portion of compensation attributable to the rejected Software, unless the Software has been accepted by Axcelis in writing or Axcelis fails to reject the Software within such thirty (30) day period.

(c) ACCEPTANCE OF SOURCE CODE. The Source code is provided "as is" and for Axcelis' reference only and is subject to the limitations in Section 11.3. The Source Code

may not be accepted or rejected according to the provisions in Section 11.2(b). If Axcelis rejects the Source Code, Axcelis must destroy all copies of such rejected Source Code and promptly furnish evidence of such rejection and destruction to Eaton.

11.3 RIGHTS GRANTED AND RESTRICTIONS.

(a) LICENSE TO SOFTWARE. Subject to the terms and conditions of this Agreement and the terms and conditions of any applicable software license agreements with third parties, Eaton hereby grants to Axcelis, under Eaton's intellectual property rights in and to the Software, a royalty-free, nonexclusive, nontransferable worldwide license (i) to use and display the Software for its own internal information processing services and computing needs and to make sufficient copies as necessary for such use, and (ii) to use the Documentation in connection with the permitted use of the Software and to make sufficient copies as permitted and as necessary for such use.

(b) LICENSE TO SOURCE CODE. Subject to the terms and conditions of this Agreement, Eaton hereby grants to Axcelis, under Eaton's intellectual property rights in and to the Software, a nonexclusive, nontransferable worldwide license (i) to use and reproduce (for archival and back-up purposes only), for the sole purpose of supporting the object code version of the Software (if such object code exists), or, if no object code exists, for the sole purpose of its own internal information processing services and computing needs and (ii) to use Source Code Documentation in connection with the permitted use of the Source Code and to make copies for archival and back-up purposes only.

(c) RESTRICTIONS. Axcelis shall not itself, nor through any Subsidiary, affiliate, agent or third party: (i) sell, lease, license or sublicense the Software, the Source Code, the Documentation or the Source Code Documentation; (ii) decompile, disassemble, or reverse engineer the Software or Source Code, in whole or in part, except to the extent such restriction is prohibited by applicable law; (iii) allow access to the Software or Source Code by any user or third party other than Axcelis; (iv) write or develop any derivative software or any other software program based upon the Software or Source Code; (v) use the Software or Source Code to provide processing services to third parties; (vi) otherwise use the Software or Source Code on a "service bureau" basis; or (vii) provide, disclose, divulge or make available to, or permit use of the Software or Source Code by, any third party without Eaton's prior written consent.

(d) CONFIDENTIALITY. The Source Code and Source Code Documentation are hereby deemed "Confidential Information" and subject to the terms of Article 13.

(e) TRADEMARKS. Neither party is granted any ownership in or license to the trademarks, service or certification marks or trade names (collectively, "Marks") of the other party with respect to the Software.

(f) OWNERSHIP. Eaton hereby reserves all of its rights to the Software, Source Code and Documentation, and any copyrights, patents or trademarks, embodied therein or used in connection therewith, except for the rights expressly granted herein.

(g) COPYRIGHT NOTICES. Axcelis will not remove any copyright notices, proprietary markings, trademarks or trade names from the Software, Source Code, Documentation or Source Code Documentation.

(h) TECHNICAL ASSISTANCE AND TRAINING. Eaton will provide technical assistance and training to Axcelis personnel only if such assistance is set forth in the relevant Transition Service Schedule.

11.4 AS-IS WARRANTY.

(a) AS-IS WARRANTY. The Software and Source Code provided hereunder is licensed on an "as-is" basis only, without any express warranties of any kind.

(b) IMPLIED WARRANTY DISCLAIMER. Eaton makes no warranties whatsoever, either express or implied, regarding the Software or Source Code (including Documentation), its merchantability or its fitness for any particular purpose.

11.5 MISCELLANEOUS.

(a) NO OBLIGATIONS. Neither party assumes any responsibility or obligations whatever, other than the responsibilities and obligations expressly set forth in this Agreement or a separate written agreement between the parties.

(b) NON-RESTRICTIVE RELATIONSHIP. This Agreement shall not be construed to preclude Axcelis from independently developing, acquiring or marketing computer software packages which may perform the same or similar functions as the Software provided by Eaton.

ARTICLE 12

INDEMNIFICATION

To the extent Eaton delivers or licenses any of its intellectual property or that of a third party to Axcelis after the Separation Date in performance of this Agreement, such delivery or license is on an "AS IS" basis, and Eaton shall not be responsible for any claims, actions or suits (any of the foregoing, a "Claim") incurred by or asserted against Axcelis based upon infringement of a third party patent or other intellectual property right. Axcelis will notify Eaton promptly of any Claim and permit Eaton at Axcelis' expense to defend such Claim and will cooperate in the defense thereof. Axcelis will not enter into or permit any settlement of any such Claim without the express written consent of Eaton. Axcelis may, at its option and expense, have its own counsel participate in any proceeding that is under the direction of Eaton and will cooperate with Eaton and its insurer (if any) in the disposition of any such matter. To the extent that any action or failure to act by Axcelis with respect to any software results in any claims, actions, suits, liabilities, damages, costs or penalties or the like, notwithstanding the provisions of Section 16.1, Axcelis shall defend, indemnify and hold harmless Eaton and its directors, officers, employees and agents with respect thereto.

ARTICLE 13

CONFIDENTIALITY

13.1 DEFINITION. The term "Confidential Information," as used in this Agreement, shall mean any information, whether in oral or written form, which has been, or will hereafter be, furnished or disclosed by a party hereto ("Disclosing Party") to the other party hereto ("Recipient Party") or to the Recipient Party's directors, officers, employees, agents, lenders and other representatives, including without limitation independent attorneys, financial advisers, independent accountants and actuaries (such directors, officers, employees, agents, lenders and other representatives collectively are hereinafter referred to as "Authorized Representatives"), including without limitation information pertaining to the business, financial condition, operations, properties, technical information and prospects of the Disclosing Party. However, the term "Confidential Information" excludes information which: (a) was generally available to the public at the time of receipt by the Recipient Party or its Authorized Representatives or subsequently became generally available to the public other than by disclosure by the Recipient Party or its Authorized Representatives; (b) was in the possession of the Recipient Party on a nonconfidential basis from any third party prior to the time of receipt from the Disclosing Party; (c) becomes available to the Recipient Party on a nonconfidential basis from a non-affiliated third party who does not thereby breach a contractual, fiduciary or other legal obligation to the Disclosing Party; or (d) was developed independently by the Recipient Party without reference to Confidential Information or other information disclosed to it by the Disclosing Party.

13.2 OBLIGATIONS. For a period of five (5) years from the date of disclosure of Confidential Information:

A. The Recipient Party shall not disclose, reveal or permit others to have access to any Confidential Information, except for a limited group of the Recipient Party's Authorized Representatives who reasonably need to know the Confidential Information in connection with this Agreement;

B. The Recipient Party and the Recipient Party's Authorized Representatives shall use the Confidential Information only for the purpose of this Agreement and in no event shall use any Confidential Information for any other purpose whatsoever. The Recipient Party will (i) inform each of the Recipient Party's Authorized Representatives receiving Confidential Information of the confidential nature of such Information and of this Agreement, (ii) direct the Recipient Party's Authorized Representatives to treat the information confidentially and not use it other than as permitted in accordance with this Agreement, and (iii) be responsible for any improper use of the Confidential Information by the Recipient Party or the Recipient Party's Authorized Representatives (including without limitation the Recipient Party's Authorized Representatives who, subsequent to the first date of disclosure of Confidential Information hereunder, become the Recipient Party's former Authorized Representatives). The Recipient Party shall, at the Recipient Party's sole expense, take all reasonable measures, including without limitation court proceedings, to restrain the Recipient Party's Authorized Representatives and former Authorized Representatives from unauthorized disclosure or use of the Confidential Information;

C. If the Recipient Party or any of the Recipient Party's Authorized Representatives are requested or required (by interrogatories, subpoena or other judicial process) to disclose any of the Confidential Information to a court, government agency or others, the Recipient Party will promptly notify the Disclosing Party of such request or requirement so that the Disclosing Party may seek an appropriate protective order or similar court order or waive compliance with the provisions of this Agreement. In this connection, it is agreed that if, in the absence of a protective order or similar court order or receipt of a waiver hereunder, the Recipient Party is nonetheless, in the written opinion of the Recipient Party's attorneys addressed to the Disclosing Party, compelled at that time to disclose Confidential Information to the court, government agency or others or else stand liable for contempt or suffer other censure or penalty, the Recipient Party may disclose to such court, government agency or others, only that part of such Confidential Information as is required by law to be disclosed, and the Recipient Party shall use its best efforts at the Disclosing Party's expense to obtain a protective order or other reliable assurance of confidential treatment therefor.

ARTICLE 14

FORCE MAJEURE

Each party will be excused for any failure or delay in performing any of its obligations under this Agreement, other than the obligations of Axcelis to make certain payments to Eaton pursuant to Article 5 for services rendered, if such failure or delay is caused by Force Majeure. "Force Majeure" means any act of God or the public enemy, any accident, explosion, fire, storm, earthquake, flood or any other circumstance or event beyond the reasonable control of the party relying upon such circumstance or event.

ARTICLE 15

DISPUTE RESOLUTION

15.1 MEDIATION. If a dispute, controversy or claim ("Dispute") arises between the parties relating to the interpretation or performance of this Agreement, or the grounds for the termination hereof, appropriate senior executives of each party who shall have the authority to resolve the matter shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies. The initial meeting between the appropriate senior executives shall be referred to herein as the "Dispute Resolution Commencement Date." Discussions and correspondence relating to trying to resolve such Dispute shall be treated as confidential information developed for the purpose of settlement and shall be exempt from discovery or production and shall not be admissible in arbitration or litigation. If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute Resolution Commencement Date, and either party wishes to pursue its rights relating to such Dispute, then the Dispute will be mediated by a mutually acceptable mediator selected by the parties within forty-five (45) days after written notice by one party to the other demanding nonbinding mediation. Neither party may unreasonably withhold consent to the selection of a mediator or the location of the mediation. Both parties will share the costs of the mediation equally, except that each party shall bear its own costs and expenses, including attorneys' fees, witness fees, travel expenses and preparation costs. The parties may also agree to replace mediation with some other form of nonbinding or binding ADR.

15.2 ARBITRATION. Any Dispute which the parties cannot resolve through mediation within ninety (90) days of the Dispute Resolution Commencement Date, unless otherwise mutually agreed, shall be submitted to final and binding arbitration under the then current Commercial Arbitration Rules of the American Arbitration Association ("AAA"), by three (3) arbitrators in Cleveland, Ohio. Such arbitrators shall be selected by the mutual agreement of the parties or, failing such agreement, shall be selected according to the aforesaid AAA rules. The arbitrators will be instructed to prepare and deliver a written, reasoned opinion stating their decision within thirty (30) days of the completion of the arbitration. The prevailing party in such arbitration shall be entitled to expenses, including costs and reasonable attorneys' and other professional fees, incurred in connection with the arbitration (but excluding any costs and fees associated with prior negotiation or mediation). The decision of the arbitrator shall be

final and nonappealable and may be enforced in any court of competent jurisdiction. The use of any ADR procedures will not be construed under the doctrine of laches, waiver or estoppel to adversely affect the rights of either party.

15.3 COURT ACTION. Any Dispute regarding the following is not required to be negotiated, mediated or arbitrated prior to seeking relief from a court of competent jurisdiction: breach of any obligation of confidentiality; infringement, misappropriation, or misuse of any intellectual property right; or any other claim where interim relief from the court is sought to prevent serious and irreparable injury to one of the parties or to others. However, the parties to the Dispute shall make a good faith effort to negotiate and mediate such Dispute, according to the above procedures, while such court action is pending.

15.4 CONTINUITY OF SERVICE AND PERFORMANCE. Unless otherwise agreed in writing, the parties will continue to provide service and to honor all other commitments under the Separation Agreement, this Agreement and the other Ancillary Agreements during the course of dispute resolution pursuant to the provisions of this Article 15 with respect to all matters not subject to such dispute, controversy or claim.

ARTICLE 16

MISCELLANEOUS

16.1 LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT, IF ANY, SPECIFICALLY PROVIDED TO THE CONTRARY HEREIN OR IN ANY ANCILLARY AGREEMENT, IN NO EVENT SHALL ANY MEMBER OF THE EATON GROUP OR THE AXCELIS GROUP (AS SUCH TERMS ARE DEFINED IN THE SEPARATION AGREEMENT) BE LIABLE TO ANY OTHER MEMBER OF THE EATON GROUP OR THE AXCELIS GROUP FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT OR ANY ANCILLARY AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES AS SET FORTH IN THE INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT.

16.2 GOVERNING LAW. This Agreement and the Ancillary Agreements (except to the extent that a mandatory rule of law which governs any matter contemplated by the Non-US Plan (as such term is defined in the Separation Agreement) otherwise provides) shall be construed in accordance with, and all Disputes hereunder or thereunder shall be governed by, the laws of the State of Ohio, excluding its conflict of law rules. The United States District Court for the Northern District of Ohio shall have jurisdiction and venue over, and shall be the sole court used by the parties to initiate resolution of, all Disputes between the parties hereto and to the Ancillary Agreements.

16.3 TERMINATION. This Agreement and all Ancillary Agreements may be terminated and the IPO abandoned at any time prior to the IPO Closing (as the terms "IPO" and "IPO Closing" are defined in the Separation Agreement) by and in the sole discretion of Eaton without the consent of Axcelis. This Agreement or any of the Ancillary Agreements may be terminated at any time after the IPO Closing and before the Distribution Date by mutual consent of Eaton and Axcelis. In the event of termination pursuant to this Section 16.3, no party shall have any liability of any kind to the other party.

16.4 NOTICES. Notices, offers, instructions, consents, requests or other communications required or permitted to be given by either party pursuant to the terms of this Agreement or any Ancillary Agreement shall be given in writing to the respective parties to the following addresses:

if to Eaton:

Office of the Secretary
Eaton Corporation
Eaton Center
1111 Superior Avenue
Cleveland, Ohio 44114
Fax: (216) 479-7103

if to Axcelis:

Chief Executive Officer
Axcelis Technologies, Inc.
55 Cherry Hill Drive
Beverly, Massachusetts 01915
Fax: (978) 232-4221

or to such other address as the party to whom notice is given may have previously furnished to the other in writing as provided herein. Any notice involving non-performance, termination, or renewal shall be sent by hand delivery, recognized overnight courier or, within the United States, may also be sent via certified mail, return receipt requested. All other notices may also be sent by fax, confirmed by first class mail. All notices shall be deemed to have been given and received on the earlier of actual delivery or three (3) days from the date of postmark.

16.5 COUNTERPARTS. This Agreement and the Ancillary Agreements will be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

16.6 BINDING EFFECT; ASSIGNMENT. This Agreement and the Ancillary Agreements shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. This Agreement may be enforced separately by each member of the Eaton Group and each member of the Axcelis Group. Neither party may assign this Agreement or any Ancillary Agreement or any rights or obligations hereunder, or thereunder without the prior written consent of the other party, and any such assignment shall be void. No

permitted assignment of any rights or obligations hereunder or in any Ancillary Agreement, in whole or in part, by operation of law or otherwise, will release the assigning party as the obligor, jointly and severally with the assignee, from any of its obligations hereunder or in any Ancillary Agreement.

16.7 SEVERABILITY. If any term or other provision of this Agreement or any Ancillary Agreement is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement or any Ancillary Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement or such Ancillary Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby or in such Ancillary Agreement are fulfilled to the fullest extent possible.

16.8 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. Any provision of this Agreement or any Ancillary Agreement or any breach thereof may only be waived if done specifically and in writing by the party which is entitled to the benefits thereof. No failure or delay on the part of either party hereto or thereto in the exercise of any right hereunder or thereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein or therein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Ancillary Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

16.9 ENTIRE AGREEMENT; AMENDMENT. This Agreement and the Ancillary Agreements constitute the sole and entire understanding of the parties with respect to the matters contemplated hereby and thereby and supersede and render null and void all prior negotiations, representations, agreements and understandings (oral and written) between the parties with respect to such matters. No change or amendment may be made to this Agreement or any Ancillary Agreement except by an instrument in writing signed on behalf of each of the parties thereto.

16.10 AUTHORITY. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement and the Ancillary Agreements, (b) the execution, delivery and performance of this Agreement and the Ancillary Agreements by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement and the Ancillary Agreements, and (d) this Agreement and each of the Ancillary Agreements constitutes a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to general equity principles.

16.11 INTERPRETATION. The headings contained in this Agreement and the Ancillary Agreements and in the tables of contents to this Agreement and the Ancillary

Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation hereof or thereof. Any capitalized term used in any Exhibit or Schedule to this Agreement or any Ancillary Agreement but not otherwise defined therein shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The language used in this Agreement and in any Ancillary Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent and agreement, and no rule of strict construction or canons or aids in interpretation will be applied against either party.

16.12 CONFLICTING AGREEMENTS. In the event of conflict between this Agreement and any Ancillary Agreement or other document executed in connection herewith, the provisions of such other agreement or document shall prevail.

16.13 PUBLIC ANNOUNCEMENTS. Through the Distribution Date, Eaton shall determine the contents of all press releases to be issued by either of the parties upon and after the execution of this Agreement, after consultation with Axcelis, including without limitation, any termination of this Agreement for any reason, and such press release shall be consistent with the respective disclosure obligations of the parties.

16.14 SUBSEQUENT LEGAL FEES. In the event that any arbitration or litigation is initiated to interpret or enforce the terms and provisions of this Agreement or any Ancillary Agreement, the party prevailing in said action shall be entitled to its reasonable attorneys' fees and costs and shall be paid same in full by the losing party promptly upon demand by the prevailing party. A party may also include its claim for such fees and costs in the arbitration or litigation thereof.

16.15 NO THIRD-PARTY BENEFICIARIES OR RIGHT TO RELY. Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreement, (a) nothing in this Agreement or any Ancillary Agreement is intended to or shall create for or grant to any third Person any rights or remedies whatever, as a third party beneficiary or otherwise; (b) no third Person is entitled to rely on any of the representations, warranties, covenants or agreements contained herein or in any Ancillary Agreement; and (c) no party hereto or to any Ancillary Agreement shall incur any liability or obligation to any third Person because of any reliance by such third Person on any representation, warranty, covenant or agreement herein or in any Ancillary Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officers or representatives on the date first above written.

EATON CORPORATION	AXCELIS TECHNOLOGIES, INC.
By: /s/ ADRIAN T. DILLON	By: /s/ BRIAN R. BACHMAN
Name: Adrian T. Dillon	Name: Brian R. Bachman
Title: Executive Vice President--Chief Financial and Planning Officer	Title: Chief Executive Officer and Vice Chairman of the Board
By: /s/ KEN SEMELSBERGER	By: /s/ MARY G. PUMA
Name: Ken Semelsberger	Name: Mary G. Puma
Title: Vice President--Strategic Planning	Title: President, Chief Operating Officer and Secretary

[Schedules omitted. The registrant hereby agrees to furnish supplementally, upon request, a copy of any omitted schedule to this agreement.]

EXHIBIT 2.7

REAL ESTATE MATTERS AGREEMENT

between

EATON CORPORATION

and

AXCELIS TECHNOLOGIES, INC.

dated

June 30, 2000

TABLE OF CONTENTS

REAL ESTATE MATTERS AGREEMENT

This Real Estate Matters Agreement (this "AGREEMENT") is made and entered into on June 30, 2000 by and between Eaton Corporation, an Ohio corporation ("EATON"), and Axcelis Technologies, Inc., a Delaware corporation ("AXCELIS"), to be effective on the Separation Date as defined in the Separation Agreement (as defined below). Capitalized terms used herein and not otherwise defined in Article III or elsewhere herein shall have the meanings ascribed to such terms in the Separation Agreement.

RECITALS

WHEREAS, Eaton has transferred or will transfer to Axcelis effective as of the Separation Date, substantially all of the business and assets of the Axcelis Business owned by Eaton in accordance with the Master Separation and Distribution Agreement dated as of June 30, 2000 between Eaton and Axcelis (the "SEPARATION AGREEMENT"), and

WHEREAS, the parties desire to set forth certain agreements regarding real estate matters.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, Eaton and Axcelis, intending to be legally bound, hereby agree as follows:

ARTICLE I

PROPERTY

SECTION 1.1 LEASED PROPERTY

Eaton shall assign or cause its applicable Subsidiary to assign, and Axcelis shall accept and assume, or cause its applicable Subsidiary to accept and assume, Eaton's or its Subsidiary's interest in the Leased Properties (as hereinafter defined), subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Ancillary Agreements. Such assignment shall be completed on the Separation Date, except as provided otherwise in this Agreement.

SECTION 1.2 SHARED PROPERTY

Eaton shall grant or cause its applicable Subsidiary to grant to Axcelis or its applicable Subsidiary a license to occupy those parts of the facility located in 3 Tai Seng Drive, #03-00 Marconi Building, Singapore 535216 (the "SHARED PROPERTY") and Axcelis shall accept or cause its applicable Subsidiary to accept the same, as provided in a license agreement to be entered into by the relevant parties prior to or on the Separation Date and subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Ancillary Agreements. Such license shall be effective on the Separation Date.

SECTION 1.3 OBTAINING THE CONSENTS TO ASSIGNMENT

(a) Eaton confirms that, with respect to each Leased Property, an application has been made or will be made by the Separation Date to the Landlord for a Consent to Assignment, if required, and a Release.

(b) Eaton will use its reasonable commercial efforts to obtain the Consent to Assignment as to each Relevant Leased Property, but Eaton shall not be required to commence judicial proceedings for a declaration that a Consent to Assignment has been unreasonably withheld or delayed, nor shall Eaton be required to pay any consideration in excess of that required by the Relevant Lease. Axcelis shall cooperate as reasonably requested by Eaton to obtain the Consents to Assignment and the Releases. Axcelis and Eaton will promptly satisfy or cause their applicable Subsidiaries to satisfy the lawful requirements of the Landlord.

(c) Axcelis will take or cause its applicable Subsidiary to take all steps to assist Eaton in obtaining the Consent to Assignment, if required, and the Release as to each Leased Property, including, without limitation:

(i) if properly required by the Landlord, entering into an agreement with the relevant Landlord to observe and perform the tenant's obligations contained in the Relevant Lease throughout the remainder of the term of the Relevant Lease, subject to any statutory limitations of such liability;

(ii) if properly required by the Landlord, providing a guarantee, surety or other security (including, without limitation, a security deposit) for the obligations of Axcelis or its applicable Subsidiary as tenant under the Relevant Lease, and otherwise taking all steps which are reasonably necessary and which Axcelis or its applicable Subsidiary is reasonably capable of doing to meet the lawful requirements of the Landlord so as to ensure that the Lease Consents to Assignment are obtained; and

(iii) using all reasonable commercial efforts to assist Eaton in obtaining the Release from the Landlord, and, if required, offering the same or equivalent security (including, without limitation, a security deposit) to the Landlord as that formerly provided by Eaton in order to obtain the Release.

Notwithstanding the foregoing, (1) except with respect to guarantees, sureties or other security referenced in Section 1.3(c)(iii) above, Axcelis shall not be required to obtain a release of any obligation entered into by Eaton or its Subsidiary with any Landlord or other third party with respect to any Property and (2) Axcelis shall not communicate directly or permit its applicable Subsidiary to communicate directly with any of the Landlords unless so requested by Eaton or unless Axcelis can show Eaton reasonable grounds for doing so.

(d) If, with respect to any Leased Properties, Eaton and Axcelis are unable to obtain a Release from the Landlord or if any Release is found to be ineffective, Axcelis shall indemnify, defend, protect and hold harmless Eaton and its Subsidiary from and after the Separation Date against any and all losses, costs, claims, damages, or liabilities incurred by Eaton or its Subsidiary in regard to the Leased Property.

SECTION 1.4 OCCUPATION BY AXCELIS

(a) Subject to compliance with Section 1.4(b) below, in the event that the Actual Completion Date for any Leased Property does not occur prior to or on the Separation Date, Axcelis or its applicable Subsidiary shall, commencing on the Separation Date, be entitled to occupy the relevant Property as a licensee upon the terms and conditions contained in Eaton's Lease. Such license shall not be revocable prior to the Actual Completion Date unless an enforcement action or forfeiture by the relevant Landlord due to Axcelis' or its applicable Subsidiary's occupation of the Property constituting a breach of Eaton's Lease (a "LANDLORD ACTION") cannot, in the reasonable opinion of Eaton, be avoided other than by requiring Axcelis or its applicable Subsidiary to immediately vacate the relevant Property, in which case Eaton may by notice to Axcelis immediately require Axcelis or its applicable Subsidiary to vacate the relevant Property. Axcelis will be responsible for all costs, expenses and liabilities incurred by Eaton or its applicable Subsidiary as a consequence of such occupation; provided that Eaton may consent to Axcelis' continuing occupancy of the relevant Property notwithstanding a threatened or pending Landlord Action, in which event Axcelis shall be obligated as provided in Section 1.4(b) hereof and shall indemnify, defend, protect and hold harmless Eaton and its applicable Subsidiary from and against any and all losses, costs, claims, damages and liabilities arising in connection with any Landlord Action. Neither Axcelis nor its applicable Subsidiary shall be entitled to make any claim or demand against, or obtain reimbursement from, Eaton or its applicable Subsidiary with respect to any costs, losses, claims, liabilities or damages incurred by Axcelis or its applicable Subsidiary as a consequence of being obliged to vacate the Property or in obtaining alternative premises, including, without limitation, any enforcement action which a Landlord may take against Axcelis or its applicable Subsidiary.

(b) In the event that the Actual Completion Date for any Leased Property does not occur by the Separation Date, whether or not Axcelis or its applicable Subsidiary occupies a Property as licensee as provided in Section 1.4(a) above, Axcelis shall, effective as of the Separation Date, (i) pay or cause its applicable Subsidiary to pay Eaton all rents, service charges, insurance premiums and other sums payable by Eaton or its applicable Subsidiary under any Relevant Lease, (ii) observe or cause its applicable Subsidiary to observe the tenant's covenants, obligations and conditions contained in Eaton's Lease and (iii) indemnify, defend, protect and hold harmless Eaton and its applicable Subsidiary from and against all losses, costs, claims, damages and liabilities arising on account of any breach thereof by Axcelis or its applicable Subsidiary.

(c) Eaton shall supply promptly to Axcelis copies of all invoices, demands, notices and other communications received by Eaton or its applicable Subsidiaries or agents in connection with any of the matters for which Axcelis or its applicable Subsidiaries may be liable to make any payment or perform any obligation pursuant to Section 1.4 (a) or (b), and shall, at Axcelis' cost, take any steps and pass on any objections which Axcelis or its applicable Subsidiaries may have in connection with any such matters. Axcelis shall promptly supply to Eaton any notices, demands, invoices and other communications received by Axcelis or its applicable Subsidiaries or agents from any Landlord while Axcelis or any of its applicable Subsidiaries occupies any Property without the relevant Consent to Assignment.

SECTION 1.5 OBLIGATION TO COMPLETE

(a) If, with respect to any Relevant Leased Property, at any time the relevant Consent to Assignment is formally and unconditionally refused in writing, Eaton shall use its reasonable commercial efforts to obtain the relevant Landlord's Consent to Sublease all of the Relevant Leased Property to Axcelis or its applicable Subsidiary for the remainder of Eaton's Lease term less three (3) days at a rent equal to the rent from time to time under Eaton's Lease, but otherwise on substantially the same terms and conditions as Eaton's Lease. Until such time as the relevant Consent to Sublease is obtained and a sublease is completed, the provisions of Section 1.4 will apply. On the grant of the Consent to Sublease required to sublease the Relevant Leased Property, Eaton shall sublease or cause its applicable Subsidiary to sublease to Axcelis or its applicable Subsidiary the Relevant Leased Property which sublease shall be for the remainder of Eaton's lease term less three (3) days at the rent set forth in Eaton's Lease and otherwise on the terms of Eaton's Lease, and Axcelis or its applicable Subsidiary will indemnify, defend, protect and hold harmless Eaton or its applicable Subsidiary from any and all losses, costs, claims, damages and liabilities arising under the Relevant Lease, including without limitation, relating to the condition of the relevant Property at the termination of the Relevant Lease term.

(b) If the Consent to Sublease is formally and unconditionally refused in writing, Eaton may elect by written notice to Axcelis to require Axcelis or its applicable Subsidiary to vacate the Relevant Leased Property immediately or by such other date as may be specified in the notice served by Eaton (the "NOTICE DATE"), in which case Axcelis shall vacate or cause its applicable Subsidiary to vacate the Relevant Leased Property on the Notice Date but shall indemnify Eaton and its applicable Subsidiary from and against any and all costs, claims, losses, liabilities and damages arising from the Relevant Leased Property. Neither Axcelis nor its applicable Subsidiary shall be entitled to make any claim or demand against or obtain reimbursement from Eaton or its applicable Subsidiary with respect to any costs, losses, claims, liabilities or damages incurred by Axcelis or its applicable Subsidiary as a consequence of being obliged to vacate the Relevant Leased Property or obtaining alternative premises, including, without limitation, any enforcement action which a Landlord may take against Axcelis or its applicable Subsidiary. Alternatively, Eaton may consent to the continued occupancy of the Relevant Leased Property without the Landlord's consent, in which event Axcelis shall be obligated as provided in Section 1.4(b) hereof and shall indemnify, defend, protect and hold harmless Eaton and its applicable Subsidiary from and against any and all losses, costs, claims, damages and liabilities arising in connection with any Landlord Action.

SECTION 1.6 FORM OF TRANSFER

The assignment to Axcelis or its applicable Subsidiary of each relevant Leased Property shall be in substantially the form attached as Schedule 2. Eaton may amend such form with respect to a particular Property to the extent deemed reasonably necessary by Eaton.

SECTION 1.7 CASUALTY; LEASE TERMINATION

The parties hereto shall grant and accept assignments, subleases or licenses of the Properties as described in this Agreement, regardless of any casualty, damage or other change in the condition of the Properties. In addition, subject the obligations of the parties in Section 5.6

of the Separation Agreement, in the event that Eaton's Lease with respect to a Leased Property or the Shared Property is terminated prior to the Separation Date, (a) Eaton or its applicable Subsidiary shall not be required to assign, sublease or license such Property, (b) Axcelis or its applicable Subsidiary shall not be required to accept an assignment, sublease or license of such Property and (c) neither party shall have any further liability with respect to such Property hereunder.

SECTION 1.8 TENANT'S FIXTURES AND FITTINGS

The provisions of the Separation Agreement and the other Ancillary Agreements shall apply to any trade fixtures and personal property located at each Property.

SECTION 1.9 COSTS

Eaton shall pay all reasonable costs and expenses incurred in connection with obtaining the Consents to Assignments and Consents to Sublease, including, without limitation, Landlord's consent fees if specifically required by the provisions of a Lease and attorneys' fees and any costs and expenses relating to re-negotiation of Eaton's Leases.

SECTION 1.10 FEE PROPERTY

Eaton shall take, at its sole cost and expense, all actions required in order to confirm legal title to the Fee Properties in Axcelis effective on the Separation Date, including without limitation the payment of any realty transfer taxes applicable to the recording of any confirmatory deeds in the relevant local recording offices.

ARTICLE II

MISCELLANEOUS

SECTION 2.1 LIMITATION OF LIABILITY.

IN NO EVENT SHALL ANY MEMBER OF THE EATON GROUP OR THE AXCELIS TECHNOLOGIES GROUP BE LIABLE TO ANY OTHER MEMBER OF THE EATON GROUP OR THE AXCELIS TECHNOLOGIES GROUP FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EACH PARTY'S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES TO THIRD PARTIES AS SET FORTH IN THE INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT.

SECTION 2.2 GOVERNING LAW.

This Agreement shall be construed in accordance with, and all Disputes hereunder shall be governed by, the local laws of the State of Ohio, excluding its conflict of law rules. The United States District Court for the Northern District of Ohio shall have jurisdiction and venue over, and shall be the sole court used by the parties to initiate resolution of, all Disputes between the parties. Notwithstanding the foregoing, the applicable Property transfers shall be performed in accordance with the laws of the state in which the applicable Property is located.

SECTION 2.3 TERMINATION.

Section 6.3 of the Separation Agreement is incorporated herein by reference.

SECTION 2.4 NOTICES.

Notices, offers, instructions, consents, requests or other communications required or permitted to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties to the following addresses:

if to Eaton:

Office of the Secretary
Eaton Corporation
Eaton Center
1111 Superior Avenue
Cleveland, Ohio 44114
Fax: (216) 479-7103

if to Axcelis:

Office of the Secretary
Axcelis Technologies, Inc.
55 Cherry Hill Drive
Beverly, Massachusetts 01915
Fax: (978) 232-4221

or to such other address as the party to whom notice is given may have previously furnished to the other in writing as provided herein. Any notice involving non-performance, termination, or renewal shall be sent by hand delivery, recognized overnight courier or, within the United States, may also be sent via certified mail, return receipt requested. All other notices may also be sent by fax, confirmed by first class mail. All notices shall be deemed to have been given and received on the earlier of actual delivery or three (3) days from the date of postmark.

SECTION 2.5 COUNTERPARTS.

This Agreement, including the Schedules hereto, and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

SECTION 2.6 BINDING EFFECT; ASSIGNMENT.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may be enforced separately by each member of the Eaton Group and each member of the Axcelis Technologies Group. Neither party may assign this Agreement or any rights or obligations hereunder, without the prior written consent of the other party, and any such assignment shall be void. No permitted assignment of any rights or obligations hereunder, in whole or in part, by operation of law or otherwise, will release the assigning party as the obligor, jointly and severally with the assignee, from any of its obligations hereunder.

SECTION 2.7 SEVERABILITY.

If any term or other provision of this Agreement or the Schedules attached hereto is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

SECTION 2.8 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE.

Any provision of this Agreement or any breach thereof may only be waived if done specifically and in writing by the party which is entitled to the benefits thereof. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Schedules attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 2.9 ENTIRE AGREEMENT; AMENDMENT.

This Agreement, including all Schedules hereto and the documents required for the Separation Closing, constitutes the sole and entire understanding of the parties with respect to the matters contemplated hereby and supersedes and renders null and void all prior negotiations, representations, agreements and understandings (oral and written) between the parties with respect to such matters. No change or amendment will be made to this Agreement or the Schedules attached hereto except by an instrument in writing signed on behalf of each of the parties.

SECTION 2.10 AUTHORITY.

Each of the parties hereto represents to the other that (a) it has the corporate power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or

other actions, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

SECTION 2.11 INTERPRETATION.

The headings contained in this Agreement or in any Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule but not otherwise defined therein shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section or Schedule, such reference shall be to an Article or Section of, or a Schedule to, this Agreement unless otherwise indicated. The language used in this Agreement will be deemed to be the language chosen by the parties hereto to express their mutual intent and agreement, and no rule of strict construction or canons or aids in interpretation will be applied against either party.

ARTICLE III

DEFINITIONS

The following terms, as used herein, shall have the following meanings:

"Actual Completion Date" means, with respect to each of the Leased Properties, the date upon which completion of the assignment, lease, license or sublease of that Property actually takes place, including without limitation the receipt of all required Consents to Assignment or Consents to Sublease.

"Consent to Assignment" means all consents, waivers or amendments required from the Landlord or other third parties under the Relevant Lease to permit the assignment by Eaton or a relevant Eaton Subsidiary of the Relevant Lease to Axcelis or its applicable Subsidiary.

"Consent to Sublease" means all consents, waivers or amendments required from the Landlord or other third parties under the Relevant Lease to permit a sublease by Eaton or its relevant Subsidiary of the premises governed by the Relevant Lease to Axcelis or its relevant Subsidiary.

"Eaton's Lease" means, in relation to each Leased Property, the lease(s) or sublease(s) or license(s), including all amendments thereto, under which Eaton or its applicable Subsidiary holds such Property and any other supplemental document completed prior to the Actual Completion Date.

"Fee Properties" means those Properties identified in Section A of Schedule 1 of this Agreement.

"Landlord" means the landlord under each of Eaton's Leases, and its successors and assigns, and includes the holder of any other interest which is superior to the interest of the landlord under Eaton's Lease.

"Leased Properties" means those Properties identified in Section B of Schedule 1 of this Agreement.

"Property" means the Leased Properties, the Shared Property and the Fee Properties.

"Release" means a written, enforceable release of any continuing obligation or liability of Eaton or its Subsidiary under the relevant Lease, including without limitation, the release or return of any guarantee, surety or other security which Eaton or its Subsidiary may have previously provided to the Landlord.

"Relevant Leased Properties" means those of Eaton's Leased Properties with respect to which the Landlord's consent is required for assignment, license or sublease to a third party or which prohibit such assignments, licenses or subleases.

"Relevant Leases" means those of Eaton's Leases with respect to which the Landlord's consent is required for assignment, license or sublease to a third party or which prohibit such assignments, licenses or subleases.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officers or representatives on the date first above written.

EATON CORPORATION

By: /s/ ADRIAN T. DILLON

Name: Adrian T. Dillon

Title: Executive Vice President -- Chief Financial and Planning Officer

By: /s/ KEN SEMELSBERGER

Name: Ken Semelsberger

Title: Vice President -- Strategic Planning

AXCELIS TECHNOLOGIES, INC.

By: /s/ BRIAN R. BACHMAN

Name: Brian R. Bachman

Title: Chief Executive Officer and Vice Chairman of the Board

By: /s/ MARY G. PUMA

Name: Mary G. Puma

Title: President, Chief Operating Officer and Secretary

[Schedules omitted. The registrant hereby agrees to furnish supplementally, upon request, a copy of any omitted schedule to this agreement.]

Exhibit 2.8

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

BETWEEN

EATON CORPORATION

AND

AXCELIS TECHNOLOGIES, INC.

DATED

JUNE 30, 2000

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

This Indemnification and Insurance Matters Agreement ("Agreement") is made and entered into on June 30, 2000 by and between Eaton Corporation, an Ohio corporation ("Eaton"), and Axcelis Technologies, Inc. (formerly known as Eaton Semiconductor Equipment Inc.), a Delaware corporation ("Axcelis Technologies"), to be effective on the date hereof. Capitalized terms used herein and not otherwise defined herein or in Article IV below shall have the meanings ascribed to such terms in the Separation Agreement.

RECITALS

WHEREAS, pursuant to that certain Purchase and Sale Agreement dated as of December 29, 1995 between Eaton and Axcelis Technologies (the "1995 Agreement"), Eaton transferred to Axcelis Technologies certain assets of the Axcelis Technologies Business.

WHEREAS, as part of the transactions contemplated by the Separation, prior to the date hereof Eaton has caused the transfer to Axcelis Technologies of all of the issued and outstanding capital stock of Fusion Systems Corporation and High Temperature Engineering Corporation, all of Eaton's ownership interests in Sumitomo Eaton Nova Corporation and the intellectual property assets of the Axcelis Technologies Business.

WHEREAS, Eaton and its Subsidiaries have transferred or will transfer to Axcelis Technologies and its Subsidiaries effective on the Separation Date the assets of the Axcelis Technologies Business acquired by Eaton after the 1995 Agreement and the assets of the Axcelis Technologies Business not transferred pursuant to the 1995 Agreement, or separately, in accordance with the Master Separation and Distribution Agreement dated June 30, 2000 between Eaton and Axcelis Technologies (the "Separation Agreement").

WHEREAS, the parties desire to set forth certain agreements regarding indemnification and insurance.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, Eaton and Axcelis Technologies, intending to be legally bound, hereby agree as follows:

ARTICLE I.

MUTUAL RELEASES; INDEMNIFICATION

Section 1.1. Release of Pre-Closing Claims.

(a) Axcelis Technologies Release. Except as otherwise provided in this Agreement, including without limitation in Section 1.1(c), effective on the Separation Date, Axcelis Technologies does hereby, for itself and as agent for each member of the Axcelis Technologies Group, remise, release and forever discharge the Eaton Indemnitees from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising

under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Separation Date, including in connection with the transactions and all other activities to implement the Separation.

(b) Eaton Release. Except as otherwise provided in this Agreement, including without limitation Section 1.1(c) and Section 1.4, effective on the Separation Date, Eaton does hereby, for itself and as agent for each member of the Eaton Group, remise, release and forever discharge the Axcelis Technologies Indemnitees from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Separation Date, including in connection with the transactions and all other activities to implement the Separation.

(c) No Impairment. Nothing contained in Section 1.1(a), (b) or (d) shall impair any right of either Eaton or Axcelis Technologies to enforce the Separation Agreement, the Assignment and Assumption Agreement, any other Ancillary Agreement (including this Agreement) or any other written agreement entered into by Eaton and Axcelis Technologies or any members of the Eaton Group or the Axcelis Technologies Group with each other or with Eaton or Axcelis Technologies in regard to or in any way related to the Separation, the IPO or the Distribution, in each case in accordance with its terms.

(d) No Actions as to Released Claims. Except as otherwise provided in this Agreement, including without limitation in Section 1.1(c), Axcelis Technologies shall not make or commence (for itself or as agent for any member of the Axcelis Technologies Group), and shall cause each member of the Axcelis Group not to make or commence, any claim, demand or Action asserting any claim or demand, including any claim for contribution or indemnification, against Eaton or any member of the Eaton Group, or any other Person released pursuant to Section 1.1(a), with respect to any Liabilities released pursuant to Section 1.1(a). Except as otherwise provided in this Agreement, including without limitation in Section 1.1(c), Eaton shall not make or commence (for itself or as agent for any member of the Eaton Group), and shall cause each member of the Eaton Group not to make or commence, any claim, demand or Action asserting any claim or demand, including any claim for contribution or indemnification, against Axcelis Technologies or any member of the Axcelis Technologies Group, or any other Person released pursuant to Section 1.1(b), with respect to any Liabilities released pursuant to Section 1.1(b).

(e) Further Instruments. At any time, at the request of the other party, each party hereto shall cause each member of its respective Group to execute and deliver releases reflecting the provisions hereof.

Section 1.2. Indemnification by Axcelis Technologies. Except as otherwise provided in this Agreement, Axcelis Technologies shall, for itself and as agent for each member of the Axcelis Technologies Group, indemnify, defend (or, where applicable, pay the defense or other litigation costs for) and hold harmless the Eaton Indemnitees from and against any and all Liabilities that any third Person seeks at any time to impose upon the Eaton Indemnitees, or

which are at any time imposed upon the Eaton Indemnitees, and that relate to, arise out of or result from any of the following items (without duplication):

(i) the Axcelis Technologies Business, any Axcelis Technologies Liability or any Axcelis Technologies Contract;

(ii) any breach by Axcelis Technologies or any member of the Axcelis Technologies Group of the Separation Agreement, any of the Ancillary Agreements (including this Agreement) or any other agreement described in Section 1.1(c) hereof; and

(iii) any Securities Liabilities other than with respect to Eaton Information.

In the event that any member of the Axcelis Technologies Group makes a payment to the Eaton Indemnitees hereunder, and any of the Eaton Indemnitees subsequently diminishes the Liability on account of which such payment was made, either directly or through a third-party recovery, Eaton will promptly repay (or will cause an Eaton Indemnitee promptly to repay) such member of the Axcelis Technologies Group the amount by which the payment made by such member of the Axcelis Technologies Group exceeds the actual cost of the associated indemnified Liability. This Section 1.2 shall not apply to any Liability indemnified under Section 1.4.

Section 1.3. Indemnification by Eaton. Except as otherwise provided in this Agreement, Eaton shall, for itself and as agent for each member of the Eaton Group, indemnify, defend (or, where applicable, pay the defense or other litigation costs for) and hold harmless the Axcelis Technologies Indemnitees from and against any and all Liabilities that any third Person seeks at any time to impose upon the Axcelis Technologies Indemnitees, or which are at any time imposed upon the Axcelis Technologies Indemnitees, and that relate to, arise out of or result from any of the following items (without duplication):

(i) the Eaton Business or any Liability of the Eaton Group other than the Axcelis Technologies Liabilities;

(ii) any breach by Eaton or any member of the Eaton Group of the Separation Agreement or any of the Ancillary Agreements (including this Agreement) or any other agreement described in Section 1.1(c) hereof; and

(iii) any Securities Liabilities with respect to Eaton Information.

In the event that any member of the Eaton Group makes a payment to the Axcelis Technologies Indemnitees hereunder, and any of the Axcelis Technologies Indemnitees subsequently diminishes the Liability on account of which such payment was made, either directly or through a third-party recovery, Axcelis Technologies will promptly repay (or will cause an Axcelis Technologies Indemnitee promptly to repay) such member of the Eaton Group the amount by which the payment made by such member of the Eaton Group exceeds the actual cost of the indemnified Liability.

Section 1.4. Indemnification With Respect to Environmental Actions and Conditions. Anything to the contrary in Section 1.1(a) notwithstanding, Axcelis Technologies shall, for itself and as agent for each member of the Axcelis Technologies Group, indemnify, defend and hold

harmless the Eaton Indemnitees from and against any and all Environmental Conditions and Environmental Actions relating to, arising on or out of, resulting from or present at or in (i) any of the Axcelis Technologies Facilities before or after the transfer of such Axcelis Technologies Facilities to Axcelis Technologies (including any Release or transportation of Hazardous Materials occurring either before or after the Separation Date at or from any of the Axcelis Technologies Facilities, including without limitation any migration to or from any of the Axcelis Technologies Facilities), (ii) any operations of the Axcelis Technologies Business at any of the Axcelis Technologies Facilities prior to the Separation Date, (iii) any operations of the Axcelis Technologies Business or any Axcelis Technologies Facilities on or after the Separation Date, and (iv) any product of the types currently manufactured or sold by the Axcelis Technologies Business (including all predecessor products of the types currently manufactured or sold) that was manufactured or sold prior to, on or after the Separation Date. In the event Axcelis Technologies makes any payment to or on behalf of Eaton with respect to an Environmental Condition or Environmental Action for which Axcelis Technologies is obligated to indemnify under this Section 1.4, and Eaton or any member of the Eaton Group subsequently receives any payment from a third Person on account of the same financial obligation covered by the payment made by Axcelis Technologies for that Environmental Condition or Environmental Action or otherwise diminishes the financial obligation, Eaton will promptly pay Axcelis Technologies the amount by which the payment made by Axcelis Technologies exceeds the actual cost of the financial obligation to the extent Eaton has received payment therefore.

Section 1.5. Reductions for Insurance Proceeds and Other Recoveries. The amount that either Eaton or Axcelis Technologies or any member of either the Eaton Group or the Axcelis Technologies Group (an "Indemnifying Party") is or may be required to pay to or on behalf of the other or any member of the other Group (an "Indemnitee") pursuant to Section 1.2, 1.3 or 1.4, as applicable, shall be reduced (retroactively or prospectively) by any Insurance Proceeds or other amounts hereafter actually recovered from third Persons by or on behalf of such Indemnitee in respect of the related loss. The existence of a claim by an Indemnitee for monies from an insurer or against a third Person in respect of any indemnifiable loss shall not, however, delay any payment pursuant to the indemnification provisions contained herein and otherwise due and owing by an Indemnifying Party. Rather, the Indemnifying Party shall make payment in full of the amount due and owing by it against an assignment by the Indemnitee to the Indemnifying Party of the entire claim of the Indemnitee for Insurance Proceeds or against such third Person. Notwithstanding any other provisions of this Agreement, it is the intention of the parties that no insurer or any other third Person shall be (i) entitled to a benefit it would not be entitled to receive in the absence of the foregoing indemnification provisions, or (ii) relieved of the responsibility to pay any claims for which it is obligated. If an Indemnitee has received the payment required by this Agreement from an Indemnifying Party in respect of any indemnifiable loss and later receives Insurance Proceeds or other amounts in respect of such indemnifiable loss, then such Indemnitee shall hold such Insurance Proceeds or other amounts in trust for the benefit of the Indemnifying Party and shall pay to the Indemnifying Party, as promptly as practicable after receipt, a sum equal to the amount of such Insurance Proceeds or other amounts received, up to the aggregate amount of any payments received from the Indemnifying Party pursuant to this Agreement in respect of such indemnifiable loss (or, if there is more than one Indemnifying Party, the Indemnitee shall pay each Indemnifying Party its proportionate share based on payments received from the Indemnifying Parties of such Insurance Proceeds or other amounts received).

Section 1.6. Procedures for Defense, Settlement and Indemnification of Third Party Claims.

(a) Notice of Claims. If an Eaton Indemnitee or an Axcelis Technologies Indemnitee (as applicable) receives notice or otherwise learns of the assertion by a Person (including any Governmental Authority) who is not a member of the Eaton Group or the Axcelis Technologies Group of any claim or of the commencement by any such Person of any Action (collectively, a "Third Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Eaton Indemnitee or Axcelis Technologies Indemnitee (as applicable) pursuant to Section 1.2, 1.3 or 1.4 hereof, or any provision of the Separation Agreement or any Ancillary Agreement, Eaton and Axcelis Technologies (as applicable) will ensure that such Eaton Indemnitee or Axcelis Technologies Indemnitee (as applicable) shall give such Indemnifying Party written notice thereof within 60 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the delay or failure of any Eaton Indemnitee or Axcelis Technologies Indemnitee (as applicable) to give notice as provided in this Section 1.6(a) shall not relieve the related Indemnifying Party of its obligations under this Article I, except to the extent that such Indemnifying Party is actually and substantially prejudiced by such delay or failure to give notice.

(b) Defense By Indemnifying Party. An Indemnifying Party will manage the defense of and may settle or compromise any Third Party Claim. Within 30 days after the receipt of notice from an Indemnitee in accordance with Section 1.6(a), the Indemnifying Party shall notify the Indemnitee that the Indemnifying Party will assume responsibility for managing the defense of such Third Party Claim, which notice shall specify any reservations or exceptions.

(c) Defense By Indemnitee. If an Indemnifying Party fails to assume responsibility for managing the defense of a Third Party Claim, or fails to notify an Indemnitee that it will assume responsibility as provided in Section 1.6(b), such Indemnitee may manage the defense of such Third Party Claim; provided, however, that the Indemnifying Party shall reimburse all such costs and expenses in the event it is ultimately determined that the Indemnifying Party is obligated to indemnify the Indemnitee with respect to such Third Party Claim.

(d) No Settlement By Indemnitee Without Consent. Unless the Indemnifying Party has failed to manage the defense of the Third Party Claim in accordance with the terms of this Agreement, no Indemnitee may settle or compromise any Third Party Claim without the consent of the Indemnifying Party (such consent to be at the sole discretion of the Indemnifying Party).

(e) No Consent to Certain Judgments or Settlements Without Consent. Notwithstanding any provision of this Section 1.6 to the contrary, neither Eaton nor Axcelis Technologies shall consent to the entry of any judgment or enter into any settlement of a Third Party Claim (or permit any member of its respective Group to so consent or enter into any such settlement) without the consent of the other (such consent not to be unreasonably withheld) if the effect of such judgment or settlement is to permit any injunction, declaratory judgment or other nonmonetary relief to be entered, directly or indirectly, against the other.

Section 1.7. Additional Matters.

(a) Cooperation in Defense and Settlement. With respect to any Third Party Claim that implicates both Axcelis Technologies and Eaton in a material fashion due to the allocation of Liabilities, responsibilities for management of defense and related indemnities set forth in the Separation Agreement, this Agreement or any of the other Ancillary Agreements, Eaton and Axcelis Technologies shall cooperate fully and maintain a joint defense (in a manner that will preserve the attorney-client privilege with respect thereto) so as to minimize such Liabilities and defense costs associated therewith. The party that is not responsible for managing the defense of such Third Party Claims shall, upon reasonable request, be consulted with respect to significant matters relating thereto and may, if necessary or helpful, associate counsel to assist in the defense of such claims.

(b) Substitution. In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnitee or the Indemnifying Party shall so request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant. Whether or not such substitution can be achieved for any reason or is not requested, the rights and obligations of the parties regarding indemnification and the management of the defense of Third Party Claims as set forth in this Article I shall not be altered.

(c) Subrogation. In the event of payment by or on behalf of any Indemnifying Party to or on behalf of any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee, in whole or in part based upon whether the Indemnifying Party has paid all or only part of the Indemnitee's Liability, as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other Person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(d) Not Applicable to Taxes. This Agreement shall not apply to Taxes (which shall be governed by the Tax Sharing Agreement).

Section 1.8. Survival of Indemnities. Subject to the relevant provisions of Article III hereof, the rights and obligations of the members of the Eaton Group and the Axcelis Technologies Group under this Article I shall survive the sale or other transfer by any such member of any Assets or businesses or the assignment by it of any Liabilities or the sale by any member of the Eaton Group or the Axcelis Technologies Group of the capital stock or other equity interests of any Subsidiary to any Person.

ARTICLE II.

INSURANCE MATTERS

Section 2.1. Axcelis Technologies Insurance Coverage During the Transition Period.

(a) Maintain Comparable Insurance. Throughout the period beginning on the IPO Closing Date and ending on the Distribution Date (the "Insurance Transition Period"), Eaton shall, subject to insurance market conditions and other factors beyond its control, maintain policies of insurance (including, without limitation, comprehensive general liability, property damage and directors and officers liability coverage) for the benefit of Axcelis Technologies or any of its Subsidiaries, directors, officers, employees or other covered parties (collectively, the "Axcelis Technologies Covered Parties") which are comparable to those maintained generally by Eaton. However, if Eaton determines that (i) the amount or scope of such coverage will be reduced to a level materially inferior to the level of coverage in existence immediately prior to the Insurance Transition Period or (ii) the retention or deductible level applicable to such coverage, if any, will be increased to a level materially greater than the levels in existence immediately prior to the Insurance Transition Period, Eaton shall give Axcelis Technologies notice of such determination as promptly as practicable. Upon notice of such determination, Axcelis Technologies shall be entitled to 60 days to evaluate its options regarding continuance of coverage hereunder and may cancel its interest in all or any portion of such coverage as of any day within such 60 day period.

(b) Reimbursement for Premiums. Axcelis Technologies shall promptly pay or reimburse Eaton, as the case may be, for premium expenses and for any costs and expenses which Eaton may incur in connection with the insurance coverages maintained pursuant to this Section 2.1, including but not limited to any subsequent premium adjustments. All payments and reimbursements by Axcelis Technologies to Eaton shall be made within thirty (30) days after Axcelis Technologies' receipt of an invoice from Eaton.

Section 2.2 Workers Compensation Plan.

(a) Participation in the Eaton Workers Compensation Plan. Axcelis Technologies shall, through the earlier of December 31, 2000 or the Distribution Date (or such other date as Axcelis Technologies and Eaton may mutually agree), continue to be a Participating Company in the Eaton Workers Compensation Plan. Eaton shall continue to administer, or cause to be administered, the Eaton Workers Compensation Plan in accordance with its terms and applicable law. Axcelis Technologies shall fully cooperate with Eaton and its insurers in the administration and reporting of Axcelis Technologies Workers Compensation Claims under the Eaton Workers

Compensation Plan. Any determination made, or settlement entered into, by or on behalf of Eaton or its insurers with respect to Axcelis Technologies Workers Compensation Claims under the Eaton Workers Compensation Plan shall be final and binding. Axcelis Technologies shall reimburse Eaton for any and all direct and indirect costs related to the Axcelis Technologies Workers Compensation Claims or Axcelis Technologies' participation in the Eaton Workers Compensation Plan, including but not limited to loss costs, claims, administration fees, legal expenses, premium audits and retrospective premium adjustments. Eaton shall transfer to and reimburse Axcelis Technologies any assets related to the Axcelis Technologies Workers Compensation Claims or Axcelis Technologies' participation in the Eaton Workers Compensation Plan, including but not limited to loss reserves, premium audits, and retrospective premium adjustments.

(b) Assumption of Eaton and Axcelis Technologies Workers Compensation Plan Liabilities by Axcelis Technologies. Effective as of the earlier of December 31, 2000 and the Distribution Date, Axcelis Technologies shall assume and be solely responsible for all liabilities relating to, arising out of or resulting from any and all workers compensation claims of any sort by Axcelis Technologies Employees ("Axcelis Technologies Workers Compensation Claims"), whether incurred before or after the Separation Date. Axcelis Technologies shall timely cause all filings made necessary by such liability and responsibility assumption to be made with any relevant Governmental Authority. Except as otherwise provided by the Separation Agreement or any Ancillary Agreement (including the Transitional Services Agreement), the defense of claims, suits or actions giving rise to potential or actual Axcelis Technologies Workers Compensation Claims will be managed by Eaton (in conjunction with Eaton's insurers, as appropriate), and Eaton will consult with Axcelis Technologies on any such Axcelis Technologies Claims that may affect Axcelis Technologies.

(c) Outsourcing of Axcelis Technologies Workers Compensation Plan Claims. After consulting with and obtaining the written consent of Eaton for such a transfer, Axcelis Technologies may transfer the administration of Axcelis Technologies Workers Compensation Claims incurred under the Eaton Workers Compensation Plan to a third party administrator, vendor or insurance company ("Outsourcing"). Axcelis Technologies shall promptly notify Eaton of its desire to transfer such claims administration, including the material terms and conditions of the transfer. If Eaton consents to the transfer, Eaton, upon the request of Axcelis Technologies, shall assist Axcelis Technologies in procuring and transitioning to Outsourcing, and provide Axcelis Technologies with any information that is in the possession of Eaton and reasonably available and necessary to obtain such Outsourcing.

(d) Establishment of the Axcelis Technologies Workers Compensation Plan. As of the earlier of December 31, 2000 and the Distribution Date, Axcelis Technologies shall be responsible for complying with the workers compensation requirements of the states in which the Axcelis Technologies Group conducts business and for obtaining and maintaining insurance programs for its risk of loss. Such insurance arrangements shall be separate and apart from the Eaton Workers Compensation Plan. Notwithstanding the foregoing, Eaton, upon the request of Axcelis Technologies, shall assist Axcelis Technologies in procuring workers compensation insurance policies on behalf of Axcelis Technologies, assist Axcelis Technologies in the transition to its own separate insurance program, and provide Axcelis Technologies with any

information that is in the possession of Eaton and reasonably available and necessary to either obtain insurance coverages for Axcelis Technologies or to assist Axcelis Technologies in preventing unintended self-insurance, in whatever form.

Section 2.3. Cooperation and Agreement Not to Release Carriers. Each of Eaton and Axcelis Technologies will share such information as is reasonably necessary in order to permit the other to manage and conduct its insurance matters in an orderly fashion. Each of Eaton and Axcelis Technologies, at the request of the other, shall cooperate with and use commercially reasonable efforts to assist the other in recoveries for claims made under any insurance policy for the benefit of any insured party, and neither Eaton nor Axcelis Technologies, nor any of their Subsidiaries, shall take any action which would intentionally jeopardize or otherwise interfere with either party's ability to collect any proceeds payable pursuant to any insurance policy. Except as otherwise contemplated by the Separation Agreement, this Agreement or any other Ancillary Agreement, after the Separation Date, Axcelis Technologies shall not (and shall ensure that the members of the Axcelis Technologies Group shall not), without the prior consent of Eaton, provide any insurance carrier with a release, or amend, modify or waive any rights under any such policy or agreement, if such release, amendment, modification or waiver would adversely affect any rights or potential rights of any member of the Eaton Group thereunder. However, nothing in this Section 2.3 shall (A) preclude any member of any Group from presenting any claim or from exhausting any policy limit, (B) require any member of any Group to pay any premium or other amount or to incur any Liability, or (C) require any member of any Group to renew, extend or continue any policy in force.

Section 2.4. Axcelis Technologies Insurance Coverage After the Insurance Transition Period. From and after expiration of the Insurance Transition Period, Axcelis Technologies shall be responsible for obtaining and maintaining insurance programs for its risk of loss and such insurance arrangements shall be separate and apart from Eaton's insurance programs. Notwithstanding the foregoing, Eaton, upon the request of Axcelis Technologies, shall use commercially reasonable efforts to assist Axcelis Technologies in the transition to its own separate insurance programs from and after the Insurance Transition Period, and shall provide Axcelis Technologies with any information that is in its possession and is reasonably available and necessary to either obtain insurance coverages for Axcelis Technologies or to assist Axcelis Technologies in preventing unintended self-insurance, in whatever form.

Section 2.5. Responsibilities for Deductibles and/or Self-insured Obligations. Axcelis Technologies will reimburse Eaton for all amounts necessary to exhaust or otherwise satisfy all applicable self-insured retentions, amounts for fronted policies, deductibles and retrospective premium adjustments and similar amounts not covered by Insurance Policies in connection with Axcelis Technologies Liabilities and Insured Axcelis Technologies Liabilities.

Section 2.6. Procedures With Respect to Insured Axcelis Technologies Liabilities.

(a) Reimbursement. Axcelis Technologies will reimburse Eaton for all out-of-pocket amounts expended by Eaton to pursue insurance recoveries from Insurance Policies for Insured Axcelis Technologies Liabilities.

(b) Management of Claims. Except as otherwise provided by the Separation Agreement, this Agreement or any other Ancillary Agreement (including the Transitional Services Agreement), the defense of claims, suits or actions giving rise to potential or actual Insured Axcelis Technologies Liabilities will be managed by Eaton (in conjunction with Eaton's insurers, as appropriate), and Eaton will consult with Axcelis on any claim matters that may affect Axcelis.

Section 2.7. Cooperation. Eaton and Axcelis Technologies will cooperate with each other in all respects, and they shall execute any additional documents which are reasonably necessary, to effectuate the provisions of this Article II.

Section 2.8. No Assignment or Waiver. This Agreement shall not be considered as an attempted assignment of any policy of insurance or as a contract of insurance and shall not be construed to waive any right or remedy of any member of the Eaton Group in respect of any Insurance Policy or any other contract or policy of insurance.

Section 2.9. No Liability. Axcelis Technologies does hereby, for itself and as agent for each other member of the Axcelis Technologies Group, agree that no member of the Eaton Group or any Eaton Indemnitee shall have any Liability whatsoever to Axcelis Technologies or any member of the Axcelis Technologies Group as a result of the insurance policies and practices of Eaton and its Subsidiaries as in effect at any time prior to the Distribution Date, including as a result of the level or scope of any such insurance, the creditworthiness of any insurance carrier, the terms and conditions of any policy, the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise.

Section 2.10. Additional or Alternate Insurance. Notwithstanding any provision of this Agreement, during the Insurance Transition Period, Eaton and Axcelis Technologies shall work together to evaluate insurance options and secure additional or alternate insurance for Axcelis Technologies and/or Eaton if desired and cost effective. Nothing in this Agreement shall be deemed to restrict any member of the Axcelis Technologies Group from acquiring at its own expense any other insurance policy in respect of any Liabilities or covering any period.

Section 2.11. Further Agreements. Eaton and Axcelis Technologies acknowledge that they intend to allocate financial obligations without violating any laws regarding insurance, self-insurance or other financial responsibility. If it is determined that any action undertaken pursuant to the Separation Agreement, this Agreement or any other Ancillary Agreement is violative of any insurance, self-insurance or related financial responsibility law or regulation, Eaton and Axcelis Technologies will work together to do whatever is necessary to comply with such law or regulation while trying to accomplish, as much as possible, the allocation of financial obligations as intended in the Separation Agreement, this Agreement and the other Ancillary Agreements.

Section 2.12. Matters Governed by Employee Matters Agreement. This Article II shall not apply to any insurance policies that are the subject of the Employee Matters Agreement.

ARTICLE III.

MISCELLANEOUS

Section 3.1. Miscellaneous. The miscellaneous provisions contained in Article VI of the Separation Agreement are hereby incorporated by reference in this Agreement in their entirety. Wherever used in such Article VI as incorporated herein, the term "this Agreement" means the Separation Agreement, and the term "Ancillary Agreements" includes this Indemnification and Insurance Matters Agreement.

ARTICLE IV.

DEFINITIONS

Section 4.1. Action. "Action" means any demand, action, suit, litigation, claim, countersuit, arbitration, inquiry, proceeding or investigation by any third Person or Governmental Authority or before any federal, state, local, foreign or international court or other governmental authority or any arbitration or mediation tribunal.

Section 4.2. Affiliated Company. "Affiliated Company" of any Person means any entity that controls, is controlled by, or is under common control with such Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

Section 4.3. Assets. "Assets" has the meaning set forth in the Assignment Agreement.

Section 4.4. Assignment Agreement. "Assignment Agreement" means the General Assignment and Assumption Agreement which is an Exhibit to the Separation Agreement.

Section 4.5. Axcelis Technologies Business. "Axcelis Technologies Business" has the meaning set forth in the Assignment Agreement.

Section 4.6. Axcelis Technologies Contracts. "Axcelis Technologies Contracts" has the meaning set forth in the Assignment Agreement.

Section 4.7. Axcelis Technologies Covered Parties. "Axcelis Technologies Covered Parties" has the meaning set forth in Section 2.1(a) of this Agreement.

Section 4.8. Axcelis Technologies Employee. "Axcelis Technologies Employee" means any individual who is: (a) either actively employed by, or on leave of absence from, the Axcelis Technologies Group on the Separation Date; or (b) any other employee or group of employees designated as Axcelis Technologies Employees (as of the specified date) by Eaton and Axcelis Technologies by mutual agreement.

Section 4.9. Axcelis Technologies Facilities. "Axcelis Technologies Facilities" means all of those operating, administrative, sales and service and other facilities and locations (whether owned, leased, subleased or otherwise) already transferred (including without limitation the Austin, Texas facility), or to be transferred, by Eaton or any of its Subsidiaries to Axcelis Technologies or any of its Subsidiaries by or after the Separation Date, including those facilities set forth on Schedule 1 to the Real Estate Matters Agreement or to be dealt with pursuant to the Non-US Plan.

Section 4.10. Axcelis Technologies Group. "Axcelis Technologies Group" means Axcelis Technologies, each Subsidiary and Affiliated Company of Axcelis Technologies immediately after the Separation Date or that is contemplated to be a Subsidiary or Affiliated Company of Axcelis Technologies pursuant to the Separation Agreement, the Assignment

Agreement or any of the other Ancillary Agreements and each Person that becomes a Subsidiary or Affiliated Company of Axcelis Technologies after the Separation Date.

Section 4.11. Axcelis Technologies Indemnitees. "Axcelis Technologies Indemnitees" means Axcelis Technologies, each member of the Axcelis Technologies Group and each of their respective directors, officers and employees.

Section 4.12. Axcelis Technologies Liabilities. "Axcelis Technologies Liabilities" has the meaning set forth in the Assignment Agreement.

Section 4.13. Axcelis Technologies Workers Compensation Claims. "Axcelis Technologies Workers Compensation Claims" has the meaning set forth in Section 2.2 hereof.

Section 4.14. Distribution Registration Statement. "Distribution Registration Statement" means any and all registration statements, information statements or other documents filed by any party with the Securities and Exchange Commission in connection with any transaction constituting part of the Distribution, in each case as supplemented or amended from time to time.

Section 4.15. Eaton Business. "Eaton Business" means any business of Eaton other than the Axcelis Technologies Business.

Section 4.16. Eaton Facilities. "Eaton Facilities" means all of the real property and improvements thereon owned or occupied at any time on or before the Separation Date by any member of the Eaton Group, whether for the Eaton Business or the Axcelis Technologies Business, excluding the Axcelis Technologies Facilities.

Section 4.17. Eaton Group. "Eaton Group" means Eaton, each Subsidiary and Affiliated Company of Eaton (other than any member of the Axcelis Technologies Group) immediately after the Separation Date, after giving effect to the Separation Agreement, the Assignment Agreement and the other Ancillary Agreements, and each Person that becomes a Subsidiary or Affiliated Company of Eaton after the Separation Date.

Section 4.18. Eaton Indemnitees. "Eaton Indemnitees" means Eaton, each member of the Eaton Group and each of their respective directors, officers and employees.

Section 4.19. Eaton Information. "Eaton Information" means all materials set forth in, or incorporated by reference into, either the IPO Registration Statement or the Distribution Registration Statement, as applicable, to the extent relating exclusively to (i) Eaton and the Eaton Affiliated Companies (excluding Axcelis, the Axcelis Affiliated Companies and Sumitomo Eaton Nova Corporation), (ii) the Eaton Business, (iii) Eaton's intentions with respect to the Distribution or (iv) the terms of the Distribution, including, other than the IPO, the form, structure and terms of any transaction(s) or offering(s) to effect the Distribution and the timing of and conditions to the consummation of the Distribution.

Section 4.20. Employee Matters Agreement. "Employee Matters Agreement" means the Employee Matters Agreement which is an Exhibit to the Separation Agreement.

Section 4.21. Environmental Actions. "Environmental Actions" means any notice, claim, act, cause of action, litigation, order, decree or investigation by any third Person (including, without limitation, any Governmental Authority) alleging potential liability for consulting costs (including without limitation for investigatory costs of any sort, environmental engineering and attorneys' charges), cleanup costs, remediation costs, governmental or other response costs, monitoring or disposal costs, natural resources damages, damage to flora or fauna caused by Environmental Conditions, real property damages, loss of or interference with use of property, diminution in the value of property, personal injuries or penalties arising out of, based on or resulting from the Release of or exposure of any individual to any Hazardous Materials.

Section 4.22. Environmental Conditions. "Environmental Conditions" means the presence in the environment, including the soil, groundwater, surface water, ambient air or business location or manufactured product, of any Hazardous Material regulated under any Environmental Law or any Hazardous Material which requires investigation or remediation (including, without limitation, investigation, study, health or risk assessment, monitoring, removal, treatment or transport) under any applicable Environmental Laws or under any contract or agreement relating to health, safety or environmental matters or because of the failure to comply with any Environmental Law.

Section 4.23. Environmental Laws. "Environmental Laws" means any federal, state, local, foreign or international statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, common law (including tort and environmental nuisance law), legal doctrine, order, judgment, decree, injunction, requirement or agreement of any Governmental Authority in effect at any time that relates to health, safety, pollution or the environment (including ambient air, surface water, ground water, land surface or subsurface strata), including without limitation laws and regulations relating to the Release of Hazardous Materials, or otherwise relating to the treatment, storage, disposal, transport or handling of Hazardous Materials, or to the exposure of any individual to a Release of Hazardous Materials.

Section 4.24. Hazardous Materials. "Hazardous Materials" means substances, chemicals, pollutants, contaminants, wastes, toxic substances, radioactive materials, biological materials, hazardous substances, petroleum and petroleum products or any fraction thereof.

Section 4.25. Indemnitee. "Indemnitee" has the meaning set forth in Section 1.5 hereof.

Section 4.26. Insurance Policies. "Insurance Policies" means insurance policies pursuant to which a Person makes a true risk transfer to an insurer which is not part of the Eaton Group.

Section 4.27. Insurance Proceeds. "Insurance Proceeds" means those monies:

(a) received by an insured from an insurance carrier; or

(b) paid by an insurance carrier on behalf of the insured from Insurance Policies.

Section 4.28. Insurance Transition Period. "Insurance Transition Period" has the meaning set forth in Section 2.1 of this Agreement.

Section 4.29. Insured Axcelis Technologies Liability. "Insured Axcelis Technologies Liability" means any Axcelis Technologies Liability to the extent that (i) it is covered under the terms of Eaton's Insurance Policies in effect prior to the Distribution Date, and (ii) Axcelis Technologies is not a named insured under, or otherwise entitled to the benefits of, such Insurance Policies.

Section 4.30. IPO. "IPO" has the meaning set forth in the recitals to the Separation Agreement.

Section 4.31. IPO Closing Date. "IPO Closing Date" means the date on which Axcelis Technologies consummates its initial public offering of common stock.

Section 4.32. IPO Registration Statement. "IPO Registration Statement" means the registration statement on Form S-1 under the Securities Act of 1933, as amended, as filed with the Securities and Exchange Commission registering the shares of common stock of Axcelis Technologies to be issued in the IPO, together with all amendments thereto.

Section 4.33. Liabilities. "Liabilities" has the meaning set forth in the Assignment Agreement.

Section 4.34. Non-US Plan. "Non-US Plan" means the Non-US Plan which is an Exhibit to the Separation Agreement.

Section 4.35. Person. "Person" means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or governmental entity or any department, agency or political subdivision thereof.

Section 4.36. Release. "Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including without limitation the movement of Hazardous Materials onto, into or through ambient air, soil, surface water, groundwater, wetlands, land or subsurface strata.

Section 4.37. Securities Liabilities. "Securities Liabilities" means any and all losses, claims, damages, liabilities, costs and expenses (including attorneys fees and the costs of investigation, litigation or any dispute resolution process in regard to the foregoing) relating to, arising out of or resulting from any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to (i) the IPO Registration Statement or any preliminary, final or supplemental prospectus forming a part of the IPO Registration Statement or (ii) the Distribution Registration Statement or any preliminary, final or supplemental prospectus forming a part of the Distribution Registration Statement.

Section 4.38. Separation. "Separation" has the meaning set forth in the Separation Agreement.

Section 4.39. Separation Agreement. "Separation Agreement" means the Master Separation and Distribution Agreement dated June 30, 2000, to which this Agreement is an Exhibit.

Section 4.40. Subsidiary. "Subsidiary" of any Person means a corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person and/or by any one or more of its Subsidiaries, provided that no Person that is not directly or indirectly wholly-owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person.

Section 4.41. Tax Sharing Agreement. "Tax Sharing Agreement" means the Tax Sharing and Indemnification Agreement which is an Exhibit to the Separation Agreement.

Section 4.42. Taxes. "Taxes" has the meaning set forth in the Tax Sharing Agreement.

Section 4.43. Third Party Claim. "Third Party Claim" has the meaning set forth in Section 1.6 of this Agreement.

Section 4.44. Workers Compensation Plan. "Workers Compensation Plan" when immediately preceded by "Eaton" means the Eaton Workers Compensation Plan, comprised of the various arrangements established by a member of the Eaton Group to comply with the workers compensation requirements of the states in which the Eaton Group conducts business. When immediately preceded by "Axcelis Technologies," "Workers Compensation Plan" means the workers compensation program to be established by Axcelis Technologies pursuant to Section 2.2.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by its duly authorized officers or representatives on the date first above written.

ATTEST:

By: /s/ MARY G. PUMA
Name: Mary G. Puma
Title: President, Chief Operating Officer and Secretary

AXCELIS TECHNOLOGIES, INC.

By: /s/ BRIAN R. BACHMAN
Name: Brian R. Bachman
Title: Chief Executive Officer and Vice Chairman of the Board

ATTEST:

By: /s/ KEN SEMELSBERGER
Name: Ken Semelsberger
Title: Vice President--Strategic Planning

EATON CORPORATION

By: /s/ ADRIAN T. DILLON
Name: Adrian T. Dillon
Title: Executive Vice President--Chief Financial and Planning Officer

Exhibit 4.2

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AXCELIS TECHNOLOGIES, INC.

and

EQUISERVE TRUST COMPANY, N.A.

Rights Agreement

Dated as of June 30, 2000

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TABLE OF CONTENTS

Agreement, dated as of June 30, 2000 between Axcelis Technologies, Inc., a Delaware corporation (the "Company"), and Equiserve Trust Company, N.A., a national banking association (the "Rights Agent").

The Board of Directors of the Company has authorized and declared a dividend of one preferred share purchase right (a "Right") for each Common Share (as hereinafter defined) of the Company outstanding on June 30, 2000 (the "Record Date"), each Right representing the right to purchase one one-hundredth of a Preferred Share (as hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are hereinafter defined).

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall be the Beneficial Owner (as such term is hereinafter defined) of 20% or more of the Common Shares of the Company then outstanding, but shall not include (i) the Company, (ii) any Subsidiary (as such term is hereinafter defined) of the Company, (iii) only until such time as Eaton Corporation, an Ohio Corporation, and its affiliates (collectively, "Eaton

Corporation"), shall cease to be the beneficial owners of an aggregate of 20% or more of the Common Shares of the Company then outstanding (the "Eaton Separation Date"), Eaton Corporation, (iv) any employee benefit plan of the Company or any Subsidiary of the Company, or (v) any entity holding Common Shares for or pursuant to the terms of any such plan. Notwithstanding the foregoing, no Person shall become an "Acquiring Person" as the result of an acquisition of Common Shares by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 20% or more of the Common Shares of the Company then outstanding; provided, however, that if a Person shall become the Beneficial owner of 20% or more of the Common Shares of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Shares of the Company, then such Person shall be deemed to be an "Acquiring Person." Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be or have ever been an "Acquiring Person" for any purposes of this Agreement.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date of this Agreement.

(c) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than these Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to Section 1 (c) (ii) (B)) or disposing of any securities of the Company.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

(d) "Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in Delaware are authorized or obligated by law or executive order to close.

(e) "Close of business" on any given date shall mean 5:00 P.M. Beverly, Massachusetts time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M. Beverly, Massachusetts time, on the next succeeding Business Day.

(f) "Common Shares" when used with reference to the Company shall mean the shares of common stock, par value $0.001 per share, of the Company. "Common Shares" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a

Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(g) "Distribution Date" shall have the meaning set forth in Section 3 hereof.

(h) "Final Expiration Date" shall have the meaning set forth in Section 7 hereof.

(i) "Person" shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

(j) "Preferred Shares" shall mean shares of Series A Participating Preferred Stock, par value $0.001 per share, of the Company having the rights and preferences set forth in the Form of Certificate of Designations attached to this Agreement as Exhibit A.

(k) "Redemption Date" shall have the meaning set forth in Section 7 hereof.

(l) "Shares Acquisition Date" shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such.

(m) "Subsidiary" of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common

Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable upon ten (10) days prior written notice to the Rights Agent. The Rights Agent shall have no duty to supervise, and shall in no event be liable for the acts or omissions of any such co-Rights Agent.

Section 3. Issue of Right Certificates. (a) Until the earlier of (i) the tenth day after the Shares Acquisition Date or (ii) the tenth business day (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than the Company, any Subsidiary of the Company, Eaton Corporation (only until the Eaton Separation Date), any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Company, any Subsidiary of the Company, Eaton Corporation (only until the Eaton Separation Date), any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) to commence, a tender or exchange offer the consummation of which would result in any Person becoming the Beneficial Owner of Common Shares aggregating 20% or more of the then outstanding Common Shares (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Right Certificates) and not by separate Right Certificates, and (y) the right to receive Right

Certificates will be transferable only in connection with the transfer of Common Shares. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by first-class, insured, postage-prepaid mail, to each record holder of Common Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right for each Common Share so held. As of the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

The Company shall notify the Rights Agent in writing immediately upon the occurrence of the Distribution Date and, if such notification is given orally, the Company shall confirm same in writing on or prior to the Business Day next following. Until such notice is received by the Rights Agent, the Rights Agent may presume conclusively for all purposes that the Distribution Date has not occurred.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form of Exhibit C hereto (the "Summary of Rights"), by first-class, postage-prepaid mail, to each record holder of Common Shares as of the close of business on the Record Date, at the address of such holder shown on the records of the Company. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with a copy of the Summary of Rights attached thereto. Until the Distribution Date (or the earlier of the Redemption Date or the Final Expiration Date), the surrender for transfer of any certificate for Common Shares outstanding on the Record Date, with or without a copy of the Summary of

Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(c) Certificates for Common Shares which become outstanding (including, without limitation, reacquired Common Shares referred to in the last sentence of this paragraph (c)) after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

> This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement between Axcelis Technologies, Inc. and Equiserve Trust Company, N.A., dated as of June 30, 2000 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of Axcelis Technologies, Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Axcelis Technologies, Inc. will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances, as set forth in the Rights Agreement, Rights issued to any Person who becomes an Acquiring Person (as defined in the Rights Agreement) may become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Company purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase Preferred Shares and of assignment to be printed on the reverse thereof) shall be substantially the same as Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 22 hereof, the Right Certificates shall entitle the holders thereof to purchase such number of one one-hundredths of a Preferred Share as shall be set forth therein at the price per one one-hundredth of a Preferred Share set forth therein (the "Purchase Price"), but the number of such one one-hundredths of a Preferred Share and the Purchase Price shall be subject to adjustment as provided herein.

Section 5. Countersignature and Registration. The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its President, any of its Vice Presidents, or its Treasurer, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof, and shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right

Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. Subject to the provisions of Section 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates (other than Right Certificates representing Rights that have become void pursuant to Section 11(a)(ii) hereof or that have been exchanged pursuant to Section 24 hereof) may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a Preferred Share as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office of the

Rights Agent. Thereupon the Rights Agent shall countersign and deliver to the person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights. (a) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the principal office of the Rights Agent, together with payment of the Purchase Price for each one one-hundredth of a Preferred Share as to which the Rights are exercised, at or prior to the earliest of (i) the close of business on June 30, 2010 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date"), or (iii) the time at which such Rights are exchanged as provided in Section 24 hereof.

(b) The Purchase Price for each one one-hundredth of a Preferred Share purchasable pursuant to the exercise of a Right shall initially be $110, and shall be subject to adjustment from time to time as provided in Section 11 or 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the Purchase Price for the shares to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof by certified check, cashier's check, money order or wire transfer payable to the order of the Company, the Rights Agent shall thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares certificates for the number of Preferred Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) requisition from the depositary agent depositary receipts representing such number of one one-hundredths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company hereby directs the depositary agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Availability of Preferred Shares. The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares or any Preferred Shares held in its treasury, the number of Preferred Shares that will be sufficient to permit the exercise in full of all outstanding Rights in accordance with Section 7. The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares delivered upon exercise of Rights shall, at the time of delivery of

the certificates for such Preferred Shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts for the Preferred Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or to deliver any certificates or depositary receipts for Preferred Shares upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's reasonable satisfaction that no such tax is due.

Section 10. Preferred Shares Record Date. Each person in whose name any certificate for Preferred Shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Shares transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate

shall not be entitled to any rights of a holder of Preferred Shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number of Shares or Number of Rights. The Purchase Price, the number of Preferred Shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a)(i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Company were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be

less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) Subject to Section 24 of this Agreement, in the event any Person becomes an Acquiring Person, each holder of a Right shall thereafter have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (y) 50% of the then current per share market price of the Company's Common Shares (determined pursuant to Section 11(d) hereof) on the date of the occurrence of such event. In the event that any Person shall become an Acquiring Person and the Rights shall then be outstanding, the Company shall not take any action which would eliminate or diminish the benefits intended to be afforded by the Rights.

From and after the occurrence of such event, any Rights that are or were acquired or beneficially owned by any Acquiring Person (or any Associate or Affiliate of such Acquiring Person) shall be void and any holder of such Rights shall thereafter have no right to exercise such Rights under any provision of this Agreement. No Right Certificate shall be issued pursuant to Section 3 that represents Rights beneficially owned by an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate; and any

Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person whose Rights would be void pursuant to the preceding sentence shall be cancelled.

(iii) In the event that there shall not be sufficient issued but not outstanding Common Shares, or in the event that there shall not sufficient authorized but unissued Common Shares, to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii), the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exercise of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exercise of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the then current per share market price of the Preferred Shares (as defined in Section 11(d)) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the

numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those

referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price of the Preferred Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and the denominator of which shall be such current per share market price of the Preferred Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the "current per share market price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security and prior to the expiration of 30 Trading Days after the ex-dividend date for such

dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if on any such date the Security is not listed or quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the "current per share market price" of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Shares are not publicly traded, the "current per share market price" of the Preferred Shares shall be conclusively deemed to be the current per share

market price of the Common Shares as determined pursuant to Section 11(d)(i) (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied by one hundred. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one one-millionth of a Preferred Share or one ten-thousandth of any other share or security as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the date of the expiration of the right to exercise any Rights.

(f) If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Section 11(a) through (c), inclusive, and the provisions of

Sections 7, 9, 10 and 13 with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a Preferred Share (calculated to the nearest one one-millionth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any adjustment in the number of one one-hundredths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-

thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a Preferred Share issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of one one-hundredths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one one-hundredth of the then par value, if any, of the Preferred Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preferred Shares, issuance wholly for cash of any Preferred Shares at less than the current market price, issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, dividends on Preferred Shares payable in Preferred Shares or issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such stockholders.

(n) In the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Common Shares payable in Common Shares or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares) into a greater or lesser number of Common Shares, then in any such case (A) the number of one one-hundredths of a Preferred Share purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of one one-hundredths of a Preferred Share so purchasable immediately prior to such event by a fraction, the numerator of which is the number of Common Shares outstanding immediately before such event and the denominator of which is the number of Common Shares outstanding immediately after such event, and (B) each Common Share outstanding immediately after such event shall have issued with respect to it that number of Rights which each Common Share outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(n) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 or 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Common Shares or the Preferred Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. In the event, directly or indirectly, at any time after a Person has become an Acquiring

Person, (a) the Company shall consolidate with, or merge with and into, any other Person, (b) any Person shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Common Shares shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (c) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person other than the Company or one or more of its wholly-owned Subsidiaries, then, and in each such case, proper provision shall be made so that (i) each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of such other Person (including the Company as successor thereto or as the surviving corporation) as shall equal the result obtained by (A) multiplying the then current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (B) 50% of the then current per share market price of the Common Shares of such other Person (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; (ii) the issuer of such Common Shares shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such issuer; and (iv) such issuer shall take such steps

(including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the Common Shares thereafter deliverable upon the exercise of the Rights. The Company shall not consummate any such consolidation, merger, sale or transfer unless prior thereto the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement so providing. The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers.

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid

and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if on any such date the Rights are not listed or quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-hundredth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; provided, that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-hundredth of a Preferred Share, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Preferred Share.

For the purposes of this Section 14(b), the current market value of a Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right (except as provided above).

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer; and

(c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to

give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense (including, without limitation, the reasonable expenses of legal counsel), incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of its duties under this Agreement.

The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement, in reliance upon any Right Certificate or certificate for the Preferred Shares or Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Rights and Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own gross negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its

countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 11(a)(ii) hereof) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Section 3, 11, 13, 23 or 24, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice that such change or adjustment is required); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the

Board, the Chief Executive Officer, the President, any Vice President, the Secretary or the Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days'

notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or of the States of Delaware or New York (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the States of Delaware or New York), in good standing, having an office in the States of Delaware or New York, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least $50 million. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing

with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement.

Section 23. Redemption. (a) The Board of Directors of the Company may, at its option, at any time prior to such time as any Person becomes an Acquiring Person, redeem all but not less than all the then outstanding Rights at a redemption price of $0.001 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23, and without any further action and without any notice, the right to exercise the Rights will terminate and the

only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall promptly give public notice of any such redemption; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within 10 days after such action of the Board of Directors ordering the redemption of the Rights, the Company shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 or in Section 24 hereof, and other than in connection with the purchase of Common Shares prior to the Distribution Date.

Section 24. Exchange. (a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 11(a)(ii) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, Eaton Corporation (only until the Eaton Separation Date), any employee benefit plan of the Company or any such Subsidiary or any entity holding

Common Shares for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exchange of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to

authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exchange of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(d) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Common Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Common Share. For the purposes of this paragraph (d), the current market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

Section 25. Notice of Certain Events. (a) In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Preferred Shares or to make any other distribution to the holders of its Preferred Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of 50%

or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person, (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares), then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever shall be the earlier.

(b) In case the event set forth in Section 11(a)(ii) hereof shall occur, then the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the

Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Axcelis Technologies, Inc.
55 Cherry Hill Drive
Beverly, Massachusetts 01915
Attention: Office of the Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Equiserve Trust Company, N.A.
525 Washington Boulevard
Jersey City, New Jersey 07310
Attention: Tenders and Exchanges

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. The Company may from time to time supplement or amend this Agreement without the approval of any holders of Right Certificates in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other provisions with respect to the Rights which the Company may deem necessary or desirable, any such supplement or amendment to be evidenced by a writing signed by the Company and the Rights Agent; provided, however, that from and after such time as any Person becomes an

Acquiring Person, this Agreement shall not be amended in any manner which would adversely affect the interests of the holders of Rights. Without limiting the foregoing, the Board of Directors of the Company may at any time prior to such time as any Person becomes an Acquiring Person amend this Agreement to lower the thresholds set forth in Sections 1(a) and 3(a) to not less than the greater of (i) the sum of .001% and the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any Person (other than the Company, any Subsidiary of the Company, Eaton Corporation (only until the Eaton Separation Date), any employee benefit plan of the Company or any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) and (ii) 10%.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this

Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware, except that Sections 18-21 hereof shall be deemed to be a contract made in accordance with the laws of the State of New York. For all purposes this Agreement and those sections hereof shall be governed by and construed in accordance with the laws of such States applicable to contracts to be made and performed entirely within such States.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the day and year first above written.

Attest:

By /s/ Mary G. Puma
Title: President, Chief Operating Officer and Secretary

AXCELIS TECHNOLOGIES, INC.

By /s/ Brian R. Bachman
Title: Chief Executive Officer and Vice Chairman of the Board

Attest:

EQUISERVE TRUST COMPANY, N.A.
as Rights Agent

By /s/ Mark Gherzo
Title: Assistant Vice President, Corporate Actions

By /s/ Mike S. Duncan
Title: Director, Corporate Actions

Exhibit A

FORM

of

CERTIFICATE OF DESIGNATIONS

of

SERIES A PARTICIPATING PREFERRED STOCK

of

AXCELIS TECHNOLOGIES, INC.

(Pursuant to Section 151 of the
Delaware General Corporation Law)

Axcelis Technologies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law by the unanimous written consent of the Board of Directors dated as of June 30, 2000.

RESOLVED, that, pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Restated Certificate of Incorporation, the Board of Directors hereby creates a series of Preferred Stock, par value $0.001 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares and fixes the relative rights, preferences, and limitations thereof as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 3,000,000.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any class of preferred stock ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value $0.001 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to

the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Each share of Series A Preferred Stock shall entitle the holder thereof to one vote on all matters submitted to a vote of the stockholders of the Corporation. The holders

of fractional Series A Preferred Stock shall not be entitled to any vote on any matter submitted to a vote of the shareholders of the Corporation.

(B) The holders of Series A Preferred Stock shall be entitled to elect two directors of the Corporation whenever dividends payable on any series of Series A Preferred Stock shall be in default as qualified therein. For purposes of the holders of Series A Preferred Stock exercising such right, the provisions of the Corporation's By-Laws and other provisions of law shall apply, as if the Series A Preferred Stock were the only class of shares of the Corporation outstanding.

(C) Except as otherwise provided herein, in the Restated Certificate of Incorporation, in any other Certificate of Amendment creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(D) Except as set forth herein, in the Restated Certificate of Incorporation of the Corporation, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Restated Certificate of Incorporation, or in any other Certificate of Amendment creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common

Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable except as provided in that certain Rights Agreement dated as of June 30, 2000 between Axcelis Technologies, Inc. and Equiserve Trust Company, N.A.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, on a parity with any other series of Serial Preferred Shares and shall rank junior to any series of any other class of preferred stock of the Corporation which by its terms is senior to the Serial Preferred Shares.

Section 10. Amendment. Subject to the provisions of Article 14 of the Corporation's Restated Certificate of Incorporation, the Corporation's Restated Certificate of Incorporation shall not be amended, altered or repealed in any manner which would affect adversely the voting powers, rights or preferences of the holders of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Corporation by the undersigned duly authorized officer this 30th day of June 2000.

By:_____
Title:_____

Exhibit B

Form of Right Certificate

Certificate No. R- _____ Rights

NOT EXERCISABLE AFTER JUNE 30, 2010 OR EARLIER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT $0.001 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT.

Right Certificate

AXCELIS TECHNOLOGIES, INC.

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of June 30, 2000 (the "Rights Agreement"), between Axcelis Technologies, Inc., a Delaware corporation (the "Company"), and Equiserve Trust Company, N.A. (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., Beverly, Massachusetts time, on June 30, 2010 at the principal office of the Rights Agent, or at the office of its successor as Rights Agent, one one-hundredth of a fully paid non-assessable share of Series A Participating Preferred Stock, par value $0.001 per share (the "Preferred Shares"), of the Company, at a purchase price of $110 per one one-hundredth of a Preferred Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Right Certificate (and the number of one one-hundredths of a Preferred Share which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of June 30, 2000, based on the Preferred Shares as constituted at such date. As provided in the Rights Agreement, the Purchase Price and the number of one one-hundredths of a Preferred Share which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the above-mentioned offices of the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal office of the Rights Agent, may be exchanged for another Right Certificate or Right

Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may be redeemed by the Company at a redemption price of $0.001 per Right or (ii) may be exchanged in whole or in part for Preferred Shares or shares of the Company's Common Stock, par value $0.001 per share.

No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-hundredth of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of _____.

ATTEST: AXCELIS TECHNOLOGIES, INC.

_____ By_____

Countersigned:

Equiserve Trust Company, N.A.

By_____

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED_____
hereby sells, assigns and transfers unto_____
_____
(Please print name and address of transferee)
_____
this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____

_____
Signature

Signature Guaranteed:

Signatures must be guaranteed by a participant in the Securities Transfer Agent Medallion Program, the Stock Exchanges Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program.

- ---

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

_____
Signature

- ---

Form of Reverse Side of Right Certificate -- continued

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Right Certificate.)

To: AXCELIS TECHNOLOGIES, INC.

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Right Certificate to purchase the Preferred Shares issuable upon the exercise of such Rights and requests that certificates for such Preferred Shares be issued in the name of:

Please insert social security or other identifying number

_____

(Please print name and address)

_____

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

_____

(Please print name and address)

_____

Dated: _____

_____

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

- ---

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

_____
Signature

- ---

NOTICE

The signature in the Form of Assignment or Form of Election to Purchase, as the case may be, must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, the Company and the Rights Agent will deem the beneficial owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and such Assignment or Election to Purchase will not be honored.

Exhibit C

SUMMARY OF RIGHTS TO PURCHASE PREFERRED SHARES

Introduction

On June 30, 2000, the Board of Directors of Axcelis Technologies, Inc. (the "Company") declared a dividend of one preferred share purchase right (a "Right") for each outstanding common share, par value $0.001 per share (the "Common Shares"), of the Company. The dividend is payable on June 30, 2000 (the "Record Date") to the shareholders of record on that date. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and Equiserve Trust Company, N.A., as Rights Agent (the "Rights Agent"). The Rights contain important "flip-over" and "flip-in" features designed to protect the Company from unfair takeovers.

Purchase Price

Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Participating Preferred Stock, par value $0.001 per share (the "Preferred Shares"), of the Company at a price of $110 per one one-hundredth of a Preferred Share (the "Purchase Price"), subject to adjustment.

Flip-Over

If the Company is acquired in a merger or other business combination or 50% or more of its consolidated assets or earning power are sold after a person or group has become an Acquiring Person (as defined below), each holder of a Right will thereafter have the right to receive, upon exercise, that number of shares of common stock of the acquiring company which then will have a market value of two times the exercise price of the Right.

Flip-In

If any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise that number of Common Shares having a market value of two times the exercise price of the Right.

Transfer and Detachment

Until the Distribution Date, the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificate with a copy of this Summary of Rights attached thereto. Until the Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferred with and only with the Common Shares, and transfer of those certificates will also constitute transfer of those Rights.

As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will thereafter evidence the Rights.

Distribution Date

The "Distribution Date" is the earlier of:

(i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") have acquired beneficial ownership of 20% or more of the outstanding Common Shares; or

(ii) 10 business days (or such later date as may be determined by action of the Board of Directors before any person or group becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 20% or more of the outstanding Common Shares.

Exercisability

The Rights are not exercisable until the Distribution Date. The Rights will expire on June 30, 2010 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company, as described below.

Adjustments

The Purchase Price, and the number of Preferred Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution, in the event of:

(i) a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares,

(ii) the grant to holders of the Preferred Shares of certain rights to subscribe for or purchase Preferred Shares at a price, or securities convertible into Preferred Shares with a conversion price, less than the then-current market price of the Preferred Shares, or

(iii) the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Preferred Shares) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights is also subject to adjustment upon certain occurrences prior to the Distribution Date.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No

fractional Preferred Shares will be issued (other than fractions which are integral multiples of one one-hundredth of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Shares on the last trading day prior to the date of exercise.

Preferred Shares

Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Preferred Share will be entitled to a minimum preferential quarterly dividend payment of $1 per share but will be entitled to an aggregate dividend of 100 times the dividend declared per Common Share. In the event of liquidation, the holders of the Preferred Shares will be entitled to a minimum preferential liquidation payment of $100 per share but will be entitled to an aggregate payment of 100 times the payment made per Common Share. Each Preferred Share will have one vote, voting together with the Common Shares. Finally, in the event of any merger, consolidation or other transaction in which Common Shares are exchanged, each Preferred Share will be entitled to receive 100 times the amount received per Common Share. The dividend and liquidation rights and rights upon a merger, consolidation or other transaction are protected by customary antidilution provisions.

The value of the one one-hundredth interest in a Preferred Share purchasable upon exercise of each Right should, because of the nature of the Preferred Shares' dividend and liquidation rights, approximate the value of one Common Share.

Exchange

At any time after any person or group becomes an Acquiring Person, and prior to the acquisition by that person or group of 50% or more of the outstanding Common Shares, the Board of Directors of the Company may exchange the Rights (other than Rights owned by the Acquiring Person, which will have become void), in whole or in part, at an exchange ratio of one Common Share, or one one-hundredth of a Preferred Share (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

Redemption

At any time prior to any person or group becoming an Acquiring Person, the Board of Directors of the Company may redeem all the Rights at a price of $0.001 per Right (the "Redemption Price"). The redemption may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any redemption, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Amendments

The terms of the Rights may be amended by the Board of Directors of the Company without the consent of the holders of the Rights, including an amendment to lower the 20% threshold described above to not less than the greater of (i) the sum of 0.001% and the largest percentage of the outstanding Common Shares then known to the Company to be

beneficially owned by any person or group of affiliated or associated persons and (ii) 10%, except that after any person or group becomes an Acquiring Person no such amendment may adversely affect the interests of the holders of the Rights.

Rights as Holders

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends.

Further Information

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A dated June 30, 2000. A copy of the Rights Agreement is available free of charge from the Company's Shareholder Relations Department. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

Exhibit 10.4

EMPLOYMENT AGREEMENT

The parties to this Agreement are AXCELIS TECHNOLOGIES, INC., a Delaware corporation (the "Company"), and BRIAN R. BACHMAN, an individual residing in the State of Ohio (the "Executive"). The Executive and the Company mutually desire to set forth in this Agreement the terms and conditions of an employment relationship following the initial public offering of the stock of the Company. The execution and delivery of this Agreement have been duly authorized by the Board of Directors of the Company (the "Board"). This Agreement shall become effective on the date of the consummation of the initial public offering of the stock of the Company (the "Effective Date").

NOW, THEREFORE, the Company and the Executive, each intending to be legally bound, hereby mutually covenant and agree as follows:

1. EMPLOYMENT AND TERM.

(a) EMPLOYMENT. The Company hereby offers to employ the Executive as the Chief Executive Officer of the Company and the Executive hereby accepts such employment with the Company, for the Term set forth in Paragraph 1(b). The Executive shall also serve as Vice Chairman of the Board of Directors of the Company. During the Term, the Executive shall also serve as Chief Executive Officer of each significant subsidiary of the Company.

(b) TERM. The term of the Executive's employment under this Agreement (the "Term") shall commence on the Effective Date and end on the third anniversary of the Effective Date, subject to the extension of such Term by the mutual consent of the parties prior to the expiration of such Term or its earlier termination at the discretion of the Board or as provided in Paragraph 7. If the Board exercises its discretion to terminate the employment of the

Executive and the Term, such action of the Board shall be deemed a Discharge Without Cause and the Executive shall be entitled to receive the amounts and benefits under Paragraph 8(b) of this Agreement.

2. DUTIES. During the period of employment as provided in Paragraph 1(b) hereof, the Executive shall serve as Chief Executive Officer of the Company, Chief Executive Officer of each significant subsidiary of the Company and Vice Chairman of the Board of Directors of the Company. The Executive shall report to the Board and perform such duties consistent with his positions, which will include the specific duties and responsibilities as outlined in the Company's Board of Directors Resolutions dated June 12, 2000 and the letter dated June 8, 2000 from S. R. Hardis, Chairman of the Board of the Company, both of which documents are incorporated herein by reference. The Executive shall devote his best skill and efforts (reasonable sick leave and vacations excepted) to the performance of his duties under this Agreement; provided, however, that during the Term the Executive shall be permitted to devote a reasonable amount of time during regular business hours and otherwise to concluding his assignments relating to the business affairs of Eaton Corporation. In addition, the Executive may devote reasonable periods required for (i) serving as a director or member of a committee of any organization involving no conflict of interest with the interests of the Company or its subsidiaries; (ii) fulfilling speaking engagements; (iii) engaging in charitable and community activities; (iv) participating in industry and trade organization activities; and (v) managing his personal investments; provided, that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement.

3. BASE SALARY. For services performed by the Executive for the Company pursuant to this Agreement during the period of employment as provided in Paragraph 1(b), the

Company shall pay the Executive a base salary at the rate of at least $600,000 per year, payable in accordance with the Company's regular payroll practices (but no less frequently than monthly). Any compensation which may be paid to the Executive under any additional compensation or incentive plan of the Company or which may be otherwise authorized from time to time by the Board (or an appropriate committee thereof) shall be in addition to the base salary to which the Executive shall be entitled under this Agreement.

4. SALARY INCREASES. During the Term, the base salary of the Executive shall be reviewed no less frequently than annually by the Board to determine whether or not the same should be increased in light of the duties and responsibilities of the Executive and his performance thereof, and, if it is determined that an increase is merited, such increase shall be put into effect at the time determined appropriate by the Board and the base salary of the Executive as so increased shall thereafter constitute the base salary of the Executive for purposes of Paragraph 3.

5. OTHER BENEFITS. In addition to the base salary to be paid to the Executive pursuant to Paragraph 3 hereof, the Executive shall also be entitled to the following:

(a) PARTICIPATION IN PLANS. The Executive shall be entitled to a target bonus opportunity for each fiscal year of 50% of his base salary based on the attainment of performance goals and objectives established by the Board and such greater or lesser amount if actual performance exceeds or falls short of target performance goals and objectives as provided under the Company's bonus arrangements for senior executives. With the exception of the Employee Stock Purchase Plan, the Executive shall also participate in the various benefit plans maintained in force by the Company from time to time, including any qualified and nonqualified pension, supplemental pension, disability, medical, group life insurance, supplemental life insurance

coverage, business travel insurance, sick leave, and other similar retirement and welfare benefit plans, programs and arrangements.

(b) STOCK OPTIONS. As of the Effective Date, the Executive shall be granted the option to purchase up to the number of shares of common stock of the Company determined by dividing $12,000,000 by the per share Black-Scholes valuation of an option to purchase a share of common stock of the Company, assuming a Black-Scholes valuation equal to 60% of the average fair market value of an Axcelis share on the date of grant, at the per share exercise price equal to the price per share that common stock is offered to the public in the initial public offering of the common stock of the Company, in accordance with and subject to the terms and conditions of the Axcelis Technologies, Inc. 2000 Stock Plan (the "Stock Plan"). Such grant is to be evidenced by an award agreement setting forth the terms and conditions of the grant. The Board (or a committee appointed by the Board for such purpose) may thereafter make such other or additional grants under the Stock Plan as it determines appropriate in its sole discretion.

(c) FRINGE BENEFITS. In addition to the foregoing, the Executive shall be entitled to an office, fringe benefits and other similar benefits no less favorable than those available to other senior executives of the Company.

(d) EXPENSE REIMBURSEMENT. The Company shall reimburse the Executive, upon a proper accounting, for reasonable business expenses and disbursements incurred by him in the course of the performance of his duties under this Agreement.

(e) VACATION. The Executive shall be entitled to vacation and paid time off during the initial and each successive year during the Term of this Agreement in accordance with the Company's policies applicable to senior executives, or such greater period as the Board shall approve, without reduction in salary or other benefits.

6. COVENANTS OF THE EMPLOYEE. In order to induce the Company to enter into this Agreement, the Executive hereby agrees as follows:

(a) CONFIDENTIALITY. Except as may be required by law and for acts in the ordinary course of the Executive's performance of his duties for the Company and believed by the Executive in good faith to be in the best interests of the Company, the Executive shall keep confidential and shall not divulge to any other person or entity, during the Term or thereafter, any of the business secrets or other confidential information regarding the Company, or any of its subsidiaries or affiliates, which has not otherwise become public knowledge.

(b) RECORDS. All papers, books and records of every kind and description relating to the business and affairs of the Company, or any of its subsidiaries or affiliates, whether or not prepared by the Executive shall be the sole and exclusive property of the Company, and the Executive shall surrender them to the Company at any time upon request by the Company.

(c) NON-COMPETITION. The Executive hereby agrees with the Company that, during the Term and for a period of months following the Date of Termination (as defined in Paragraph 7(c) below) equal to the greater of 12 months or the number of months which would have then been remaining in the Term but for the termination thereof, (i) he shall not, directly or indirectly, engage in, be employed by, act as a consultant or advisor to, be a director, officer, owner or partner of, or acquire an interest in, any business competing with any of the businesses conducted by the Company or any of its subsidiaries or affiliates, nor without the prior written consent of the Board directly or indirectly have any interest in, own, manage, operate, control, be connected with as a stockholder, lender, joint venturer, officer, employee, partner or consultant, or otherwise engage, invest or participate in any business that is competitive with any of the

businesses conducted by the Company or by any subsidiary or affiliate of the Company; provided, however, that nothing contained in this Paragraph 6(c) shall prevent Executive from investing or trading in publicly traded stocks, bonds, commodities or securities or in real estate or other forms of investment for Executive's own account and benefit (directly or indirectly), so long as such investment activities do not significantly interfere with Executive's services to be rendered hereunder and are consistent with the conflict of interest policies maintained by the Company from time to time, (ii) he shall not actively solicit any employee of the Company or any of its subsidiaries or affiliates to leave the employment thereof and (iii) he shall not induce or attempt to induce any customer, supplier, licensor, licensee or other individual, corporation or business organization having a business relation with the Company or its subsidiaries or affiliates to cease doing business with the Company or its subsidiaries or affiliates or in any way interfere with the relationship between any such customer, supplier, licensor, licensee or other individual, corporation or business organization and the Company or its subsidiaries or affiliates.

(d) ENFORCEMENT. The Executive agrees and warrants that the covenants contained herein are reasonable, that valid consideration has been and will be received therefor and that the agreements set forth herein are the result of arms-length negotiations between the parties hereto. The Executive recognizes and acknowledges that the provisions of this Paragraph 6 are vitally important to the continuing welfare of the Company, and its subsidiaries and affiliates, and that money damages constitute a totally inadequate remedy for any violation thereof. Accordingly, in the event of any such violation by the Executive, the Company, and its subsidiaries and affiliates, in addition to any other remedies they may have, shall have the right to institute and maintain a proceeding to compel specific performance thereof or to obtain an injunction restraining any action by the Executive in violation of this Paragraph 6.

7. TERMINATION. Unless earlier terminated in accordance with the following provisions of this Paragraph 7, the Company shall continue to employ the Executive and the Executive shall remain employed by the Company during the entire Term as set forth in Paragraph 1(b). Paragraph 8 hereof sets forth certain obligations of the Company in the event that the Executive's employment hereunder is terminated. Certain capitalized terms used in this Paragraph 7 and Paragraph 8 hereof are defined in Paragraph 7(c) below.

(a) DEATH OR DISABILITY. Except to the extent otherwise expressly stated herein, including without limitation as provided in Paragraph 8(a) with respect to certain post-Date of Termination payment obligations of the Company, this Agreement shall terminate immediately on the Date of Termination in the event of the Executive's death or in the event of Executive's disability. For purposes of this Agreement, "disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness or injury which is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative. In the event of disability, until the Date of Termination the base salary payable to the Executive under Paragraph 3 hereof shall be reduced dollar-for-dollar by the amount of disability benefits, if any, paid to the Executive in accordance with any disability policy or program of the Company.

(b) NOTIFICATION OF DISCHARGE FOR CAUSE OR RESIGNATION . In accordance with the procedures hereinafter set forth, the Company may discharge the Executive from his employment hereunder for Cause and the Executive may resign from his employment hereunder for Good Reason or otherwise. Any discharge of the Executive by the Company for Cause or resignation by the Executive for Good Reason shall be communicated by a Notice of

Termination to the Executive (in the case of discharge) or to the Company (in the case of the Executive's resignation) given in accordance with Paragraph 10 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances providing the basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination is to be other than the date of receipt of such notice, specifies the termination date (which date shall in all events be within fifteen (15) days after the giving of such notice). No purported termination of the Executive's employment for Cause shall be effective without a Notice of Termination to the Executive. The failure by the Executive to set forth in any Notice of Termination to the Company any facts or circumstances which contributes to a showing of Good Reason shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstances in enforcing the Executive's rights hereunder.

(c) DEFINITIONS. For purposes of this Paragraph 7 and Paragraph 8 hereof, the following capitalized terms shall have the meanings set forth below:

(i) "Accrued Obligations" shall mean, as of the Date of Termination, the sum of (A) the Executive's base salary under Paragraph 3 through the Date of Termination to the extent not theretofore paid, (B) the amount of any bonus, incentive compensation, deferred compensation and other cash compensation accrued by the Executive as of the Date of Termination to the extent not theretofore paid and (C) any vacation pay, expense reimbursements and other cash entitlements accrued by the Executive as of the Date of Termination to the extent not theretofore paid.

(ii) "Cause" shall mean (A) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from disability), after a written demand for substantial performance is delivered to the Executive by the Chairman of the Board of the Company which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (B) the willful engaging by the Executive in illegal conduct or gross misconduct which is injurious to the Company. For purposes of this provision, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chairman of the Board or based upon the advice of a senior officer of the Company or counsel for the Company shall be conclusively presumed to be done or omitted to be done by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (A) or (B) above of this Paragraph 7(c)(ii), and specifying the particulars thereof in detail.

(iii) "Date of Termination" shall mean (A) in the event of a discharge of the Executive by the Company for Cause or a resignation by the Executive for Good Reason, the date the Executive (in the case of such discharge) or the Company (in the case of such resignation) receives a Notice of Termination, or any later permitted date specified in such Notice of Termination, as the case may be, (B) in the event of a discharge of the Executive without Cause or a resignation by the Executive without Good Reason, the date the Executive (in the case of such discharge) or the Company (in the case of such resignation) receives notice of such termination of employment, (C) in the event of the Executive's death, the date of the Executive's death, and (D) in the event of termination of the Executive's employment by reason of disability pursuant to Paragraph 7(a), the date the Executive receives written notice of such termination.

(iv) "Good Reason" shall mean any of the following: (A) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Paragraph 2 of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive; (B) any failure by the Company to comply with any of the provisions of Paragraphs 3, 4 and 5 of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive; (C) the Company's requiring the Executive to be based at any office or location other than in Beverly, Massachusetts or the Company's requiring the Executive

to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date; (D) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or (E) any failure by the Company to comply with and satisfy the terms and conditions of that certain Indemnification Agreement between the Company and the Executive (the "Indemnification Agreement").

(v) "Monthly Bonus Amount" shall mean the quotient of (A) the "bonus percentage" (as hereinafter defined) times the Executive's annual base salary as in effect under Paragraph 3 on the Date of Termination, divided by (B) twelve (12). The term "bonus percentage" shall mean the percentage of the Executive's base salary that the Executive received as a bonus with respect to the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs, but in no event less than 25%.

8. OBLIGATIONS OF THE COMPANY UPON TERMINATION.

(a) DISCHARGE FOR CAUSE, RESIGNATION WITHOUT GOOD REASON, DEATH OR DISABILITY. In the event of a discharge of the Executive for Cause or resignation by the Executive without Good Reason, or in the event this Agreement terminates pursuant to Paragraph 7(a) by reason of the death or disability of the Executive:

(i) the Company shall pay all Accrued Obligations to the Executive, or to his beneficiaries, heirs or estate in the event of the Executive's death, in a lump sum in cash within thirty (30) days after the Date of Termination; and

(ii) the Executive, or his beneficiaries, heirs or estate in the event of the Executive's death, shall be entitled to receive all benefits accrued by him as of the Date of Termination under all qualified and nonqualified retirement, pension, profit sharing and similar

plans of the Company in such manner and at such time as are provided under the terms of such plans and arrangements; and

(iii) except as otherwise provided in Paragraph 15 hereof, all other obligations of the Company under this Agreement shall cease forthwith.

(b) DISCHARGE WITHOUT CAUSE, RESIGNATION FOR GOOD REASON OR UPON FAILURE TO EXTEND THE TERM OF THIS AGREEMENT . If (x) the Executive is discharged other than for Cause (i.e., without Cause) or disability or (y) if the Executive resigns with Good Reason or (z) if either party does not extend this Agreement following the completion by the Executive of the initial Term:

(i) the Company shall pay to the Executive in a lump sum in cash within thirty (30) days after the Date of Termination the aggregate of the following amounts:

(A) all Accrued Obligations; and

(B) an amount equal to his monthly base salary at the highest rate in effect in the most recent year multiplied by the greater of (i) 12 or (ii) the number of full and partial months then remaining in the Term of this Agreement; and

(C) an amount equal to the Monthly Bonus Amount multiplied by the greater of (i) 12 or (ii) the number of full and partial months then remaining in the Term of this Agreement.

(ii) for the number of months equal to the multiplier used in Paragraph 8(b)(i)(B) and (C), the Company shall either (A) arrange to provide the Executive and his dependents, at the Company's cost, with life, disability and health coverage, whether insured or not insured, providing substantially similar benefits to those which the Executive and his

dependents were receiving immediately prior to the Date of Termination, to the extent the Company continues to maintain benefit plans providing for such benefits for executives generally or (B) in lieu of providing such coverage, pay to the Executive within thirty (30) days after the Date of Termination a lump sum amount in cash equal to two (2) times the projected cost to the Company of providing the extended benefit coverage referred to in clause (A) (as such cost shall be calculated by a nationally recognized benefit consulting firm using reasonable assumptions); and

(iii) the Executive shall be entitled to receive all benefits accrued by him as of the Date of Termination under all qualified and nonqualified retirement, pension, profit sharing and similar plans of the Company in such manner and at such time as are provided under the terms of such plans; and

(iv) all stock options and other stock interests or stock-based rights awarded to the Executive by the Company on or before the Date of Termination shall become fully vested and nonforfeitable as of the Date of Termination and shall remain in effect and exercisable in accordance with the terms and conditions of their grant; and

(v) except as otherwise provided in Paragraph 15 hereof, all other obligations of the Company under this Agreement shall cease forthwith.

(c) PAYMENT OBLIGATIONS ABSOLUTE. The Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or any other party. Each and every payment made hereunder by the Company shall be final, and the

Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever.

(d) CONTRACTUAL RIGHTS TO BENEFITS. This Agreement establishes and vests in the Executive a contractual right to the benefits to which he is entitled hereunder. The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement.

9. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the beneficiaries, heirs and representatives of the Executive and the successors and assigns of the Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) to all or a majority its assets, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform this Agreement if no such succession had taken place. Regardless whether such agreement is executed, this Agreement shall be binding upon any successor of the Company in accordance with the operation of law and such successor shall be deemed the "Company" for purposes of this Agreement.

10. NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or mailed within the continental United States by first class certified mail, return receipt requested, postage prepaid, addressed as follows:

(a) to the Board or the Company, to:

Axcelis Technologies, Inc.
55 Cherry Hill Drive
Beverly, Massachusetts 01915

(b) to the Executive, to:

Brian R. Bachman

Addresses may be changed by written notice sent to the other party at the last recorded address of that party.

11. NO ASSIGNMENT. Except as expressly provided in Paragraph 9, this Agreement is not assignable by any party and no payment to be made hereunder shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or other charge.

12. EXECUTION IN COUNTERPARTS. This Agreement will be executed by the parties hereto in two or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

13. JURISDICTION AND GOVERNING LAW. Jurisdiction over disputes with regard to this Agreement shall be exclusively in the courts of the Commonwealth of Massachusetts, and this Agreement shall be construed and interpreted in accordance with and governed by the local laws of the Commonwealth of Massachusetts, other than the conflict of laws provisions of such laws.

14. SEVERABILITY. If any provision of this Agreement shall be adjudged by any court of competent jurisdiction to be invalid or unenforceable for any reason, such judgment shall not affect, impair or invalidate the remainder of this Agreement.

15. PRIOR UNDERSTANDINGS. Except for the Change of Control Agreement and the Indemnification Agreement between the parties, this Agreement embodies the entire understanding of the parties hereto, and supersedes all other oral or written agreements or understandings between them regarding the subject matter hereof. In the event of a termination of Executive's employment following a Change of Control (as defined in such Change of Control Agreement), the Executive shall be entitled to receive the greater of the amounts and benefits under this Agreement or the Change of Control Agreement but the Executive shall not receive the aggregate of amounts and benefits under both such agreements. If he is entitled to receive amounts and benefits under both the Change of Control Agreements and this Agreement, the amount and benefits payable, if any, under the Change of Control Agreement shall be deemed to have been paid first and, if the amounts and benefits due under this Agreement are greater than those actually paid under the Change of Control Agreement, such excess shall be paid under this Agreement. Further, if the Executive is then a party to a Change of Control Agreement with Eaton Corporation, which is in effect on a Date of Termination (the "Eaton Agreement"), he shall be entitled to receive amounts and benefits under only the greater of the Eaton Agreement, the Change of Control Agreement between the Executive and the Company and this Agreement, in a hierarchy requiring payment first under the Eaton Agreement, then under the Change of Control Agreement between the Executive and the Company and then under this Agreement. Nothing in this Agreement is intended as and shall not be read as a modification of the Indemnification Agreement and the Indemnification Agreement shall be and remain in force and effect in accordance with its terms. No change, alteration or modification hereof may be made except in a writing, signed by each of the parties hereto. The headings in this Agreement are for

convenience of reference only and shall not be construed as part of this Agreement or to limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the 30 day of June, 2000, to be effective as of the Effective Date.

AXCELIS TECHNOLOGIES, INC.

Attest:

/s/ KEN SEMELSBERGER
Name: Ken Semelsberger
Title: Vice President--Strategic Planning

By: /s/ ADRIAN T. DILLON
Name: Adrian T. Dillon
Title: Executive Vice President--Chief Financial and Planning Officer

BRIAN R. BACHMAN

Witness:

/s/ MARY G. PUMA
Name: Mary G. Puma

/s/ BRIAN R. BACHMAN

Exhibit 10.5

EMPLOYMENT AGREEMENT

The parties to this Agreement are AXCELIS TECHNOLOGIES, INC., a Delaware corporation (the "Company"), and MARY G. PUMA, an individual residing in the Commonwealth of Massachusetts (the "Executive"). The Executive and the Company mutually desire to set forth in this Agreement the terms and conditions of an employment relationship following the initial public offering of the stock of the Company. The execution and delivery of this Agreement have been duly authorized by the Board of Directors of the Company (the "Board"). This Agreement shall become effective on the date of the consummation of the initial public offering of the stock of the Company (the "Effective Date").

NOW, THEREFORE, the Company and the Executive, each intending to be legally bound, hereby mutually covenant and agree as follows:

1. EMPLOYMENT AND TERM.

(a) EMPLOYMENT. The Company hereby offers to employ the Executive as the President and Chief Operating Officer of the Company and the Executive hereby accepts such employment with the Company, for the Term set forth in Paragraph 1(b). During the Term, the Executive shall also serve as President and Chief Operating Officer of each significant subsidiary of the Company.

(b) TERM. The term of the Executive's employment under this Agreement (the "Term") shall commence on the Effective Date and end on the third anniversary of the Effective Date, subject to the extension of such Term as set forth in the immediately following sentence or its earlier termination as provided in Paragraph 7. Unless either the Company or the Executive provides written notice to the other, not sooner than 180 days nor later than 120 days

prior to the scheduled expiration of the Term as then in effect, the Term shall be extended for an additional period of one year, and the preceding clause of this sentence shall again apply with respect to subsequent extensions of the Term.

2. DUTIES. During the period of employment as provided in Paragraph 1(b) hereof, the Executive shall serve as President and Chief Operating Officer of the Company and President and Chief Operating Officer of each significant subsidiary of the Company. The Executive shall report to the Chief Executive Officer and perform duties consistent with her positions. In addition, the Executive shall serve as a member of the Board during the Term. The Executive shall devote her best skill and efforts (reasonable sick leave and vacations excepted) to the performance of her duties under this Agreement. In addition, the Executive may devote reasonable periods required for (i) subject to the review and approval of the Chief Executive Officer of the Company, serving as a director or member of a committee of any organization involving no conflict of interest with the interests of the Company or its subsidiaries; (ii) fulfilling speaking engagements (iii) engaging in charitable and community activities; (iv) participating in industry and trade organization activities; and (v) managing her personal investments; provided, that such activities do not materially interfere with the regular performance of her duties and responsibilities under this Agreement.

3. BASE SALARY. For services performed by the Executive for the Company pursuant to this Agreement during the period of employment as provided in Paragraph 1(b), the Company shall pay the Executive a base salary at the rate of at least $380,000 per year, payable in accordance with the Company's regular payroll practices (but no less frequently than monthly). Any compensation which may be paid to the Executive under any additional compensation or incentive plan of the Company or which may be otherwise authorized from time to time by the

Board (or an appropriate committee thereof) shall be in addition to the base salary to which the Executive shall be entitled under this Agreement.

4. SALARY INCREASES. During the Term, the base salary of the Executive shall be reviewed no less frequently than annually by the Board to determine whether or not the same should be increased in light of the duties and responsibilities of the Executive and her performance thereof, and, if it is determined that an increase is merited, such increase shall be put into effect at the time determined by the Board and the base salary of the Executive as so increased shall thereafter constitute the base salary of the Executive for purposes of Paragraph 3.

5. OTHER BENEFITS. In addition to the base salary to be paid to the Executive pursuant to Paragraph 3 hereof, the Executive shall also be entitled to the following:

(a) PARTICIPATION IN PLANS. The Executive shall be entitled to a bonus opportunity for each fiscal year based on the attainment of performance goals and objectives established by the Board; such amount shall be 45% of base salary at the rate in effect for such year if target level performance is achieved and such greater or lesser amount if actual performance exceeds or falls short of target performance goals and objectives as provided under the Company's bonus arrangements for senior executives. With the exception of the Employee Stock Purchase Plan, the Executive shall also participate in the various benefit plans maintained in force by the Company from time to time, including any qualified and nonqualified pension, supplemental pension, disability, medical, group life insurance, supplemental life insurance coverage, business travel insurance, sick leave, and other similar retirement and welfare benefit plans, programs and arrangements.

(b) STOCK OPTIONS. As of the Effective Date, the Executive shall be granted the option to purchase up to the number of shares of common stock of the Company determined by dividing $8,000,000 by the per share Black-Scholes valuation of an option to purchase a share of common stock of the Company, assuming a Black-Scholes valuation equal to 60% of the average fair market value of an Axcelis share on the date of grant, at the per share exercise price equal to the price per share that common stock is offered to the public in the initial public offering of the common stock of the Company, in accordance with and subject to the terms and conditions of the Axcelis Technologies, Inc. 2000 Stock Plan (the "Stock Plan"). Such grant is to be evidenced by an award agreement setting forth the terms and conditions of the grant. The Board (or a committee appointed by the Board for such purposes) may thereafter make such other or additional grants under the Stock Plan as it determines appropriate in its discretion.

(c) FRINGE BENEFITS. In addition to the foregoing, the Executive shall be entitled to an office, fringe benefits and other similar benefits no less favorable than those available to other senior executives of the Company.

(d) EXPENSE REIMBURSEMENT. The Company shall reimburse the Executive, upon a proper accounting, for reasonable business expenses and disbursements incurred by her in the course of the performance of her duties under this Agreement.

(e) VACATION. The Executive shall be entitled to vacation and paid time off during the initial and each successive year during the Term of this Agreement in accordance with the Company's policies applicable to senior executives, or such greater period as the Board shall approve, without reduction in salary or other benefits.

(f) CREDIT LINE. The Company shall grant to the Executive a credit line of up to $500,000 under terms and conditions substantially similar to the credit line granted by Eaton

Corporation to the Executive and the Company will agree to a draw down on the Effective Date of $175,000 by the Executive against such credit line. This Paragraph 5(f) shall be deemed satisfied if the Company causes itself to be substituted for Eaton Corporation on the Executive's credit arrangements with Eaton Corporation, the Company relieves the Executive of her obligations to Eaton Corporation and the Executive consents to the Company's becoming the creditor on the credit line and obligor of the amount outstanding to Eaton Corporation thereunder.

6. COVENANTS OF THE EMPLOYEE. In order to induce the Company to enter into this Agreement, the Executive hereby agrees as follows:

(a) CONFIDENTIALITY. Except as may be required by law and for acts in the ordinary course of the Executive's performance of her duties for the Company and believed by the Executive in good faith to be in the best interests of the Company, the Executive shall keep confidential and shall not divulge to any other person or entity, during the Term or thereafter, any of the business secrets or other confidential information regarding the Company, or any of its subsidiaries or affiliates, which has not otherwise become public knowledge.

(b) RECORDS. All papers, books and records of every kind and description relating to the business and affairs of the Company, or any of its subsidiaries or affiliates, whether or not prepared by the Executive shall be the sole and exclusive property of the Company, and the Executive shall surrender them to the Company at any time upon request by the Company.

(c) NON-COMPETITION. The Executive hereby agrees with the Company that, during the Term and for a period of months following the Date of Termination (as defined in Paragraph 7(c) below) equal to the greater of 12 months or the number of months which would

have been remaining in the Term but for the termination thereof, (i) she shall not, directly or indirectly, engage in, be employed by, act as a consultant or advisor to, be a director, officer, owner or partner of or acquire an interest in, any business competing with any of the businesses conducted by the Company or any of its subsidiaries or affiliates, nor without the prior written consent of the Board directly or indirectly have any interest in, own, manage, operate, control, be connected with as a stockholder, lender, joint venturer, officer, employee, partner or consultant, or otherwise engage, invest or participate in any business that is competitive with any of the businesses conducted by the Company or by any subsidiary of the Company; provided, however, that nothing contained in this Paragraph 6(c) shall prevent Executive from investing or trading in publicly traded stocks, bonds, commodities or securities or in real estate or other forms of investment for Executive's own account and benefit (directly or indirectly), so long as such investment activities do not significantly interfere with Executive's services to be rendered hereunder and are consistent with the conflict of interest policies maintained by the Company from time to time, (ii) she shall not actively solicit any employee of the Company or any of its subsidiaries or affiliates to leave the employment thereof and (iii) she shall not induce or attempt to induce any customer, supplier, licensor, licensee or other individual, corporation or business organization having a business relation with the Company or its subsidiaries or affiliates to cease doing business with the Company or its subsidiaries or affiliates or in any way interfere with the relationship between any such customer, licensor or licensee, supplier, licensee or other individual, corporation or business organization, and the Company or its subsidiaries or affiliates.

(d) ENFORCEMENT. The Executive agrees and warrants that the covenants contained herein are reasonable, that valid consideration has been and will be received therefor and that the agreements set forth herein are the result of arms-length negotiations between the

parties hereto. The Executive recognizes and acknowledges that the provisions of this Paragraph 6 are vitally important to the continuing welfare of the Company, and its subsidiaries and affiliates, and that money damages constitute a totally inadequate remedy for any violation thereof. Accordingly, in the event of any such violation by the Executive, the Company, and its subsidiaries and affiliates, in addition to any other remedies they may have, shall have the right to institute and maintain a proceeding to compel specific performance thereof or to obtain an injunction restraining any action by the Executive in violation of this Paragraph 6.

7. TERMINATION. Unless earlier terminated in accordance with the following provisions of this Paragraph 7, the Company shall continue to employ the Executive and the Executive shall remain employed by the Company during the entire Term as set forth in Paragraph 1(b). Paragraph 8 hereof sets forth certain obligations of the Company in the event that the Executive's employment hereunder is terminated. Certain capitalized terms used in this Paragraph 7 and Paragraph 8 hereof are defined in Paragraph 7(c) below.

(a) DEATH OR DISABILITY. Except to the extent otherwise expressly stated herein, including without limitation, as provided in Paragraph 8(a) with respect to certain post-Date of Termination payment obligations of the Company, this Agreement shall terminate immediately on the Date of Termination in the event of the Executive's death or in the event of Executive's disability. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness or injury which is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative. In the event of disability, until the Date of Termination the base salary payable to the Executive

under Paragraph 3 hereof shall be reduced dollar-for-dollar by the amount of disability benefits, if any, paid to the Executive in accordance with any disability policy or program of the Company.

(b) NOTIFICATION OF DISCHARGE FOR CAUSE OR RESIGNATION . In accordance with the procedures hereinafter set forth, the Company may discharge the Executive from her employment hereunder for Cause and the Executive may resign from her employment hereunder for Good Reason or otherwise. Any discharge of the Executive by the Company for Cause or resignation by the Executive for Good Reason shall be communicated by a Notice of Termination to the Executive (in the case of discharge) or to the Company (in the case of the Executive's resignation) given in accordance with Paragraph 10 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances providing a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination is to be other than the date of receipt of such notice, specifies the termination date (which date shall in all events be within fifteen (15) days after the giving of such notice). No purported termination of the Executive's employment for Cause shall be effective without a Notice of Termination to the Executive. The failure by the Executive to set forth in any Notice of Termination to the Company any facts or circumstances which contributes to a showing of Good Reason shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstances in enforcing the Executive's rights hereunder.

(c) DEFINITIONS. For purposes of this Paragraph 7 and Paragraph 8 hereof, the following capitalized terms shall have the meanings set forth below:

(i) "Accrued Obligations" shall mean, as of the Date of Termination, the sum of (A) the Executive's base salary under Paragraph 3 through the Date of Termination to the extent not theretofore paid, (B) the amount of any bonus, incentive compensation, deferred compensation and other cash compensation accrued by the Executive as of the Date of Termination to the extent not theretofore paid and (C) any vacation pay, expense reimbursements and other cash entitlements accrued by the Executive as of the Date of Termination to the extent not theretofore paid.

(ii) "Cause" shall mean (A) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from disability), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or (B) the willful engaging by the Executive in illegal conduct or gross misconduct which is injurious to the Company. For purposes of this provision, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or based on the advice of a senior officer of the Company or counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a

resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (A) or (B) above of this Paragraph 7(c)(ii) , and specifying the particulars thereof in detail.

(iii) "Date of Termination" shall mean (A) in the event of a discharge of the Executive by the Company for Cause or a resignation by the Executive for Good Reason, the date the Executive (in the case of such discharge) or the Company (in the case of such resignation) receives a Notice of Termination, or any later permitted date specified in such Notice of Termination, as the case may be, (B) in the event of a discharge of the Executive without Cause or a resignation by the Executive without Good Reason, the date the Executive (in the case of discharge) or the Company (in the case of resignation) receives notice of such termination of employment, (C) in the event of the Executive's death, the date of the Executive's death, and (D) in the event of termination of the Executive's employment by reason of disability pursuant to Paragraph 7(a), the date the Executive receives written notice of such termination.

(iv) "Good Reason" shall mean any of the following: (A) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Paragraph 2 of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is

remedied by the Company promptly after receipt of notice thereof given by the Executive; (B) any failure by the Company to comply with any of the provisions of Paragraphs 3, 4 and 5 of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive; (C) the Company's requiring the Executive to be based at any office or location other than Beverly, Massachusetts or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date; (D) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or (E) any failure by the Company to comply with and satisfy the terms and conditions of that certain Indemnification Agreement between the Company and the Executive (the "Indemnification Agreement").

(v) "Monthly Bonus Amount" shall mean the quotient of (A) the "bonus percentage" (as hereinafter defined) times the Executive's annual base salary as in effect under Paragraph 3 on the Date of Termination, divided by (B) twelve (12). The term "bonus percentage" shall mean the percentage of the Executive's base salary that the Executive received as a bonus with respect to the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs, but in no event less than 25%.

8. OBLIGATIONS OF THE COMPANY UPON TERMINATION.

(a) DISCHARGE FOR CAUSE, RESIGNATION WITHOUT GOOD REASON, DEATH OR DISABILITY. In the event of a discharge of the Executive for Cause or resignation by the Executive without Good Reason, or in the event this Agreement terminates pursuant to Paragraph 7(a) by reason of the death or disability of the Executive:

(i) the Company shall pay all Accrued Obligations to the Executive, or to her beneficiaries, heirs or estate in the event of the Executive's death, in a lump sum in cash within thirty (30) days after the Date of Termination; and

(ii) the Executive, or her beneficiaries, heirs or estate in the event of the Executive's death, shall be entitled to receive all benefits accrued by her as of the Date of Termination under the Qualified Plans and all other qualified and nonqualified retirement, pension, profit sharing and similar plans of the Company in such manner and at such time as are provided under the terms of such plans and arrangements; and

(iii) except as otherwise provided in Paragraph 15 hereof, all other obligations of the Company under this Agreement shall cease forthwith.

(b) DISCHARGE WITHOUT CAUSE OR RESIGNATION FOR GOOD REASON. If the Executive is discharged other than for (x) Cause (i.e., without Cause) or (y) disability, or if the Executive resigns with Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within thirty (30) days after the Date of Termination the aggregate of the following amounts:

(A) all Accrued Obligations; and

(B) an amount equal to her monthly base salary at the highest rate in effect in the most recent year multiplied by the greater of (i) 24 or (ii) the number of full and partial months in the then remaining Term of this Agreement; and

(C) an amount equal to the Monthly Bonus Amount multiplied by the greater of (i) 24 or (ii) the number of full and partial months in the then remaining Term of this Agreement.

(ii) for the number of months equal to the multiplier used in Paragraph 8(b)(i)(B) and (C), the Company shall either (A) arrange to provide the Executive and her dependents, at the Company's cost, with life, disability and health coverage, whether insured or not insured, providing substantially similar benefits to those which the Executive and her dependents were receiving immediately prior to the Date of Termination, to the extent the Company continues to maintain benefit plans providing for such benefits for executives generally or (B) in lieu of providing such coverage, pay to the Executive within thirty (30) days after the Date of Termination a lump sum amount in cash equal to two (2) times the projected cost to the Company of providing the extended benefit coverage referred to in clause (A) (as such cost shall be calculated by a nationally recognized benefit consulting firm using reasonable assumptions); and

(iii) the Executive shall be entitled to receive all benefits accrued by her as of the Date of Termination under all qualified and nonqualified retirement, pension, profit sharing and similar plans of the Company in such manner and at such time as are provided under the terms of such plans; and

(iv) all stock options and other stock interests or stock-based rights awarded to the Executive by the Company on or before the Date of Termination shall become fully vested and nonforfeitable as of the Date of Termination and shall remain in effect and exercisable in accordance with the terms and conditions of their grant; and

(v) except as otherwise provided in Paragraph 15 hereof, all other obligations of the Company under this Agreement shall cease forthwith.

(c) PAYMENT OBLIGATIONS ABSOLUTE. The Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall

not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or any other party. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever.

(d) CONTRACTUAL RIGHTS TO BENEFITS. This Agreement establishes and vests in the Executive a contractual right to the benefits to which she is entitled hereunder. The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement.

9. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the successors and assigns of the Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) to all or a majority of its assets, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform this Agreement if no such succession had taken place. Regardless whether such agreement is executed, this Agreement shall be binding upon any successor of the Company in accordance with the operation of law and such successor shall be deemed the "Company" for purposes of this Agreement.

10. NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or mailed

within the continental United States by first class certified mail, return receipt requested, postage prepaid, addressed as follows:

(a) to the Board or the Company, to:

Axcelis Technologies, Inc.
55 Cherry Hill Drive
Beverly, Massachusetts 01915

(b) to the Executive, to:

Mary G. Puma

Addresses may be changed by written notice sent to the other party at the last recorded address of that party.

11. NO ASSIGNMENT. Except as expressly provided in Paragraph 9, this Agreement is not assignable by any party and no payment to be made hereunder shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or other charge.

12. EXECUTION IN COUNTERPARTS. This Agreement will be executed by the parties hereto in two or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

13. JURISDICTION AND GOVERNING LAW. Jurisdiction over disputes with regard to this Agreement shall be exclusively in the courts of the Commonwealth of Massachusetts, and this Agreement shall be construed and interpreted in accordance with and governed by the local laws of the Commonwealth of Massachusetts, other than the conflict of laws provisions of such laws.

14. SEVERABILITY. If any provision of this Agreement shall be adjudged by any court of competent jurisdiction to be invalid or unenforceable for any reason, such judgment shall not affect, impair or invalidate the remainder of this Agreement.

15. PRIOR UNDERSTANDINGS. Except for the Change of Control Agreement and the Indemnification Agreement between the parties, this Agreement embodies the entire understanding of the parties hereto, and supersedes all other oral or written agreements or understandings between them regarding the subject matter hereof. In the event of a termination of Executive's employment following a Change of Control (as defined in such Change of Control Agreement), the Executive shall be entitled to receive the greater of the amounts and benefits under this Agreement or the Change of Control Agreement but the Executive shall not receive the aggregate of the amounts and benefits under both such agreements. If she is entitled to receive amounts and benefits under both the Change of Control Agreement and this Agreement, the amount and benefits payable, if any, under the Change of Control Agreement shall be deemed to have been paid first and, if the amounts and benefits due under this Agreement are greater than those actually paid under the Change of Control Agreement, such excess shall be paid under this Agreement. Nothing in this Agreement is intended as and shall not be read as a modification of the Indemnification Agreement and the Indemnification Agreement shall be and remain in full force and effect in accordance with its terms. No change, alteration or modification hereof may be made except in a writing, signed by each of the parties hereto. The headings in this Agreement are for convenience of reference only and shall not be construed as part of this Agreement or to limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the 30th day of June, 2000 to be effective as of the Effective Date.

AXCELIS TECHNOLOGIES, INC.

Attest:

/s/ KEN SEMELSBERGER
- ----------

By: /s/ ADRIAN T. DILLON

Name: /s/ Adrian T. Dillon

Title: Executive Vice President--

Chief Financial and

Planning Officer

MARY G. PUMA

Witness:

/s/ BRIAN R. BACHMAN
- ----------

/s/ MARY G. PUMA

CONFIDENTIAL TREATMENT

*****[Omitted pursuant to a request for confidential treatment and filed separately with the Securities and Exchange Commission]

Exhibit 10.6

ORGANIZATION AGREEMENT

THIS AGREEMENT made as of the 3rd day of December, 1982, by and between EATON CORPORATION, a corporation organized and existing under the laws of the State of Ohio, United States of America, having its principal place of business at 100 Erieview Plaza, Cleveland, Ohio, U.S.A. (hereinafter referred to as "EATON"), and SUMITOMO HEAVY INDUSTRIES, LTD., a corporation organized and existing under the laws of Japan and having its principal place of business at 2-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100, Japan (hereinafter referred to as "SUMITOMO"),

WITNESSETH:

WHEREAS, EATON has, throughout the world, been active in the engineering, manufacture and sale of certain high current ion implantation products (hereinafter defined as "the Products"); and

WHEREAS, EATON has acquired and now possesses, through the expenditure of considerable time, effort and money, certain industrial property rights, including (a) letters patent and applications therefor, (b) technical information and (c) trademark and applications therefor, pertaining to the development, manufacture and marketing of the Products, and

WHEREAS, EATON and SUMITOMO desire to enter into a joint venture in Japan for the manufacture, use and sale of the Products by organizing a limited liability stock company, i.e., a Kabushiki Kaisha, named SUMITOMO EATON NOVA KABUSHIKI KAISHA (SUMITOMO EATON NOVA CORPORATION) (hereinafter called "SEN") under the laws of Japan for such purpose and to utilize said industrial property rights of EATON in connection therewith.

NOW, THEREFORE, in consideration of the mutual agreements, promises and undertakings hereinafter set forth, the parties hereto agree as follows:

ARTICLE I - DEFINITIONS

SEN as used herein shall mean SUMITOMO EATON NOVA KABUSHIKI KAISHA (SUMITOMO EATON NOVA CORPORATION), the limited liability stock company (KABUSHIKI KAISHA) to be formed in Japan by SUMITOMO and EATON in accordance with this Agreement.

AFFILIATED COMPANY as used herein shall mean any corporation or other legal entity in which EATON, SUMITOMO or a Related Company (as defined later in this Article I) of either owns less than the majority of the outstanding voting stock.

ARTICLES OF INCORPORATION as used herein shall mean the Articles of Incorporation in the form attached hereto to be

adopted by SEN pursuant to Section 1 of Article III of this Agreement.

ASSOCIATED AGREEMENTS as used herein shall mean those agreements related to this Organization Agreement which are to be executed between any two or more parties of or among SUMITOMO, EATON and SEN, as the case may be, pursuant to Article V of this Agreement.

BY-LAWS as used herein shall mean the By-Laws in the form attached hereto to be adopted by SEN pursuant to Section 1 of Article III of this Agreement.

EFFECTIVE DATE as used herein shall mean the date of issuance by the appropriate Japanese governmental authorities of the last to be issued of the several approvals, validations and rulings under the Foreign Exchange and Foreign Trade Control Law referred to in this Agreement and the Associated Agreements.

PRODUCTS as used herein shall have the same meaning as "Products" defined in the Associated Agreement annexed hereto entitled "License Agreement."

RELATED COMPANY as used herein shall mean any corporation or other legal entity (a) which owns, directly or indirectly, the majority of the outstanding voting stock of a party hereto, (b) the majority of the outstanding voting stock of which is owned by a party hereto, or (c) the

majority of the outstanding voting stock of which is owned, directly or indirectly, by any corporation or other legal entity described in clauses (a) and (b) of this sentence.

TERRITORY as used herein shall have the same meaning as the terms "Exclusive Territory" and "Non-Exclusive Territory", as defined in the Associated Agreement annexed hereto entitled "License Agreement."

ARTICLE II - AUTHORIZATION

Section 1. Approval by the Japanese Government

Promptly after execution of this Organization Agreement, SUMITOMO, on behalf of EATON, shall make, without any cost to EATON, application(s) to the appropriate authorities of the Japanese Government for validations and approvals, under the Foreign Exchange and Foreign Trade Control Law of Japan and all other applicable laws, of (1) the acquisition by EATON of shares of SEN, (2) the granting by EATON to SEN of license rights under certain EATON industrial property rights pursuant to the Associated Agreements, and (3) any and all of the other Associated Agreements as may be necessary. Such validations and approvals must include assurance by the Japanese Government of the convertibility and remittance to a bank or other depository designated by EATON in United States Dollars or other currency, whichever EATON specifies, of any and all cash distributions of any kind which may be paid by SEN to EATON, including but not limited to

(1) fees, (2) royalties, (3) reimbursable costs, (4) dividends, (5) distributions which may be made upon liquidation, dissolution or reorganization, (6) monies payable to EATON from the sale or other disposition of shares of SEN and (7) any other payment to EATON contemplated under this Agreement and all the Associated Agreements, during any period in which this Agreement and the Associated Agreements are in effect.

EATON shall reserve the right to participate with SUMITOMO in the making and conduct of said application(s) for validations and approvals to the Japanese Government authorities. SUMITOMO shall promptly provide EATON copies of any documents filed with the Japanese Government related to said application(s) for validation and approvals, plus English translations of (i) the fundamental presentations of such documents and (ii) any correspondence received from the Japanese Government relating to said application(s) for validations and approvals.

Section 2. Suspension of Obligations
- ------------------------------------

Except with respect to the obligation hereby acknowledged by the parties to cooperate in good faith in the diligent prosecution of the application(s) referred to in Section 1 of this Article II, this Agreement shall remain wholly executory and conditional until such time as validations and approvals required by the provisions of this Article II have been obtained.

ARTICLE III - ORGANIZATION OF COMPANY

Section 1. Organization of SEN

Subsequent to the Effective Date and prior to the execution of the Associated Agreements by the parties thereto, SUMITOMO, on behalf of EATON, shall cause, without any cost to EATON, a limited liability stock company (Kabushiki Kaisha) to be organized and registered under the laws of Japan, for the purpose of import, manufacture, assembly and marketing of the Products and activities incidental thereto. The name of said company shall be SUMITOMO EATON NOVA KABUSHIKI KAISHA (SUMITOMO EATON NOVA CORPORATION) ("SEN"). The Articles of Incorporation of SEN shall be as stated in the document attached hereto entitled "ARTICLES OF INCORPORATION OF SUMITOMO EATON NOVA KABUSHIKI KAISHA" (SUMITOMO EATON NOVA CORPORATION). The By-Laws of SEN shall be as stated in the document attached hereto entitled "BY-LAWS OF SUMITOMO EATON NOVA KABUSHIKI KAISHA (SUMITOMO EATON NOVA CORPORATION)".

EATON shall reserve the right to participate with SUMITOMO in the organization and registration of SEN. SUMITOMO shall promptly provide EATON copies and English translations of any documents filed with relation to the organization and registration of SEN pursuant to this Section 1 of Article III.

Section 2. Capital on Organization

At the time of organization and registration of SEN pursuant to Section 1 of Article III of this Agreement, SEN shall have an authorized capital of ONE THOUSAND MILLION YEN (YEN1,000,000,000), consisting of TWENTY THOUSAND (20,000) shares of common stock having a par value of FIFTY THOUSAND YEN (YEN50,000) each.

As of the time of organization and registration of SEN in accordance with Section 1 of this Article III, the common stock of SEN shall have been subscribed for and issued as follows:

TO SUMITOMO - SIX THOUSAND (6,000) shares in consideration of and exchange for payment by SUMITOMO in the amount of (YEN)300,000,000.

TO EATON - SIX THOUSAND (6,000) shares in consideration of and exchange for payment by EATON in the amount of (YEN)300,000,000.

It is the intent of EATON and SUMITOMO that EATON and SUMITOMO shall each own and control a Fifty percent (50%) equity interest in SEN unless mutually agreed otherwise.

ARTICLE IV - FUTURE FINANCING OF SEN

Section 1. Additional Capital Requirements

SUMITOMO and EATON anticipate that SEN may require capital in the future in addition to the share capital provided pursuant to Article III hereof and any such additional capital shall be obtained from any of the following sources as may be mutually agreed upon by the parties:

(a) Loans to be obtained by SEN from Japanese banks and other such independent sources. In such event, SUMITOMO and EATON shall exert their best efforts to assist SEN in obtaining any such loans. The parties agree that they will provide guarantees of loans made to SEN in proportion to their respective shareholdings in SEN.

(b) Retained profits of SEN.

(c) Increases in the capital of SEN provided that such increases shall be subject to the provisions of Sections 2 and 3 of this Article IV.

(d) Loans to be made to SEN by (i) its shareholders and/or (ii) a Related Company to any of the shareholders, provided that all such loans shall be subject to the provisions of Section 3 of this Article IV.

Section 2. Pre-emptive Rights

The shareholders of SEN shall have pre-emptive rights to subscribe to any shares which may be newly issued by SEN in accordance with the Articles of Incorporation.

Section 3. Government Authorizations

Anything to the contrary in this Article IV notwithstanding, neither EATON nor SUMITOMO shall be required to

provide any part of the additional funds for SEN, whether in the form of equity or loans pursuant to Section 1 of this Article IV, unless EATON and/or SUMITOMO shall first obtain the appropriate authorization(s) under Japanese law and regulations in force at the time such funds are to be provided, including authorization enabling EATON to receive dividends or interest, as the case may be, deriving from the investment of such funds, or to repatriate such funds, in United States Dollars or whatever currency EATON specifies.

ARTICLE V - ASSOCIATED AGREEMENTS

Section 1. Agreements

EATON, SEN and/or SUMITOMO, as the case may be, shall adopt or enter into the documents and agreements annexed hereto, which documents and agreements are entitled as follows:

(a) "Articles of Incorporation of Sumitomo Eaton Nova Kabushiki Kaisha (Sumitomo Eaton Nova Corporation)";

(b) "By-Laws of Sumitomo Eaton Nova Kabushiki Kaisha (Sumitomo Eaton Nova Corporation)",

(c) "License Agreement";

(d) "Trademark Agreement (Eaton)";

(e) "Trademark Agreement (Sumitomo)";

(f) "Export Control Agreement";

(g) "Export Sales Agreement";

(h) "Corporate Name Agreement (Eaton)";

(i) "Corporate Name Agreement (Sumitomo)".

Section 2. Accession by SEN

The parties hereto shall cause SEN to accede in writing to all of the provisions of this Agreement.

ARTICLE VI - OPERATION OF SEN

Section 1. General Intention

It is the intention of EATON and SUMITOMO that the Products to be manufactured by or for SEN shall (a) conform with EATON's basic designs of the Products, and (b) be of substantially the same quality and serviceability as the Products manufactured outside the Territory by EATON, its subsidiaries, licensees and Affiliated Companies.

Section 2. Export Sales

Any and all sales outside the Territory of the Products manufactured by SEN shall be conducted exclusively through EATON in accordance with the Associated Agreement annexed hereto entitled "Export Sales Agreement."

Section 3. Personnel of SEN

Unless otherwise agreed, it is the intention of the parties that SUMITOMO shall be responsible for the initial

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*****[Omitted pursuant to a request for confidential treatment and filed separately with the Securities and Exchange Commission]

staffing of SEN with appropriate management personnel, it being understood that the key personnel thereof shall be subject to the consent of EATON. Thereafter, EATON and SUMITOMO shall jointly review from time to time the desirability of continuing SUMITOMO's furnishing personnel to SEN.

It is the further intention of the parties hereto that SEN shall develop marketing and servicing organizations capable of selling and servicing the Products effectively.

Section 4. Management Fee

SEN will pay SUMITOMO a management assistance fee of [*] of SEN'S Net Sales (as defined in the License Agreement annexed hereto) of the Products for fifteen (15) years from the incorporation of SEN.

ARTICLE VII - MANAGEMENT OF SEN

Section 1. Directors

Except as otherwise provided in the Articles of Incorporation or required by mandatory provisions of Japanese law, responsibility for the management, direction and control of SEN shall be vested in the Board of Directors of SEN. So long as EATON and SUMITOMO each own Fifty percent (50%), respectively, of the issued and outstanding shares of SEN, SUMITOMO and EATON agree to vote their respective shares in SEN so that at all times the directors of SEN shall be persons nominated by SUMITOMO and

EATON in the same ratio as their respective shareholdings in SEN.

Section 2. Officers

From among the persons constituting the Board of Directors of SEN, the following officers of SEN shall be nominated and elected:

A President and a Vice President. The President shall be a director nominated by SUMITOMO; the Vice President shall be a director nominated by EATON.

Section 3. Representative Directors

The President and the Vice President of SEN shall be appointed the Representative Directors and shall act in accordance with the resolutions and instructions of the Board of Directors.

Section 4. Accounting and Auditors

The annual accounting period of SEN shall end on December 31 of each year. Complete books of account and records shall be kept by SEN according to sound accounting practices. SEN shall have two (2) statutory auditors, one of which shall be nominated by SUMITOMO and one of which shall be nominated by EATON. The parties agree to vote their respective shareholdings in SEN for the statutory auditor nominated from time to time by the other party.

Section 5. Audit of SEN's Books

An audit of the books and records of SEN shall be conducted, from time to time, by a firm of independent public accountants upon the written request of EATON or SUMITOMO. The party requesting such audit of the books and records of SEN shall select said independent public accountants and assume all expenses related to said audit.

Section 6. Remuneration for Non-Standing Directors

It is understood that SEN shall not pay the salaries, retirement allowances and traveling and lodging expenses for any non-standing directors of SEN. These expenses shall be borne by the parties which nominate such non-standing directors.

ARTICLE VIII - RECOGNITION OF RIGHTS AND ENCUMBRANCE AND SALE OF SHARES

Section 1. Recognition of Rights

EATON, SUMITOMO and SEN shall not, nor shall any Related Company of EATON, SUMITOMO or SEN consent to or aid others in contesting or do anything which might impair the validity, scope or ownership of any letters patent, secret processes and technical information, trademarks, tradenames, or other similar rights owned by EATON, SUMITOMO or SEN, any Related Company or Affiliated Company of EATON, SUMITOMO or SEN, which are the subject matter of this Agreement or any of the Associated Agreements.

Section 2. Encumbrance and Sale of Shares

EATON and SUMITOMO agree not to encumber nor to sell their shares in SEN other than with the prior written consent of the other party or in accordance with the terms of the Articles of Incorporation.

ARTICLE IX - NONDISCLOSURE OF INFORMATION

Section 1. Secrecy

SUMITOMO and EATON each agree to keep strictly secret and confidential and not to disclose to any third party, except to the extent that disclosures to SEN may be required by (a) this Agreement, (b) the Associated Agreements annexed hereto and (c) participation as a shareholder in SEN, any of the technical, economic, financial or marketing information acquired from the other(s) or from SEN, unless disclosure of such information is expressly permitted by this Agreement or an Associated Agreement, required by law or permitted by supplemental agreement of the parties hereto. To that end, without limiting the generality of the foregoing provision, SUMITOMO and EATON agree to cause all written materials relating to or containing such information obtained from the other or from SEN, including all sketches, drawings, reports and notes, and all copies, reproductions, reprints and translations, to be plainly marked to indicate the secret and confidential nature thereof and to prevent unauthorized use or reproduction thereof.

Section 2. Use of Information

SUMITOMO and EATON agree that they shall not use any information described in Section 1 of this Article IX and obtained from the other or SEN for any purpose whatsoever except in a manner expressly provided for in this Agreement, the Associated Agreements or as shareholders of SEN under the laws of Japan.

Section 3. Survival of Obligations

The obligations undertaken by SUMITOMO and EATON pursuant to this Article IX shall not apply to any such information obtained from the other or SEN which is or becomes published or otherwise generally available to the public or which is, at the time of disclosure, in the possession or the party to which the information is furnished, and such obligations shall, as so limited, survive termination of this Agreement.

ARTICLE X - PAYMENTS

Section 1. Currency

Except as otherwise provided in Section 1 of Article II hereof, any and all payments to be made by SEN to EATON pursuant to this Agreement, or any of the Associated Agreements shall be made in United States Dollars or such other currency as may be specified by EATON, at banks designated by EATON. Conversion between Japanese Yen and

United States Dollars or other foreign currency shall be made at the exchange rate of an authorized foreign exchange bank in Japan favourable to EATON prevailing on the date of remittance.

Section 2. Taxes

All taxes under the laws of Japan required to be paid by SEN, SUMITOMO and EATON, including all taxes imposed under the Income Tax Law and Corporation Tax Law of Japan, shall be for the respective accounts of and paid by or on behalf of SEN, SUMITOMO or EATON. SUMITOMO and EATON agree to furnish, or to cause SEN to furnish, when available, to the appropriate party the official tax receipt or other evidence issued by the Japanese tax authorities sufficient to enable EATON and SUMITOMO, as the case may be, to support a claim for United States, Japanese or other national income tax credit in respect of any sum required under Japanese tax laws to be withheld by SEN for the account of EATON or SUMITOMO.

ARTICLE XI - TERMINATION

Section 1. Early Termination

In the event that the requisite validations and rulings under the Foreign Exchange and Foreign Trade Control Law pursuant to Article II shall not have been obtained within twelve (12) months following the date of execution hereof, EATON may declare this Agreement, the

Associated Agreements and all rights, duties and obligations of the parties, except as they relate to those established by Article IX, to be null and void AB INITIO upon giving SUMITOMO written notice of such declaration. Upon such declaration, copies of all records, reports and other written information resulting from this Agreement shall be made available by SUMITOMO to EATON without charge to EATON.

Section 2. Default

In the event that any of the parties hereto should default in the performance of any of the terms, conditions, obligations, undertakings, covenants or liabilities set forth in this Agreement and such default shall not have been remedied within ninety (90) days after written notice thereof from the other party, such other party may terminate this Agreement and the Associated Agreements, effective immediately by written notice to the defaulting party.

Section 3. Dissolution, Liquidation or Bankruptcy

Either party may terminate this Agreement and the Associated Agreements by written notice to the other party hereto in the event that such other party shall be dissolved or liquidated or be declared bankrupt and its shares in SEN thereby assigned to an individual or company other than a Related Company.

Section 4. Survival of Obligation

Termination of this Agreement and the Associated Agreements for any cause shall not release either party from any other liability which at the time of termination has already accrued to the other party, nor affect in any way the survival of the rights, duties and obligations of either party provided for in Article IX of this Agreement, provided that nothing in this Section 4 shall affect, be construed to be or operate as a waiver of the right of the party aggrieved by any breach of this Agreement to be compensated for any injury or damage incurred before the time of termination resulting from a breach hereof.

ARTICLE XII - INTERPRETATION

Section 1. Governing Law

Insofar as is consistent with the governmental laws of Japan, the validity, construction and performance of this Agreement shall be governed by and interpreted in accordance with the laws of the State of Ohio, United States of America, and/or the Federal Laws of the United States in a like manner as an agreement made and wholly to be performed in the State of Ohio.

Section 2. Language

This Agreement is in the English language, executed in duplicate originals by the parties hereto. In the event that this Agreement is translated into the Japanese or any

other language, and any inconsistency or contradiction in meaning or interpretation results therefrom, the English language version shall prevail and be controlling as between the parties hereto.

Section 3. Headings
- ------------------

The headings to Articles and Sections of this Agreement are for convenience only, do not form a part of this Agreement, and shall not in any way affect the interpretation hereof.

Section 4. Construction and Amendment
- -------------------------------------

No oral explanation of or oral information relating to this Agreement offered by either party hereto shall alter the meaning or interpretation of this Agreement. No change in the terms hereof shall be binding on either party hereto unless reduced to writing and duly executed by the parties.

ARTICLE XIII - ARBITRATION

Section 1. Arbitration
- ----------------------

Any and all disputes and differences pertaining to or arising out of this Agreement or the breach thereof shall finally be settled by arbitration to be held in Tokyo, Japan, if EATON shall demand arbitration, or in Cleveland, Ohio, United States of America, if SUMITOMO or SEN shall demand arbitration. Such arbitration proceedings shall proceed in accordance with the provisions of the

Japan-American Trade Arbitration Agreement of 1952, under the rules specified in said agreement in effect upon the date that one party or SEN serves notice upon the other or SEN of a demand for arbitration. The award rendered by the arbitrator, shall be final, binding and enforceable by any court of competent jurisdiction. The dispute shall be arbitrated by one arbitrator (who shall not be a national of Japan or the United States of America) selected by mutual agreement of the disputants; provided, however, that in the event the disputants cannot agree upon an arbitrator within sixty (60) days following the demand for an arbitrator, the arbitrator shall be appointed by the Chairman of the Japan Commercial Arbitration Association, if arbitration is to be in Japan, or of the American Arbitration Association, if arbitration is to be in the United States of America.

ARTICLE XIV - MISCELLANEOUS

Section 1. Assignments

Subject to such governmental approval as may be required by applicable law then in effect, this Agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective successors and assigns, but it may not be voluntarily assigned in whole or in part by either party without the prior written consent of the other party.

Section 2. Notices

All notices and other communications required or permitted to be given or made under this Agreement shall be given or made in writing dispatched by registered airmail, postage prepaid, in any post office in the United States of America or in Japan, as the case may be, addressed as follows:

If to SUMITOMO: Sumitomo Heavy Industries, Ltd.
2-1, Ohtemachi 2-chome
Chiyoda-ku, Tokyo 100, Japan

If to EATON: Office of the Secretary
Eaton Corporation
100 Erieview Plaza
Cleveland, Ohio 44114
U.S.A.

Any party may change its address for the purpose of this Section 2 of Article XIV by notice to the other given in the manner set forth above.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day and year first set forth above.

EATON CORPORATION

By: /s/ [signature illegible]

Title: President - Defense and Systems Group

ATTEST:

By: /s/ S. L. Sherlein

Title: Vice Pres. & Gen. Csl.

SUMITOMO HEAVY INDUSTRIES, LTD.

By: /s/ S. Gohde

Title: Executive Vice President

ATTEST:

By: /s/ [signature illegible]

Title: General Manager
Industrial Machinery & Plant Sales

AMENDMENT OF ORGANIZATION AGREEMENT

THIS AGREEMENT AMENDMENT is made as of the 1st day of April, 1983, by and between EATON CORPORATION, a corporation organized and existing under the laws of the State of Ohio, United States of America, having its principal place of business at 100 Erieview Plaza, Cleveland, Ohio, U.S.A. (hereinafter referred to as "EATON"), and SUMITOMO HEAVY INDUSTRIES, LTD., a corporation organized and existing under the laws of Japan and having its principal place of business at 2-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100, Japan (hereinafter referred to as "SUMITOMO"),

WITNESSETH:

WHEREAS, SUMITOMO and EATON have entered into that certain Organization Agreement, dated as of December 3, 1982, concerning SUMITOMO EATON NOVA KABUSHIKI KAISHA (SUMITOMO EATON NOVA CORPORATION) (hereinafter referred to as "SEN"); and

WHEREAS, SUMITOMO and EATON wish to amend the Organization Agreement to provide that the annual accounting period of SEN shall end on March 31 of each year, rather than December 31 of each year,

NOW, THEREFORE, in consideration of the mutual agreements, promises and undertakings hereinafter and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1.
- ----------

SUMITOMO and EATON hereby agree that the first sentence of Article VII, Section 4 of the Organization Agreement is hereby amended to provide that the annual accounting period of SEN shall end on March 31 of each year, rather than on December 31 of each year. It is further agreed that this amendment shall be deemed controlling over any other express or implied references to the annual accounting period of SEN that may exist in the Organization Agreement or in any of the Associated Agreements or in the Articles of Incorporation or in the By-Laws as those terms are defined in the Organization Agreement.

Section 2.
- ----------

SUMITOMO and EATON hereby agree that the amendment set forth in Section 1 above is the only amendment made hereby, and that the other terms and conditions of the Organization Agreement remain unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this AMENDMENT OF ORGANIZATION AGREEMENT to be executed by their duly authorized representatives as of the day and year first set forth above.

EATON CORPORATION

By: /s/ [signature illegible]

Title: President

Defense and Systems Group

ATTEST:

By: /s/ L. E. Davis

Title: V. P. Eaton Japan Co. Ltd.

SUMITOMO HEAVY INDUSTRIES, LTD.

By: /s/ S. Gohde

Title: Executive Vice President

ATTEST:

By: F. Yamasaki

Title: General Manager

SECOND AMENDMENT OF ORGANIZATION AGREEMENT

THIS AGREEMENT is made as of the 4th day of April, 1990, by and between EATON CORPORATION, a corporation organized and existing under the laws of the State of Ohio, United States of America, having its principal place of business at Eaton Center, 1111 Superior Avenue, Cleveland, Ohio 44114, U.S.A. (hereinafter referred to as "EATON"), and SUMITOMO HEAVY INDUSTRIES, LTD., a corporation organized and existing under the laws of Japan with its principal place of business located at 2-1 Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100 Japan (hereinafter referred to as "SUMITOMO").

WITNESSETH

WHEREAS, SUMITOMO and EATON have entered into that certain Organization Agreement, dated as of 3 December 1982, concerning SUMITOMO EATON NOVA KABUSHIKI KAISHA (SUMITOMO EATON NOVA CORPORATION) (hereinafter referred to as "SEN"), as amended by that certain Amendment of Organization Agreement, dated as of 1 April 1983 (the Organization Agreement and the Amendment thereto are collectively referred to hereinafter as the "Organization Agreement");

WHEREAS, SUMITOMO, EATON, and SEN, as applicable, have entered into certain agreements pursuant to which SEN will manufacture, use, and sell medium-current ion implantation products; and

WHEREAS, SUMITOMO and EATON wish to amend the Organization Agreement to reflect the terms of said additional agreements.

NOW, THEREFORE, in consideration of the mutual agreements, promises, and undertakings hereinafter and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree to amend the Organization Agreement as follows:

SECTION 1
- ---------

The term "Effective Date," in Article I, at page 3, is hereby amended by deleting the period at the end of the present sentence and inserting the following text at the end of the present sentence:

"listed in Article V, Section 1, hereof as items (a) through (i) inclusive."

SECTION 2
- ---------

The definition of "Products" in Article I at page 3, is hereby amended by deleting the period at the end of the present sentence, inserting a comma therefor, and adding the following text immediately thereafter:

"as supplemented by the definition of "Products" contained in the Associated Agreement annexed hereto entitled "License Agreement (1989)"."

SECTION 3
- ---------

The definition of "Territory" in Article I, at page 4, is hereby deleted in its entirety and the following text is hereby inserted therefor:

"Territory as used herein shall have the same meaning as the terms "Exclusive Territory" and "Non-Exclusive Territory", as defined in the Associated Agreement annexed hereto entitled "License Agreement," as supplemented by the definition of "Territory" contained in the Associated Agreement annexed hereto entitled "License Agreement (1989)"."

SECTION 4
- ---------

Article II, Section 2, at page 5, is hereby amended by deleting the phrase, "this Article II have been obtained," at the end of the present sentence, and by inserting the following text therefor:

"this Article II, exclusive of such validations and approvals as may be required in connection with the Associated Agreements referred to herein in Article V, Section 1, as items (j) through (n) inclusive, have been obtained."

SECTION 5
- ---------

Article V, Section 1, at page 10, is hereby amended by deleting the period at the end of the sentence, following item (i), inserting a semicolon therefor, and adding the following text immediately thereafter:

"(j) "License Agreement (1989)";

(k) "Trademark Agreement (Eaton-1989)";

(l) "Trademark Agreement (Sumitomo-1989)";

(m) "Export Control Agreement (1989)";

(n) "Export Sales Agreement (1989)"."

SECTION 6
- ---------

Article VI, Section 2, at page 10, is hereby amended by deleting the present period at the end of the sentence, inserting a comma therefor, and adding the following text immediately thereafter:

"and the Associated Agreement annexed hereto entitled "Export Sales Agreement (1989)"."

CONFIDENTIAL TREATMENT

*****[Omitted pursuant to a request for confidential treatment and filed separately with the Securities and Exchange Commission]

SECTION 7

Article VI, Section 4, at page 11, is hereby deleted in its entirety and the following text is hereby inserted therefor:

> "SEN will pay SUMITOMO a management assistance fee of [*] of SEN's Net Sales, as defined in the License Agreement annexed hereto, of the Products referred to in said License Agreement, for fifteen (15) years from the incorporation of SEN. As to the Associated Agreements referred to in Article V, Section 1 as items (j) through (n), inclusive, SEN will pay SUMITOMO, pursuant to this Section 4 of Article VI, a management assistance fee of [*] of SEN's Net Sales attributable to those Products referred to in the License Agreement (1989)."

SECTION 8

SUMITOMO and EATON hereby agree that the amendments herein set forth are the only amendments made hereby and that the other terms and conditions of the ORGANIZATION AGREEMENT remain unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this SECOND AMENDMENT OF ORGANIZATION AGREEMENT to be executed by their duly authorized representatives as of the day and year first set forth above.

ATTEST:	EATON CORPORATION
By /s/ [signature illegible]	By /s/ PETER R. YOUNGER
Title Manager	Title General Manager
ATTEST:	SUMITOMO HEAVY INDUSTRIES, LTD.
By /s/ Y UENOYAMA	By /s/ A. NAITOH
Title Director	Title Executive Managing Director

THIRD AMENDMENT OF ORGANIZATION AGREEMENT

THIS AGREEMENT is made as of 16 January 1996, by and between EATON CORPORATION, a corporation organized and existing under the laws of the State of Ohio, United States of America, having its principal place of business at Eaton Center, 1111 Superior Avenue, Cleveland, Ohio 44114, U.S.A. (hereinafter referred to as "EATON"), and SUMITOMO HEAVY INDUSTRIES, LTD., a corporation organized and existing under the laws of Japan with its principal place of business located at 9-11, 5 Chome, Kitashinagawa, Shinagawa-ku, Tokyo 141, Japan (hereinafter referred to as "SUMITOMO").

WITNESSETH

WHEREAS, SUMITOMO and EATON have entered into an Organization Agreement, dated as of 3 December 1982, concerning SUMITOMO EATON NOVA KABUSHIKI KAISHA (SUMITOMO EATON NOVA CORPORATION) (hereinafter referred to as "SEN"), as amended by that certain Amendment of Organization Agreement, dated as of 1 April 1983, and as further amended by that certain Second Amendment of Organization Agreement, dated as of 4 April 1990, (the Organization Agreement, Amendment, and Second Amendment thereto are collectively referred to hereinafter as the "Organization Agreement");

WHEREAS, SUMITOMO, EATON, and SEN, as applicable, have entered into certain agreements pursuant to which SEN will manufacture, use, and sell ion implantation products; and

WHEREAS, SUMITOMO and EATON wish to amend the Organization Agreement to reflect the terms of said additional agreements.

NOW, THEREFORE, in consideration of the mutual agreements, promises, and undertakings hereinafter and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree to amend the Organization Agreement as follows:

SECTION 1
- ---------

The term "Effective Date," in Article I, at page 3, is hereby amended by deleting the period at the end of the present sentence and inserting the following text at the end of the present sentence:

"listed in Article V, Section 1, hereof as items (a) through (o) inclusive."

SECTION 2
- ---------

The definition of "Products" in Article I at page 3, is hereby amended by deleting the period at the end of the present sentence, inserting a comma therefor, and adding the following text immediately thereafter:

"as supplemented by the definition of "Products" contained in the Associated Agreement annexed hereto entitled "Master License Agreement"."

SECTION 3
- ---------

The definition of "Territory" in Article I, at page 4, is hereby deleted in its entirety and the following text is hereby inserted therefor:

"TERRITORY as used herein shall have the same meaning as the terms "Exclusive Territory" and "Non-Exclusive

Territory", as defined in the Associated Agreement annexed hereto entitled "Master License Agreement," as supplemented by the definition of "Territory" contained in the Associated Agreement annexed hereto entitled "Master License Agreement"."

SECTION 4
- ---------

Article II, Section 2, at page 5, is hereby amended by deleting the phrase, "this Article II have been obtained," at the end of the present sentence, and by inserting the following text therefor:

"this Article II, exclusive of such validations and approvals as may be required in connection with the Associated Agreements referred to herein in Article V, Section 1, as items (j) through (o) inclusive, have been obtained."

SECTION 5
- ---------

Article V, Section 1, at page 10, is hereby amended by deleting the existing items (j) through (n) at the end of the sentence, following item (i), and inserting the following text:

"(j) "Master License Agreement";

(k) "Trademark Agreement (Eaton)";

(l) "Trademark Agreement (Sumitomo)";

(m) "Export Sales Agreement";

(n) "Marketing Agreement";

(o) "Sales Assistance Agreement"."

CONFIDENTIAL TREATMENT

*****[Omitted pursuant to a request for confidential treatment and filed separately with the Securities and Exchange Commission]

SECTION 6
- ---------

Article VI, Section 2, at page 10, is hereby amended by deleting the present period at the end of the sentence, inserting a comma therefor, and adding the following text immediately thereafter:

"and the Associated Agreement annexed hereto entitled "Export Sales Agreement"."

SECTION 7
- ---------

Article VI, Section 4, at page 11, is hereby deleted in its entirety and the following text is hereby inserted therefor:

"SEN will pay SUMITOMO a management assistance fee of [*] of SEN's Net Sales (as defined in the Master License Agreement) of those High Current Products referred to in Appendix A of said Master License Agreement until April 30, 1998 and [*] of such Net Sales of such High Current Products until Termination (as defined in the Master License Agreement) of said Master License Agreement. SEN will pay SUMITOMO management assistance fee of [*] of SEN's Net Sales (as defined in the Master Sales Agreement) of those Medium Current and High Energy Products referred to in Appendix A of the Master License Agreement from the effective date of said Master License Agreement until its Termination (as defined in the Master License Agreement)."

SECTION 8
- ---------

SUMITOMO and EATON hereby agree that the amendments herein set forth are the only amendments made hereby and that the other terms and conditions of the ORGANIZATION AGREEMENT remain unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this THIRD AMENDMENT OF ORGANIZATION AGREEMENT to be executed by their duly authorized representatives as of the day and year first set forth above.

ATTEST:	EATON CORPORATION
By /s/ [signature illegible]	By /s/ [signature illegible]
Title Counsel-Corporate	Title Senior Vice President
ATTEST:	SUMITOMO HEAVY INDUSTRIES, LTD.
By /s/ [signature illegible]	By /s/ [signature illegible]
Title Managing Director	Title President

CONFIDENTIAL TREATMENT

*****[Omitted pursuant to a request for confidential treatment and filed separately with the Securities and Exchange Commission]

Exhibit 10.7

MASTER LICENSE AGREEMENT

THIS AGREEMENT is dated 16 January 1996, between EATON CORPORATION, a corporation organized and existing under the laws of the State of Ohio, United States of America, and having its principal place of business at Eaton Center, 1111 Superior Avenue, Cleveland, Ohio 44114, United States of America (hereinafter called "EATON") and SUMITOMO EATON NOVA KABUSHIKI KAISHA (SUMITOMO EATON NOVA CORPORATION), a corporation organized and existing under the laws of Japan and having its principal place of business at 13-16, Mita 3 Chome, Minato-ku, Tokyo 108, Japan, (hereinafter called "SEN").

WITNESSETH:

WHEREAS, EATON manufactures certain Products (as hereinafter defined) in the United States of America under various patents and patent applications and sells such Products throughout the world;

WHEREAS, EATON has developed, through substantial research and development and many years of successful manufacture of such Products, valuable and confidential technical information, know-how and data relating to the design, manufacture and assembly of the Products;

WHEREAS, SEN is a joint venture company organized by EATON and SUMITOMO HEAVY INDUSTRIES, LTD., a company organized and existing under the laws of Japan and having its principal place of business at 9-11, 5 Chome, Kitashinagawa, Shinagawa-ku, Tokyo 141, Japan (hereinafter called "SUMITOMO"), for the purpose of manufacturing, using and selling the Products in the Territory (as hereinafter defined); and

WHEREAS, SEN has manufactured and sold certain of the Products under License Agreements dated April 1, 1983 and February 24, 1989 including applicable amendments, which agreements shall terminate as of the effective date of this Agreement; and

WHEREAS, SEN desires to acquire from EATON, and EATON is willing to grant to SEN, a license to manufacture, use and sell the Products in the Territory under EATON's applicable patents and patent applications and through the use of EATON's Technical Information (as hereinafter defined);

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties agree as follows:

I. DEFINITIONS:

1.01 "Affiliated Company" as used herein shall mean any corporation or other legal entity in which EATON, SUMITOMO or a Related Company (as defined later in this Article I) of either owns less than the majority of the outstanding voting stock.

1.02 "Related Company" as used herein shall mean any corporation or other legal entity (a) which owns, directly or indirectly, the majority of the outstanding voting stock of a party hereto, (b) the majority of the outstanding voting stock of which is owned by a party hereto, or (c) the majority of the outstanding voting stock of which is owned, directly or indirectly, by any corporation or other legal entity described in clauses (a) and (b) of this sentence.

1.03 "Effective Date" as used herein shall mean 1 October 1995.

1.04 "Territory" as used herein shall mean Japan.

1.05 "Net Sales" as used herein shall mean the aggregate sums invoiced by SEN for any and all sales of Products, less:

(a) actual returns, applicable discounts, sales commissions, freight allowances, packing and crating costs, insurance costs, and local sales or turnover taxes, if any, relating to individual Product sales and separately stated in SEN's invoices to its customers or otherwise documented to EATON's satisfaction: and

(b) the FOB factory invoiced amounts charged to SEN for the Products purchased by SEN from the Semiconductor Equipment Operations of Eaton Corporation.

1.06 "Patents" as used herein shall mean (a) patent applications which EATON has filed or will hereafter file in the Territory relating to the Products, and (b) patents in the Territory which hereafter issue on such patent applications, and (c) patents relating to the Products to which EATON acquires the right to grant licenses during the term of this Agreement.

1.07 "Products" as used herein shall mean the ion implantation systems defined in Appendix A attached hereto as part of this Agreement, including software, components and parts therefor. Other Products may be added to Appendix A upon agreement of the parties as to their inclusion and applicable royalty schedule.

1.08 "Technical Information" as used herein shall mean confidential and secret technical information, know-how, engineering drawings, data, processes, bills of materials, detailed drawings and specifications, descriptions of assembly and manufacturing procedures, computerized production control systems, software and related source code, quality and inspection standards, drawings of jigs and fixtures, sales

CONFIDENTIAL TREATMENT

*****[Omitted pursuant to a request for confidential treatment and filed separately with the Securities and Exchange Commission]

literature and reports relating to the design, assembly and manufacture of the Products owned or to be owned by EATON and which EATON has the right to furnish to SEN during the term of this Agreement.

1.09 "Existing Technical Information" as used herein shall mean the Technical Information which EATON has developed or acquired (whether pursuant to a license agreement or otherwise) and has owned for at least twelve (12) months prior to the effective date of this Agreement.

1.10 "Future Technical Information" as used herein shall mean the Technical Information which EATON (a) has developed or acquired (whether pursuant to a license agreement or otherwise) during the twelve (12) month period immediately preceding the effective date of this Agreement or (b) develops, or acquires (whether pursuant to a license agreement or otherwise), and under which EATON is entitled to grant licenses during the term of this Agreement.

II. GRANT

EATON hereby grants to SEN the following license, subject to the terms and conditions set forth hereinafter:

(a) An exclusive license to utilize the Existing and Future Technical Information, and an exclusive license under the Patents to manufacture, use and sell the Products in the Territory; and

(b) A non-exclusive license to sell the Products outside the Territory, provided such sales are made pursuant to the terms of the Export Sales Agreement as entered into between SEN and EATON on 16 January 1996.

III. PAYMENTS:

In consideration of the license rights granted under Section II above, SEN shall pay to EATON the following percentage royalties based on Net Sales:

(a) For Products designated as High Current Products in Appendix A, [*] from the Effective Date of this Agreement until March 31, 1998 and [*] thereafter;

(b) For Products designated as Medium Current Products in Appendix A, [*] from the Effective Date of this Agreement until February 28, 1999 and [*] thereafter; and

(c) For Products designated as High Energy Products in Appendix A, [*] from the Effective Date of this Agreement until March 31, 1998 and [*] thereafter.

CONFIDENTIAL TREATMENT

*****[Omitted pursuant to a request for confidential treatment and filed separately with the Securities and Exchange Commission]

IV. TIME AND METHOD OF PAYMENT:

4.01 The royalty payments to be paid to EATON pursuant to Section III above shall be paid within thirty (30) days after the close of each calendar semi-annual period ending on the last day of September and March, respectively, of each year during the term of this Agreement, including any extensions thereof.

4.02 All amounts to be paid to EATON under Section III above, unless EATON shall have previously otherwise notified SEN in writing, shall be payable in U.S. Dollars converted from Japanese Yen at the lawful exchange rate of an authorized foreign exchange bank in Japan favorable to EATON, prevailing on the date when payment of such amounts is made. Payments shall be made by telegraphic transfer to EATON's account at Chase Manhattan Bank, One Chase Manhattan Plaza, New York, New York 10081, U.S.A., Account Number [*]. Upon termination of this Agreement for any reason whatsoever, any unpaid royalty payments shall become immediately due and payable to EATON.

V. RECORD KEEPING AND REPORTS:

5.01 SEN shall keep complete and accurate records and books relating to the manufacture, use and sale of the Products. EATON, through its representatives and employees, shall have the right to inspect and audit such records and books for the purpose of determining the sufficiency and accuracy thereof and the correctness of any payments made hereunder.

5.02 Each sale of Products shall be deemed made when invoiced to the customer. Accompanying each semi-annual royalty payment due under Section III hereof, SEN shall furnish to EATON a statement in writing showing in reasonable detail the following information:

(a) Net Sales, including quantity, description and price of all Products invoiced to customers during the preceding semi-annual period;

(b) A computation of the gross amount of the semi-annual royalty payment due EATON;

(c) Taxes levied in the Territory with respect to each such payment;

(d) A computation of the net amount to be paid to EATON; and

(e) Every schedule of any prices established by SEN for the sale of the Products, including any and all amendments, changes or supplements to such schedules.

VI. TAXES:

SEN shall be entitled to withhold any taxes required by Japanese law to be withheld from payments made to EATON hereunder and shall promptly remit such taxes to the Japanese Government on behalf of EATON. SEN shall promptly furnish to EATON a tax withholding

receipt acknowledging the payment of any such withholding tax when such receipt is received by SEN from the Japanese Government.

VII. DISCLOSURE OF EXISTING TECHNICAL INFORMATION:

7.01 Within thirty (30) days after the signing of this Agreement, EATON shall begin to disclose and supply to SEN all Existing Technical Information which is not already in SEN's possession. However, notwithstanding anything in the preceding sentence to the contrary, in no event shall EATON furnish any Existing Technical Information to SEN on or after the date of any notice of termination of this Agreement. All Existing Technical Information to be supplied under the terms of this Agreement shall be in the language and the system of measures commonly used by EATON or its Affiliated or Related Company supplying the Existing Technical Information.

7.02 The Existing and Future Technical Information to be furnished by EATON hereunder is confidential and secret, and title to all such Technical Information shall remain vested in EATON. SEN shall preserve and protect the confidential nature of the Technical Information and shall not disclose the Technical Information to any parties outside SEN's organization without the written consent of EATON except suppliers, subcontractors and customers to the extent necessary to enable SEN to manufacture, use and sell the Products in accordance with the licenses granted to SEN hereunder. Any and all drawings, blueprints, specifications and other written materials produced by or at the request or direction of SEN disclosing Technical Information to any such party shall be marked with the following language in the English and/or Japanese languages:

Notice to persons receiving this information:

The technical information disclosed herein is the confidential property of Eaton Corporation, Cleveland, Ohio, U.S.A., and is issued in confidence for engineering information only. It may not be reproduced or used in any way without an express written license from Eaton Corporation.

7.03 The disclosures permitted under Paragraph 7.02 above shall not relieve SEN of its obligation to maintain the confidentiality of the Technical Information, and SEN shall be liable for any unauthorized disclosure by it or by those to whom SEN has made any disclosure.

7.04 During the term of this Agreement, EATON shall not convey any of the Technical Information to any party in the Territory other than SEN and shall not use the Technical Information in the manufacture of the Products in the Territory.

VIII. TECHNICAL ASSISTANCE:

8.01 During an initial period after the Effective Date of this Agreement and from time to time thereafter, EATON shall furnish, upon the written request of SEN, the services of qualified engineers or technicians of EATON, its Affiliated or Related Companies to assist SEN for reasonable periods of time in acquiring knowledge and training relating to the Technical Information and the design, manufacture, assembly and marketing of the Products. The final decision as to the availability of such EATON personnel shall be made exclusively by EATON, and EATON shall exercise every reasonable effort to furnish such personnel for the period requested by SEN insofar as such request does not interfere with the activities of EATON, its Affiliated or Related Companies.

8.02 EATON shall permit SEN's employees to make a reasonable number of routine visits to certain facilities of EATON, its Affiliated or Related Companies that manufacture the Products to enable SEN to gain knowledge with respect to the manufacture of the Products. EATON and SEN shall agree upon the number of SEN's employees to make such visits prior to any such visit. Any and all expenses, including salaries, of SEN's personnel making such visits shall be paid solely by SEN.

IX. PARTS AND COMPONENTS:

It is the intention of the parties that the Products, parts and components to be sold by SEN under the licenses granted herein will be manufactured and/or purchased by SEN using the most economical sources available to SEN, and the parties understand that due to economies of scale and/or currency relationships EATON may be such most economical source at any given time during the term of this Agreement. Accordingly, Eaton shall, to the best of its ability and capacity, sell and supply to SEN Products, parts and components when requested by SEN. The price to SEN for such Products, parts and components shall be mutually agreed upon by the parties.

X. PURCHASE OF PRODUCTS BY EATON FROM SEN:

SEN shall, to the best of its ability and capacity, sell and supply Products, parts and components to EATON and its Affiliated or Related Company when requested by Eaton. The price to Eaton or any such Affiliated or Related Company for such Products, parts and components shall be mutually agreed upon by the parties. Purchases from SEN under this section shall be paid for in the currency specified by SEN.

XI. MODIFICATIONS OF PRODUCTS:

11.01 It is the intention of the parties that the Products to be manufactured by SEN under this Agreement shall meet the needs of the worldwide markets addressed by EATON and SEN, thus such products shall conform to EATON's basic designs and specifications for the Products and shall be of substantially the same quality and serviceability as the Products manufactured by EATON.

11.02 Any modifications to the Products which SEN deems to be required to further conform them to the Japanese market and/or to satisfy special customer needs may be made by SEN without prior approval by EATON, provided however, that such modifications are consistent with and conform to Eaton's specifications. SEN shall within two (2) weeks after releasing such modifications to production provide EATON with details of such modifications in the English language sufficient for EATON to verify their consistency with and conformity to Eaton's specifications.

11.03 Any modifications to the Products which SEN deems to be required and which are not consistent with and in conformity with the specifications shall be reviewed by appropriate representatives of EATON and SEN to determine if they are to be made. If the parties agree that such modifications are to be made, EATON shall at its sole discretion either carry out such modifications itself, or shall subcontract such modifications to SEN under terms and conditions to be agreed upon by the parties.

XII. DISCLOSURE OF FUTURE TECHNICAL INFORMATION:

12.01 During the term of this Agreement, EATON shall, at its sole expense, fully disclose to SEN any Future Technical Information and Patents in the Territory resulting from such Future Technical Information which are developed by EATON or any of its Affiliated and Related Companies if EATON then owns and has the right to furnish SEN such Future Technical Information. Effective as of a date twelve (12) months after EATON's acquisition of such Future Technical Information, the exclusive license granted under Section II hereof shall be deemed to apply to such Future Technical Information.

12.02 During the term of this Agreement, SEN shall, at its sole expense, fully disclose in the English language to EATON all Technical Information improvements and modifications, and patents in the Territory resulting from such improvements and modifications, which are developed by SEN relating to the Products, SEN hereby grants to EATON and its Affiliated and Related Companies during the term of this Agreement, a non-exclusive, royalty-free license to manufacture, have manufactured, use and sell the Products in any country of the world outside the Territory utilizing such Technical Information improvements and modifications developed by SEN, subject to SEN's exclusive right to use such improvements and modifications in the Territory. If any such Technical Information improvements and modifications developed by SEN during the term of this Agreement constitute patentable subject matter, SEN shall have the right, at its sole expense, to file patent applications and obtain patents therefor in its own name in any country of its choice; provided, however, that SEN, at its sole expense, shall furnish to EATON a copy of each such patent application immediately after filing such application. All such applications and patents resulting therefrom on Technical Information modifications and improvements of SEN shall be the property of SEN. SEN hereby grants to EATON, during the term of this Agreement, a non-exclusive, royalty-free license with the right to grant sublicenses to manufacture, have manufactured, use

and sell the Products under such applications and patents resulting therefrom in all countries of the world outside the Territory.

12.03 During the term of this Agreement, EATON shall have the right at its sole expense, to file patent applications in its own name in any country of the world in which SEN does not file such applications with respect to any and all Technical Information improvements and modifications developed by SEN relating to the Products. SEN shall, upon the request of EATON, and without any cost to EATON, promptly execute and procure the execution of any and all documents necessary or desirable to enable EATON to file such applications in countries in which SEN does not file such applications. EATON hereby grants to SEN (a) an exclusive, royalty-free license in the Territory during the effective period of said patents and (b) a non-exclusive, royalty-free license in any other country of the world during the effective period of said patents to manufacture, use and sell the Products under such applications and patents resulting therefrom with respect to Technical Information improvements and modifications developed by SEN.

XIII. RIGHT TO SUBLICENSE AND SUBCONTRACT:

Notwithstanding anything to the contrary contained in this Agreement, SEN shall not have the right to sublicense the rights granted or to be granted under this Agreement without the prior written consent of EATON. SEN shall have the right to subcontract the manufacture of parts and components for the Products from time to time.

XIV. SIMILAR TRADEMARKS:

The parties have entered into a separate Trademark Agreement governing the use of EATON trademarks on the Products. If such Trademark Agreement is terminated for any reason, the following provisions of this Section XIV shall apply: SEN shall not use any of the Trademarks (as defined in the Trademark Agreement) or any trademark which is confusingly similar to any of the Trademarks. If SEN during the term of this Agreement asserts ownership in any trademark which, in the opinion of EATON, is the same as or confusingly similar to any of the Trademarks, SEN will, upon the written request of EATON, immediately (1) transfer and assign all right, title and interest which it asserts in such trademark to EATON or EATON's designee, and (2) discontinue the use of such trademark. SEN shall not file or cause to be filed any trademark application in any country of the world covering any trademark which, in the opinion of EATON, is confusingly similar to any of the Trademarks.

XV. QUALITY CONTROL:

All rights and privileges granted or to be granted under this Agreement to SEN are expressly conditioned upon the maintenance by SEN of the standards of quality and reliability for the Products established worldwide by EATON and its Affiliated and Related Companies. SEN shall manufacture the Products in accordance with the Technical Information supplied or to be supplied hereafter by EATON. SEN shall permit EATON, through its representatives, at all

reasonable times to inspect the plant, equipment, manufacturing and assembly techniques of SEN which relate to the Products, and EATON shall have the right to test, at its sole expense, regular production specimens of the Products on the premises of SEN at any time so as to determine whether SEN is manufacturing the Products in conformity with the established quality standards and specifications of EATON and its Affiliated and Related Companies. EATON shall promptly advise SEN of any features of the quality standards and specifications of the Products manufactured by SEN which are not substantially the same as EATON's quality standards and specifications for the Products, and SEN, upon receipt of such advice, shall correct any such sub-quality features to the satisfaction of EATON within a reasonable period of time, not to exceed one hundred twenty (120) days after the receipt of such advice.

XVI. PRODUCT IDENTIFICATION:

Unless otherwise directed by EATON, SEN shall see that the following statement, in the English and/or Japanese language, is contained in all of SEN's advertising and promotional materials and on a name plate prominently displayed on each of the Products manufactured hereunder:

Manufactured under license from Eaton Corporation, U.S.A.

SEN's use of the foregoing statement or any subsequently authorized statement shall apply only to the Products manufactured by SEN which are under complete quality control and which meet the standards of quality specified by EATON, its Affiliated and Related Companies, as provided for in Section XV hereof.

XVII. RECORDING OF DOCUMENTS:

The parties shall execute or have executed all papers and documents which may be necessary or desirable to record SEN as a licensee or sub-licensee user of said Patents, Technical Information, improvements and modifications of Technical Information and related patents in the different jurisdictions of the world where such recording is necessary in order to protect the rights of either party in and to said Patents, Technical Information, improvements and modifications and related patents.

XVIII. INFRINGEMENT OF THIRD PARTY RIGHTS:

18.01 If SEN is charged with infringement of third parties' patents in the Territory or any other jurisdiction of the world and/or is made a defendant in a lawsuit as a result of the manufacture, use or sale of the Products under the provisions of this Agreement, SEN shall (a) assume all cost, expenses, damages and other obligations for payments incurred as a consequence of such charge of infringement and/or lawsuit and (b) indemnify and hold EATON harmless from any and all liability resulting from such charge of infringement and/or lawsuit or any such charge and/or lawsuit against SEN's customers.

18.02 At the request of SEN, EATON shall lend SEN the assistance of EATON, its Affiliated and Related Companies in the defense of any such infringement charge and/or lawsuit, but any expense incurred by such parties in such undertaking shall be borne solely by SEN and shall be paid by SEN to EATON within thirty (30) days after receipt of an itemization of such expenses from EATON.

XIX. INFRINGEMENT OF PATENTS BY THIRD PARTIES:

19.01 If SEN becomes aware of any infringement or alleged infringement in the Territory of any of the Patents, it shall immediately notify EATON in writing of the name and address of each infringer or alleged infringer and the acts or alleged acts of infringement of the Patents. EATON shall have the first right, consistent with the law of the place of infringement, to bring an infringement action against any or all such infringers or alleged infringers of the Patents. In the event that EATON elects to bring any such infringement action in its own name, EATON shall bear any and all expenses incurred in maintaining such infringement action and shall retain for itself any and all moneys or other benefits derived from such infringement action. If EATON shall deem it necessary or desirable to join SEN as a party plaintiff in any infringement action against an infringer or alleged infringer of the Patents, EATON shall consult with and obtain the approval of SEN prior to institution of such infringement action. In the event that EATON and SEN so agree jointly to bring such an infringement action, the parties shall (a) bear equally any and all expenses incurred in maintaining such infringement action, and (b) share equally any and all moneys or other benefits derived from such infringement action.

19.02 If EATON does not bring an infringement action within six (6) months after notification from SEN of infringement or alleged infringement of the Patents, SEN shall have the first right, consistent with the law of the place of infringement, to bring an infringement action in its own name after the expiration of said six (6) month period. The total cost of any such infringement action brought by SEN shall be borne solely by SEN, and SEN shall retain for itself any and all moneys or other benefits derived from such infringement action. Each party shall indemnify and hold the other harmless from any and all damages, costs or expenditures arising directly or indirectly as a result of any infringement action undertaken solely in the name of such party hereunder.

19.03 If at any time during the term of this Agreement EATON or SEN shall be unable to enforce the Patents against any alleged infringer, EATON shall not be responsible for the validity or for the enforceability of the Patents.

19.04 The parties shall keep each other fully informed as to the progress of any infringement action under this Section brought in the names of either or both parties. The parties shall cooperate with each other in the prosecution of any infringement action undertaken under this Section, and each shall provide the other with all data in its possession which may be helpful in the prosecution of such action.

19.05 Any party bringing any infringement action under this Section in its own name and without joining the other party shall have the right to dispose of such action in whatever reasonable manner it determines to be in the best interest of the parties. In any infringement action brought under this Section by either party without the other, the party not bringing such action shall have the right to be represented at its own expense by its own counsel in such action.

19.06 The parties shall cooperate and confer from time to time as may be necessary and shall agree upon a method or procedure for defending any proceedings for the revocation of any of the Patents.

XX. EFFECTIVE DATE:

The effective date of this Agreement shall be 1 October 1995.

XXI. TERM:

21.01 The term of this Agreement, unless sooner terminated as provided for in Section XXII, shall commence upon the Effective Date of this Agreement and shall continue for an initial term extending to December 31, 2004, and shall be automatically renewed thereafter for additional five (5) year periods unless either of the parties provides written notice to the other of its intention to terminate the Agreement at least one (1) year prior to the end of the then current term.

21.02 Both parties shall have the additional right, which must be exercised at least one (1) year prior to the end of the then current term, to provide a written notification to the other of an intention to renew with modifications. In the event a written notification of an intention to renew with modifications is properly provided, both parties will undertake to renegotiate, in good faith, the terms and conditions of this Agreement.

21.03 In the event a written notification of an intention to renew with modifications pursuant to Section 21.02 above is properly provided and no agreement has been reached at the end of the then current term, the Agreement will be continuously extended until agreement as to modifications is reached or either of the parties provides written notice to the other of its intention to terminate. Such termination shall take effect at the end of one (1) year following the written notice. In the event agreement as to modifications is reached, then the appropriately modified Agreement will continue to the end of a five (5) year period as if renewed pursuant to 21.01.

XXII. TERMINATION:

22.01 Either party may have the right to terminate this Agreement by sending written notice of termination to the other if the other shall fail to observe the terms, covenants

and conditions hereof and shall fail to cure or substantially cure such default within ninety (90) days after written notice thereof, such termination will take effect immediately upon written notice to the defaulting party after the expiration of said ninety (90) day period.

22.02 In the event of bankruptcy, insolvency, or dissolution of either party, the other may terminate this Agreement in its entirety, effective immediately, by sending written notice to the bankrupt, insolvent or dissolved party.

22.03 EATON shall be entitled to terminate this Agreement, upon ninety (90) days' written notice to SEN, in the event of either of the following events:

(a) Exercise of authority by a supervening power resulting in the appropriation or confiscation of SEN's plants, facilities, other assets, Technical Information or Patents; or

(b) Denial at any time by any governmental authority of the right of SEN to make the remittances provided for in this Agreement.

XXIII. RIGHTS AFTER TERMINATION:

23.01 Within thirty (30) days after the termination of this Agreement for any reason whatsoever, SEN shall furnish EATON the following information and shall permit EATON access to the records and facilities of SEN during regular working hours to verify such information:

(a) Full details of all orders for the Products in the Territory, accepted by SEN and not yet completed, including a description of work to be done regarding such orders; and

(b) A statement showing the amounts due EATON from SEN up to the date of termination. SEN shall have the right, after termination of this Agreement, to complete sales of all orders for Products in the Territory, accepted but not completed prior to the date of termination; provided, however, that royalty payments shall be due and payable on such uncompleted sales of Products when completed in accordance with the terms and conditions hereof.

23.02 Any and all proprietary rights in the Patents shall remain exclusively with EATON, its Affiliated or Related Companies, and nothing in this Agreement shall be construed to confer any proprietary interest other than the license rights granted hereunder in the Patents to SEN or to any other party. All rights granted hereunder in the Patents shall revert immediately and automatically to EATON upon termination of this Agreement. If EATON shall terminate this Agreement as a result of a default of any provision hereof by SEN or the other contingencies set forth in Section XXII, (a) SEN shall not after such termination, either directly or indirectly, make use of any Technical Information furnished or disclosed to it by EATON hereunder, excluding the Technical Information already generally known to the public through no fault of SEN or its Affiliated or Related Companies during the term of this Agreement provided, however,

that SEN shall be obliged to establish in reasonable detail to EATON's satisfaction that such Technical Information is in fact generally known to the public, (b) SEN's rights in the Technical Information shall automatically terminate and (c) SEN shall immediately return any and all Technical Information to EATON. If SEN shall terminate this Agreement as a result of a default of any provision hereof by EATON or the other contingencies set forth in Section XXII, SEN shall be entitled to continue to utilize the Technical Information in the manufacture of the Products; provided, however, that if a dispute arises as to said default of EATON and arbitration pursuant to Section XXXII hereof results from such dispute, EATON shall have ninety (90) days from the date of the arbitration decision, if against EATON, to rectify said default consistent with the arbitration decision and remove the grounds for termination. Likewise, if a dispute arises as to default of SEN and arbitration pursuant to Section XXXII hereof results from such dispute, SEN shall also have ninety (90) days from the date of the arbitration decision, if against SEN, to rectify said default consistent with the arbitration decision and remove the grounds for termination.

XXIV. GOVERNMENT APPROVAL:

SEN shall, at its sole expense, apply for and obtain any approvals, authorizations or validations relative to this Agreement that shall be required by law, either under the Foreign Exchange and Foreign Trade Control Law of Japan or otherwise, including authorization of all payments to be made hereunder. SEN shall, at its sole expense, obtain translations of this Agreement and prepare any documents necessary for such approvals and authorizations of the Japanese Government.

XXV. DISCLAIMER OF WARRANTY AND PRODUCT LIABILITY:

25.01 SEN shall assume all warranty obligations for the Products manufactured, used or sold by it hereunder.

25.02 SEN shall indemnify and save EATON harmless from and against any and all loss, cost, claim, liability, obligation and damage arising from (a) any negligence, representation, promise, agreement or warranty by SEN or its agents, employees, distributors, dealers, representatives, subcontractors, or suppliers relating to the Products or (b) any Product defect or deficiency in production, manufacture, use, design, operation or otherwise of the Products.

XXVI. ASSIGNMENT:

Neither of the parties shall be entitled to assign its rights or delegate its obligations under this Agreement without the prior written approval of the other party hereto, except that either party hereto may, without the written consent of the other party, assign its interest in this Agreement or any portion thereof to a Related Company or a successor of the whole of the

business relating to the Products which is capable of performing and assuming the obligations hereunder.

XXVII. TRANSLATION OF AGREEMENT:

This Agreement has been written in the English language, but in the event it is also written in the Japanese or another language and there are differences from the English text, the English text will govern.

XXVIII. ENTIRE AGREEMENT:

The terms and provisions of this Agreement constitute the entire agreement between the parties as to the granting of license rights by EATON to SEN under the Patents and Technical Information. This Agreement shall supersede all previous communications, either oral or written, between the parties with respect to the subject matter hereof, and no agreement or understanding varying or extending them shall be binding upon either party unless in writing signed by a duly authorized officer or representative thereof.

XXIX. NON-WAIVER OF RIGHTS AND DISCLAIMER OF LIABILITY:

Failure of either party to enforce any of the provisions of this Agreement or any rights with respect thereto or failure to exercise any election provided for herein (except as expressly otherwise provided herein) shall in no way be considered a waiver of such provisions, rights or elections or in any way to affect the validity of this Agreement. The failure of either party to enforce any of said provisions, rights or elections shall not preclude or prejudice such party from later enforcing or exercising the same or any other provisions, rights, or elections which it may have under this Agreement.

XXX. COUNTERPARTS:

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, all of which shall constitute one and the same agreement.

XXXI. DISCLAIMER OF AGENCY:

This Agreement shall not constitute SEN the legal agent of EATON, nor shall SEN have the right or authority to assume, create, or incur any liability or any obligation of any kind, express or implied, against or on behalf of EATON.

XXXII. ARBITRATION:

Any and all disputes or differences between the parties pertaining to or arising out of this Agreement, or the breach thereof, shall be settled by arbitration to be held in Tokyo, Japan, if EATON shall demand the arbitration, or in Cleveland, Ohio, United States of America, if SEN shall demand the arbitration, in accordance with the provisions of the Japan-America Trade

Arbitration Agreement of 1952 under the rules specified in said agreement in effect upon the date that either party serves notice upon the other party of a demand for arbitration. The dispute shall be arbitrated by one arbitrator (who shall not be a national of Japan or the United States of America) selected by agreement of both parties; provided, however, in the event the parties cannot agree upon an arbitrator, the arbitrator shall be appointed by the chairman of the Japan Commercial Arbitration Association, if arbitration is to be in Japan, or of the American Arbitration Association, if arbitration is to be in the United States of America. The award rendered by the arbitrator shall be final, binding upon the parties, and enforceable by any court of competent jurisdiction.

XXXIII. LIABILITIES TO SURVIVE TERMINATION:

Termination of this Agreement or any rights conveyed hereunder for any cause shall not relieve either party from its obligation to pay to the other all compensation which shall have accrued prior to such termination pursuant to the provisions of this Agreement or release either party from any obligations which may have been incurred prior to such termination as a result of operations conducted under this Agreement. This clause shall not be construed to prevent or limit any award for damages consequent upon a breach of this Agreement.

XXXIV. NOTICES:

All notices for all purposes under this Agreement shall be deemed to have been sufficiently addressed when, if given to EATON, addressed to:

Office of The Secretary
Eaton Corporation
1111 Superior Avenue
Cleveland, Ohio 44114 U.S.A.

or when, if given to SEN, addressed to:

President
Sumitomo Eaton Nova Kabushiki Kaisha
13-16, Mita 3 Chome,
Minato-ku, Tokyo 108, Japan

and if sent by registered airmail with return receipt requested. The date of posting shall be deemed to be the date on which such notice or request has been given or served. The parties may give written notice of change of address by mail or by facsimile and, after notice of such change has been received, any notice or request shall thereafter be given to such party as above provided at such changed address.

IN WITNESS THEREOF, each of the parties has duly executed this Agreement as of the Effective Date.

EATON CORPORATION

By: /s/ [signature illegible]

Vice President

ATTEST:

/s/ [signature illegible]

Director of Business Development

SUMITOMO EATON NOVA
KABUSHIKI KAISHA

By: /s/ [signature illegible]

President

ATTEST:

/s/ N. Takahashi

Managing Director

SUMITOMO HEAVY INDUSTRIES, LTD., hereby approves the terms and conditions of this Agreement, by the below execution of its Representative Director:

SUMITOMO HEAVY INDUSTRIES, LTD.

By: /s/ Mitoshi Ozawa

President

ATTEST:

/s/ H. Taniguchi

Managing, Director

APPENDIX A

PRODUCTS

HIGH CURRENT PRODUCTS

NV-10	GSDIII
NV-20	GSD100
NV-20A	GSD200
NV-10SD	GSD200E
GSD	GSDULE
GSDA	

MEDIUM CURRENT PRODUCTS

6200
6200A
6200AV
8200GD
8200P

HIGH ENERGY PRODUCTS

NV1002
GSD-HE
GSD-VHE
GSD-UHE

Exhibit 23.1

Consent of Independent Auditors

We consent to the reference to our firm under the captions "Summary Historical Financial Data," "Selected Historical Combined Financial Data," and "Experts," and to the use of our report dated May 3, 2000, in Amendment No. 3 to the Registration Statement (Form S-1 No. 333-36330) and related Prospectus of Axcelis Technologies, Inc. for the registration of shares of its common stock.

Cleveland, Ohio
June 29, 2000

/s/ Ernst & Young LLP