

BROOKS AUTOMATION INC

Form 10-Q

May 03, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: March 31, 2019

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 000-25434

BROOKS AUTOMATION, INC.

(Exact name of registrant as specified in its charter)

Delaware	04-3040660
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

15 Elizabeth Drive

Chelmsford, Massachusetts

(Address of principal executive offices)

01824

(Zip Code)

Registrant's telephone number, including area code: (978) 262-2400

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common Stock, \$0.01 par value

BRKS

The Nasdaq Stock Market LLC

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date, April 29, 2019: common stock, \$0.01 par value and 72,137,250 shares outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

BROOKS AUTOMATION, INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

(In thousands, except share and per share data)

	March 31, 2019	September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 137,217	\$ 197,708
Marketable securities	47	46,281
Accounts receivable, net	163,653	125,192
Inventories	108,512	96,986
Prepaid expenses and other current assets	35,056	31,741
Current assets held for sale	65,005	66,148
Total current assets	509,490	564,056
Property, plant and equipment, net	97,939	59,988
Long-term marketable securities	2,795	7,237
Long-term deferred tax assets	28,012	43,798
Goodwill	492,526	255,876
Intangible assets, net	270,793	99,956
Other assets	23,250	5,294
Non-current assets held for sale	63,072	59,052
Total assets	\$ 1,487,877	\$ 1,095,257
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long term debt	\$ 8,114	\$ 2,000
Accounts payable	56,934	55,873
Deferred revenue	31,200	25,884
Accrued warranty and retrofit costs	7,202	6,340
Accrued compensation and benefits	24,129	29,322
Accrued restructuring costs	586	659
Accrued income taxes payable	7,276	6,746
Accrued expenses and other current liabilities	36,294	30,405
Current liabilities held for sale	6,595	7,388
Total current liabilities	178,330	164,617
Long-term debt	535,384	194,071
Long-term tax reserves	15,037	1,102
Long-term deferred tax liabilities	15,978	7,135
Long-term pension liabilities	4,717	4,255
Other long-term liabilities	7,997	5,547

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Non-current liabilities held for sale	523	698
Total liabilities	757,966	377,425
Commitments and contingencies (Note 16)		
Stockholders' Equity		
Preferred stock, \$0.01 par value - 1,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.01 par value - 125,000,000 shares authorized, 85,593,182 shares issued and 72,131,313 shares outstanding at March 31, 2019, 84,164,130 shares issued and 70,702,261 shares outstanding at September 30, 2018	856	841
Additional paid-in capital	1,909,684	1,898,434
Accumulated other comprehensive income	11,852	13,587
Treasury stock, at cost- 13,461,869 shares	(200,956)	(200,956)
Accumulated deficit	(991,525)	(994,074)
Total stockholders' equity	729,911	717,832
Total liabilities and stockholders' equity	\$ 1,487,877	\$ 1,095,257

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

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BROOKS AUTOMATION, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(In thousands, except per share data)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2019	2018	2019	2018
Revenue				
Products	\$ 128,056	\$ 121,031	\$ 253,430	\$ 226,803
Services	70,334	35,921	124,327	72,748
Total revenue	198,390	156,952	377,757	299,551
Cost of revenue				
Products	77,803	70,635	152,376	134,164
Services	40,071	23,931	72,785	48,742
Total cost of revenue	117,874	94,566	225,161	182,906
Gross profit	80,516	62,386	152,596	116,645
Operating expenses				
Research and development	14,101	11,347	27,249	22,752
Selling, general and administrative	52,373	40,671	105,914	78,599
Restructuring charges	370	47	429	48
Total operating expenses	66,844	52,065	133,592	101,399
Operating income	13,672	10,321	19,004	15,246
Interest income	316	356	739	504
Interest expense	(8,018)	(2,196)	(13,308)	(4,377)
Loss on extinguishment of debt	(9,051)	—	(9,051)	—
Other expenses, net	(778)	(515)	(807)	(2,438)
Income (loss) before income taxes	(3,859)	7,966	(3,423)	8,935
Income tax benefit	(1,030)	(54,531)	(6,860)	(55,181)
Income (loss) from continuing operations	(2,829)	62,497	3,437	64,116
Income from discontinued operations, net of tax	6,250	4,523	14,399	19,390
Net income	\$ 3,421	\$ 67,020	\$ 17,836	\$ 83,506
Basic net income per share attributable to Brooks Automation, Inc. common stockholders:				
Income (loss) from continuing operations	\$ (0.04)	\$ 0.89	\$ 0.05	\$ 0.91
Income from discontinued operations, net of tax	0.09	0.06	0.20	0.28
Basic net income per share	\$ 0.05	\$ 0.95	\$ 0.25	\$ 1.19
Diluted net income per share attributable to Brooks Automation, Inc. common stockholders:				
Income (loss) from continuing operations	\$ (0.04)	\$ 0.89	\$ 0.05	\$ 0.90
Income from discontinued operations, net of tax	0.09	0.06	0.20	0.27
Diluted net income per share	\$ 0.05	\$ 0.95	\$ 0.25	\$ 1.18
Weighted average shares used in computing net income per share:				

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Basic	72,077	70,220	71,760	70,340
Diluted	72,292	70,613	72,215	70,908

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

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BROOKS AUTOMATION, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(In thousands)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2019	2018	2019	2018
Net income	\$ 3,421	\$ 67,020	\$ 17,836	\$ 83,506
Other comprehensive income (loss), net of tax:				
Cumulative foreign currency translation adjustments	(3,513)	5,154	(1,836)	9,287
Unrealized gains (losses) on marketable securities, net of tax effects of \$0 during each of the three and six months ended March 31, 2019, and \$0 during each of the three and six months ended March 31, 2018	232	—	111	—
Actuarial gains (losses), net of tax effects of \$0 and \$3 during the three and six months ended March 31, 2019, \$0 and (\$2) during the three and six months ended March 31, 2018	(1)	6	(10)	(3)
Total other comprehensive income (loss), net of tax	(3,282)	5,160	(1,735)	9,284
Comprehensive income (loss)	\$ 139	\$ 72,180	\$ 16,101	\$ 92,790

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

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BROOKS AUTOMATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(In thousands)

	Six Months Ended March 31,	
	2019	2018
Cash flows from operating activities		
Net income	\$ 17,836	\$ 83,506
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,339	17,634
Stock-based compensation	9,717	10,129
Amortization of premium on marketable securities and deferred financing costs	556	217
Earnings of equity method investments	(3,041)	(3,602)
Loss recovery on insurance claim	—	(1,103)
Deferred income tax benefit	(12,472)	(49,156)
Loss on extinguishment of debt	9,051	—
Other gains on disposals of assets	34	—
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(9,654)	(16,949)
Inventories	(9,992)	(16,233)
Prepaid expenses and other assets	1,938	(17,248)
Accounts payable	(6,088)	14,899
Deferred revenue	5,410	(2,783)
Accrued warranty and retrofit costs	740	(16)
Accrued compensation and tax withholdings	(11,123)	(4,151)
Accrued restructuring costs	(57)	(1,336)
Proceeds from recovery on insurance claim	886	—
Accrued expenses and other liabilities	2,149	9,619
Net cash provided by operating activities	22,229	23,427
Cash flows from investing activities		
Purchases of property, plant and equipment	(9,676)	(5,675)
Purchases of marketable securities	(1,290)	(49,560)
Sales of marketable securities	48,904	—
Maturities of marketable securities	2,557	100
Acquisitions, net of cash acquired	(442,704)	(64,988)
Proceeds from sales of property, plant and equipment	—	200
Net cash used in investing activities	(402,209)	(119,923)
Cash flows from financing activities		
Proceeds from term loans, net of discount	686,386	197,554
Proceeds from issuance of common stock	1,548	1,395
Payment of financing costs	(687)	(318)

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Principal payments on debt	(352,289)	(500)
Payment of capital lease	(487)	—
Common stock dividends paid	(14,429)	(14,125)
Net cash provided by financing activities	320,042	184,006
Effects of exchange rate changes on cash and cash equivalents	(553)	4,884
Net increase (decrease) in cash and cash equivalents	(60,491)	92,394
Cash and cash equivalents, beginning of period	197,708	101,622
Cash and cash equivalents, end of period	\$ 137,217	\$ 194,016
Supplemental disclosure of non-cash investing and financing activities:		
Purchases of property, plant and equipment included in accounts payable	\$ 1,670	\$ 716

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

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BROOKS AUTOMATION, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

(In thousands, except share data)

	Common Stock Shares (In thousands, except share data)	Common Stock at Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock	Total Equity
Balance							
September 30, 2017	83,294,848	\$ 833	\$ 1,874,918	\$ 15,213	\$ (1,082,364)	\$ (200,956)	\$ 607,644
Shares issued under restricted stock and purchase plans, net	706,877	7	1,388				1,395
Stock-based compensation			10,129				10,129
Common stock dividends declared, at \$0.20 per share					(14,125)		(14,125)
Foreign currency translation adjustments				9,287			9,287
Actuarial losses, net of tax effects of (\$2)				(3)			(3)
Net income					83,506		83,506
Balance							
March 31, 2018	84,001,725	\$ 840	\$ 1,886,435	\$ 24,497	\$ (1,012,983)	\$ (200,956)	\$ 697,833
Balance							
September 30, 2018	84,164,130	\$ 841	\$ 1,898,434	\$ 13,587	\$ (994,074)	\$ (200,956)	\$ 717,832
Shares issued under restricted stock and purchase plans, net	1,429,052	15	1,533				1,548
Stock-based compensation			9,717				9,717
Common stock dividends declared, at \$0.20 per share					(14,428)		(14,428)
Foreign currency translation adjustments				(1,836)			(1,836)
				111			111

Changes in unrealized losses on marketable securities, net of tax effects of \$0							
Actuarial losses, net of tax effects of \$3				(10)			(10)
ASC 606 adjustment				—	(859)		(859)
Net income					17,836		17,836
Balance							
March 31, 2019	85,593,182	\$ 856	\$ 1,909,684	\$ 11,852	\$ (991,525)	\$ (200,956)	\$ 729,911

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

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BROOKS AUTOMATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of Presentation

The unaudited consolidated financial statements of Brooks Automation, Inc. and its subsidiaries ("Brooks", or the "Company") included herein have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). All intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, all material adjustments, which are of a normal and recurring nature and necessary for a fair statement of the financial position and results of operations and cash flows for the periods presented, have been reflected in the accompanying unaudited consolidated financial statements. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full fiscal year.

Discontinued Operations

In the fourth quarter of fiscal year 2018, the Company entered into a definitive agreement to sell its semiconductor cryogenics business to Edwards Vacuum LLC (a member of the Atlas Copco Group), (the "Disposition"). The Company determined that the cryogenics business met the "held for sale" criteria and the "discontinued operations" criteria in accordance with Financial Accounting Standard Boards ("FASB") Accounting Standards Codification ("ASC") 205, Presentation of Financial Statements, ("FASB ASC 205") as of September 30, 2018. The Consolidated Balance Sheets and Consolidated Statements of Operations, and the notes to the Consolidated Financial Statements were restated for all periods presented to reflect the discontinuation of the cryogenics business, in accordance with FASB ASC 205. The discussion in the notes to these Consolidated Financial Statements, unless otherwise noted, relate solely to the Company's continuing operations. Please refer to Note 3, "Discontinued Operations" for further information.

Certain information and footnote disclosures normally included in the Company's annual consolidated financial statements have been condensed or omitted and, accordingly, the accompanying financial information should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10 K filed with the United States Securities and Exchange Commission (the "SEC") for the fiscal year ended September 30, 2018 (the "2018 Annual Report on Form 10 K"). The accompanying Consolidated Balance Sheet as of September 30, 2018 was derived from the audited annual consolidated financial statements as of the period then ended.

Revision of Prior Period Financial Statements

During the three months ended March 31, 2019, the Company identified a misclassification related to the presentation of the product and service revenue and the cost of product and service revenue related to GENEWIZ in the Company's Consolidated Statements of Operations for the three months ended December 31, 2018. The total revenue and cost of revenue related to GENEWIZ for the three months ended December 31, 2018 were included in the product revenue and cost of revenue line items instead of the service revenue and cost of revenue line items in the Consolidated Statements of Operations in the Form 10-Q for the quarter ended December 31, 2018. GENEWIZ was acquired during the three months ended December 31, 2018 and therefore the misclassification did not impact any other historical periods. The misclassification had no impact on total revenue or the total cost of revenue, gross profit, operating income (loss), net income (loss), as well as basic and diluted net income (loss) per share during any of the periods presented. Additionally, the misclassification had no impact on the Company's consolidated balance sheets and consolidated statements of cash flows during any of the prior periods. The Company considered the guidance in Accounting Standard Codification (ASC) Topic 250, "Accounting Changes and Error Corrections," ASC Topic 250-10-S99-1, "Assessing Materiality," and ASC Topic 250-10-S99-2, "Considering the Effects of Prior Year

Misstatements when Quantifying Misstatements in Current Year Financial Statements" in evaluating whether the Company's previously issued consolidated financial statements were materially misstated. The Company concluded this misclassification was not material individually or in the aggregate to the financial statements presented for the three months ended December 31, 2018, and therefore, amendments of the previously filed Form 10-Q for the three months ended December 31, 2018 was not required. The revision for this correction to the three months ended December 31, 2018 is reflected in the reported

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revenue and cost of revenue classification for the six months ended March 31, 2019 in this report and will be corrected in any future filings containing such financial information for the three months ended December 31, 2018.

The following table summarizes the effects of the misclassification to the three months ended December 31, 2018:

Three Months Ended December 31, 2018			
Dollars in thousands	As Previously Reported	Adjustment	As Revised
Total Company Revenue			
Products	\$ 141,732	\$ (16,357)	\$ 125,375
		Incorporated by reference to Exhibit 10.31 to the Amendment No. 1 to the Company's Annual Report on Form 10-KSB, as filed with the SEC on March 11, 2004	
Service	37,636		
10.13	Development, Manufacturing and Supply Agreement, dated July 28, 2004, by and between the Company and Par Pharmaceutical, Inc.	Incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-KSB, as filed with the SEC on November 15, 2004	
10.14	Second Amendment to License and Development Agreement, dated as of June 22, 2004, by and between the Company and the Veterinary Company, Inc.	Incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-KSB, as filed with the SEC on November 15, 2004	
10.15*	Employment Agreement, dated as of May 23, 2003, by and between the Company and Barry Cohen	Incorporated by reference to Exhibit 10.30 to the Company's Quarterly Report on Form 10-QSB for the period ending April 30, 2003, as filed with the SEC on June 19, 2003	
10.16*	Disclosure and Release Agreement Related to the Exchange of Non-Plan Options for Stock Options under the NovaDel Pharma Inc. 1998 Stock Option Plan by and between the Company and Thomas E. Bonney	Incorporated by reference to Exhibit 10.3 of the Company's Form 8-K, as filed with the SEC on August 2, 2005	
10.17*			

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	Disclosure and Release Agreement Related to the Exchange of Non-Plan Options for Stock Options under the NovaDel Pharma Inc. 1998 Stock Option Plan by and between the Company and William F. Hamilton	Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, as filed with the SEC on August 2, 2005
10.18*	Disclosure and Release Agreement Related to the Exchange of Non-Plan Options for Stock Options under the NovaDel Pharma Inc. 1998 Stock Option Plan by and between the Company and Charles Nemeroff	Incorporated by reference to Exhibit 10.4 of the Company's Form 8-K, as filed with the SEC on August 2, 2005
10.19*	Employment Agreement, dated as of December 20, 2004, by and between the Company and Michael Spicer	Incorporated by reference to Exhibit 10.35 of the Company's Form 8-K, as filed with the SEC on December 23, 2004
10.20*	Amendment to Employment Agreement dated September 2, 2005, by and between the Company and Michael E.B. Spicer	Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, as filed with the SEC on September 9, 2005
10.21*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated July 28, 2005, by and between the Company and Thomas E. Bonney	Incorporated by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-KSB for the period ended July 31, 2005, as filed with the SEC on October 31, 2005
10.22*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated July 28, 2005, by and between the Company and William F. Hamilton	Incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-KSB for the period ended July 31, 2005, as filed with the SEC on October 31, 2005

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10.23*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated July 28, 2005, by and between the Company and Charles Nemeroff	Incorporated by reference to Exhibit 10.29 of the Company's Annual Report on Form 10-KSB for the period ended July 31, 2005, as filed with the SEC on October 31, 2005
10.24	Amendment No. 1 to License and Development Agreement dated as of August 8, 2005, by and between the Company and Hana Biosciences Inc.	Incorporated by reference to Exhibit 99.1 of the Company's Form 8-K, as filed with the SEC on August 12, 2005
10.25*	Employment Agreement, dated as of September 26, 2005, by and between the Company and Jan H. Egberts, M.D.	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, as filed with the SEC on September 28, 2005
10.26*	Nonqualified Stock Option Agreement dated September 26, 2005, by and between the Company and Jan H. Egberts, M.D.	Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, as filed with the SEC on September 28, 2005
10.27	Confidential Separation Agreement and General Release dated November 29, 2005, by and between the Company and Gary Shangold, M.D.	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, as filed with the SEC on December 2, 2005
10.28	Consulting Agreement dated November 29, 2005, by and between the Company and Gary Shangold, M.D.	Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, as filed with the SEC on December 2, 2005
10.29*	NovaDel Pharma Inc. 2006 Equity Incentive Plan	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, as filed with the SEC on January 23, 2006
10.30*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated January 17, 2006, by and between the Company and Thomas Bonney	Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on March 15, 2006
10.31*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated January 17, 2006, by and between the Company and William Hamilton	Incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on March 15, 2006
10.32*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated December 14, 2005, by and between the Company and J. Jay Lobell	Incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on March 15, 2006
10.33*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated January 17, 2006, by and between the Company and Charles Nemeroff	Incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on March 15, 2006
10.34*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated January 17, 2006, by and between the Company and Steven Ratoff	Incorporated by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on March 15, 2006
10.35	Form of Securities Purchase Agreement by and between the Company and certain accredited investors (with attached schedule of parties and terms thereto)	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, as filed with the SEC on April 17, 2006
10.36	Registration Rights Agreement by and between the Company and certain accredited investors (with attached schedule of parties and terms thereto)	Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, as filed with the SEC on April 17, 2006
10.37	Placement Agent Agreement, dated March 15, 2006, by and between the Company, Griffin Securities, Inc. and Paramount BioCapital, Inc.	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, as filed with the SEC on April 20, 2006

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21.1	Subsidiaries of the Registrant	The registrant has no subsidiaries
23.1	Consent of J.H. Cohn LLP	Filed herewith
31.1	Certification of Chief Executive Officer under Rule 13a-14(a)	Filed herewith

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31.2	Certification of Principal Financial Officer under Rules 13a-14(a)	Filed herewith
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32.1	Certifications of the Chief Executive Officer and Chief Financial Officer under 18 USC 1350	Filed herewith
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(b) Exhibits.
See Item 15(a)(3) above.

(c) Financial Statement Schedules.
See Item 15(a)(2) above.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NovaDel Pharma Inc.

Date: October 27, 2006

By:

/S/JAN H. EGBERTS
Jan H. Egberts, M.D.
President and Chief Executive Officer

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In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>SIGNATURES</u>	<u>TITLE</u>	<u>DATE</u>
-		
/S/ JAN H. EGBERTS Jan H. Egberts, M.D.	Director, President and Chief Executive Officer (Principal Executive Officer)	October 27, 2006
/S/ MICHAEL E. SPICER Michael E. Spicer	Chief Financial Officer (Principal Financial and Accounting Officer)	October 27, 2006
/S/ THOMAS E. BONNEY Thomas E. Bonney	Director	October 27, 2006
/S/ WILLIAM F. HAMILTON William F. Hamilton, Ph.D.	Director	October 27, 2006
/S/ J. JAY LOBELL J. Jay Lobell	Director	October 27, 2006
/S/ CHARLES NEMEROFF Charles Nemeroff	Director	October 27, 2006
/S/ STEVEN B. RATOFF Steven B. Ratoff	Director and Chairman of the Board	October 27, 2006

INDEX TO FINANCIAL STATEMENTS

The following financial statements are included in Part II, Item 8:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholders and

Board of Directors

NovaDel Pharma Inc.

We have audited the accompanying balance sheets of NovaDel Pharma Inc. as of July 31, 2006 and 2005, and the related statements of operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended July 31, 2006. 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 the standards of the Public Company Accounting Oversight Board (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 financial position of NovaDel Pharma Inc. as of July 31, 2006 and 2005, and its results of operations and cash flows for each of the years in the three-year period ended July 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the Company changed the manner in which it accounts for share-based compensation in fiscal 2006.

/S/ J.H. COHN LLP

Roseland, New Jersey

September 15, 2006

NOVADEL PHARMA INC.

BALANCE SHEETS

AS OF JULY 31, 2006 AND 2005

ASSETS	July 31, 2006	July 31, 2005
Current Assets:		
Cash and cash equivalents	\$ 5,687,000	\$ 4,680,000
Short-term investments	4,451,000	3,543,000
Accounts receivable from related parties, net of allowances:		
\$54,000 as of July 31, 2006 and 2005		108,000
Inventories	585,000	549,000
Investment in marketable equity security available for sale	560,000	
Prepaid expenses and other current assets	491,000	306,000
Total Current Assets	11,774,000	9,186,000
Property and equipment, net	2,704,000	2,991,000
Other assets	344,000	351,000
Investment in non-marketable equity security, at cost		500,000
TOTAL ASSETS	\$ 14,822,000	\$ 13,028,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 845,000	\$ 1,179,000
Accrued expenses and other current liabilities	1,111,000	1,064,000
Current portion of deferred revenue	162,000	162,000
Current portion of capitalized lease obligation	82,000	
Total Current Liabilities	2,200,000	2,405,000
Non-current portion of deferred revenue	2,512,000	2,674,000
Non-current portion of capitalized lease obligation	65,000	
Total Liabilities	4,777,000	5,079,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.001 par value:		
Authorized 1,000,000 shares, none issued		
Common stock, \$.001 par value:		
Authorized 100,000,000 shares, Issued 49,123,869 and 40,597,318 shares at July 31, 2006 and 2005, respectively	49,000	41,000
Additional paid-in capital	54,417,000	42,305,000
Accumulated deficit	(44,475,000)	(34,391,000)
Accumulated other comprehensive income	60,000	
Less: Treasury stock, at cost, 3,012 shares	(6,000)	(6,000)
Total Stockholders' Equity	10,045,000	7,949,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 14,822,000	\$ 13,028,000

See accompanying notes to financial statements.

NOVADEL PHARMA INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JULY 31, 2006, 2005 AND 2004

	2006	2005	2004
License Fees and Milestone Payments Earned from Related Parties	\$ 1,662,000	\$ 141,000	\$ 13,000
Consulting Revenues from Related Parties	228,000	298,000	453,000
Total Revenues	1,890,000	439,000	466,000
Research and Development Expenses	5,275,000	3,826,000	2,492,000
Consulting, Selling, General and Administrative Expenses	7,179,000	6,391,000	4,627,000
Total Expenses	12,454,000	10,217,000	7,119,000
Loss From Operations	(10,564,000)	(9,778,000)	(6,653,000)
Interest Income	224,000	87,000	98,000
Loss Before Income Tax Benefit	(10,340,000)	(9,691,000)	(6,555,000)
Income Tax Benefit	(256,000)	(241,000)	(214,000)
Net Loss	\$ (10,084,000)	\$ (9,450,000)	\$ (6,341,000)
Basic and Diluted Loss Per Common Share	\$ (.23)	\$ (.27)	\$ (.24)
Weighted Average Number of Common Shares Used in Computation of Basic and Diluted Loss Per Share	43,000,000	34,808,000	26,269,000

See accompanying notes to financial statements.

NOVADEL PHARMA INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED JULY 31, 2006, 2005 AND 2004

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders Equity
	Shares	Amount					
BALANCE, August 1, 2003	17,972,730	\$ 18,000	\$ 22,452,000	\$ (18,600,000)	\$	\$	\$ 3,870,000
Stock issued in connection with private placements, net of costs	13,333,333	14,000	12,771,000				12,785,000
Stock issued to 2003 private investors in connection with reset provision	1,371,549	1,000	(1,000)				
Stock issued for options and warrants exercised	413,825		451,000			(6,000)	445,000
Impact of variable plan accounting			(736,000)				(736,000)
Net Loss				(6,341,000)			(6,341,000)
BALANCE, July 31, 2004	33,091,437	33,000	34,937,000	(24,941,000)		(6,000)	10,023,000
Stock issued in connection with private placements, net of costs	6,733,024	7,000	6,302,000				6,309,000
Stock issued to Hana Biosciences Inc. per license agreement	400,000		636,000				636,000
Stock issued for options and warrants exercised	172,857		219,000				219,000
Stock issued for services	200,000	1,000	306,000				307,000
Warrants issued for services			11,000				11,000
Impact of variable plan accounting			(106,000)				(106,000)
Net Loss				(9,450,000)			(9,450,000)
BALANCE, July 31, 2005	40,597,318	41,000	42,305,000	(34,391,000)		(6,000)	7,949,000
Share-based compensation expense			1,201,000				1,201,000
Stock issued in connection with private placement, net of costs	8,092,796	8,000	10,585,000				10,593,000
Stock issued for options and warrants exercised	433,755		326,000				326,000
Comprehensive income (loss):							
Unrealized gain on investment in marketable equity security					60,000		60,000
Net loss				(10,084,000)			(10,084,000)
Total comprehensive loss							(10,024,000)
BALANCE, July 31, 2006	49,123,869	\$ 49,000	\$ 54,417,000	\$ (44,475,000)	\$ 60,000	\$ (6,000)	\$ 10,045,000

See accompanying notes to financial statements.

NOVADEL PHARMA INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JULY 31, 2006, 2005 AND 2004

	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (10,084,000)	\$ (9,450,000)	\$ (6,341,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock issued for services		307,000	
Warrants issued for services		11,000	
Share-based compensation expense	1,201,000		
Impact of variable plan accounting		(106,000)	(736,000)
Depreciation and amortization	583,000	380,000	222,000
Changes in operating assets and liabilities:			
Accounts receivable from related parties	108,000	22,000	(128,000)
Inventories	(36,000)	(549,000)	
Prepaid expenses and other current assets	(185,000)	(51,000)	(87,000)
Other Assets	7,000		6,000
Accounts payable	(334,000)	938,000	102,000
Accrued expenses and other current liabilities	47,000	266,000	480,000
Deferred revenue	(162,000)	1,974,000	362,000
Net cash used in operating activities	(8,855,000)	(6,258,000)	(6,120,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(130,000)	(2,305,000)	(487,000)
Purchases of short-term and long-term investments	(5,751,000)	(5,180,000)	(9,560,000)
Maturities of short-term and long-term investments	4,843,000	9,155,000	2,042,000
Net cash provided by (used in) investing activities	(1,038,000)	1,670,000	(8,005,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock through private placements	10,593,000	6,309,000	12,785,000
Proceeds from options and warrants exercised	326,000	219,000	445,000
Proceeds from shares of common stock issued to Hana Biosciences, Inc.		636,000	
Payments of capitalized lease obligations	(19,000)	(62,000)	(25,000)
Net cash provided by financing activities	10,900,000	7,102,000	13,205,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,007,000	2,514,000	(920,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,680,000	2,166,000	3,086,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,687,000	\$ 4,680,000	\$ 2,166,000
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Investment in Hana Biosciences, Inc. common stock received in connection with license agreement	\$	\$ 500,000	\$
Equipment acquired under capitalized lease obligation	\$ 166,000	\$	\$ 87,000
Treasury stock acquired	\$	\$	\$ 6,000

See accompanying notes to financial statements.

NOVADEL PHARMA INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF THE BUSINESS

NovaDel Pharma Inc. (the Company) is a specialty pharmaceutical company engaged in the development of novel drug delivery systems for prescription and over-the-counter (OTC) drugs. The Company's oral spray therapeutics are administered by a novel application drug delivery system for presently marketed prescription, OTC, and veterinary drugs. The Company's patented and patent-pending delivery system is an oral spray potentially enabling drug absorption through the oral mucosa, increasing the benefits of clinically proven compounds, including more rapid absorption into the bloodstream than presently available oral delivery systems.

Through July 31, 2006, the Company has entered into strategic license agreements with (i) Hana Biosciences Inc. (Hana Biosciences), for the marketing rights in the U.S. and Canada for the Company's ondansetron oral spray, (ii) Par Pharmaceutical, Inc. (Par), for the marketing rights in the U.S. and Canada for the Company's nitroglycerin oral spray, (iii) Manhattan Pharmaceuticals, Inc. (Manhattan Pharmaceuticals), in connection with propofol, and (iv) Velcera Pharmaceuticals, Inc. (Velcera), in connection with veterinary applications for currently marketed veterinary drugs.

On November 18, 2004, the Company entered into a manufacturing and supply agreement with INyX USA, Ltd. (INyX), whereby INyX manufactures and supplies the Company's nitroglycerin lingual spray. For a five-year period that began November 18, 2004, INyX is the exclusive provider substantially worldwide of the nitroglycerin lingual spray to the Company.

On June 28, 2006, the Company's Board of Directors approved a change of the Company's fiscal year end from July 31 to December 31. Accordingly, the new fiscal year will begin on January 1, and end on December 31.

NOTE 2 - LIQUIDITY AND BASIS OF PRESENTATION

The Company has reported a net loss of \$10,084,000, \$9,450,000 and \$6,341,000 and negative cash flows from operating activities of \$8,855,000, \$6,258,000, and \$6,120,000 for the fiscal years ended July 31, 2006, 2005, and 2004, respectively. As of July 31, 2006, the Company had working capital of \$9,574,000, cash and cash equivalents of \$5,687,000 and short-term investments of \$4,451,000. Until and unless the Company's operations generate significant revenues, the Company will attempt to continue to fund operations from cash on hand and through the sources of capital described below. The Company's long-term liquidity is contingent upon achieving sales and/or obtaining additional financing. The most likely sources of financing include private placements of its equity or debt securities or bridge loans to the Company from third party lenders, license payments from existing and current and future partners, and royalty payments from sales of approved drugs by partners. The Company can give no assurances that any additional capital that the Company is able to obtain will be sufficient to meet its needs. On April 19, 2006, the Company completed an equity financing in which the Company received gross proceeds of \$11.8 million and net proceeds of \$10.6 million. Although the Company expects to have sufficient cash to fund its operations through the end of fiscal 2007, the Company would have to significantly reduce the pace of its ongoing development of its product candidates unless it can obtain additional working capital. Given the current and desired pace of product development of our product candidates, the Company estimates that it will need to raise additional capital during fiscal year 2007 in order to fully fund its development activities through July 31, 2007. This could include the securing of funds through new partnerships and/or the sale of our common stock or other securities, in order to fund our research and development activities. There can be no assurance that such capital will be available to the Company on favorable terms or at all. There are a number of risks and uncertainties related to our attempt to complete a financing or strategic partnering arrangement that are outside our control. The Company may not be able to successfully obtain additional financing on terms acceptable to it, or at all. If the Company is unsuccessful at obtaining additional financing as needed, the Company may be required to significantly curtail or cease operations. The Company will need additional financing thereafter until it achieves profitability, if ever.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION The Company receives revenue from consulting services and license agreements. Consulting revenues from contract clinical research are recognized in the period in which the services are rendered, provided that collection is reasonably assured. Upfront license agreement payments are initially deferred and subsequently amortized into revenue over the contractual period. Milestone payments related to license agreements are recognized as revenue when earned.

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CASH EQUIVALENTS AND INVESTMENTS - Cash equivalents include certificates of deposit and money market instruments with original maturities of three months or less when purchased. Investments include short-term investments, long-term investments and an investment in marketable common stock received from a licensee (See Notes 7 and 8). Short-term investments are carried at amortized cost, which approximates fair market value, and consist of certificates of deposit and US treasury securities with original maturities greater than three months and less than one year.

FINANCIAL INSTRUMENTS - Financial instruments include cash and cash equivalents, short-term investments, long-term investments, accounts receivable and accounts payable. The amounts reported for financial instruments are considered to be reasonable approximations of their fair values.

PROPERTY AND EQUIPMENT - Property and equipment, including leasehold improvements, are stated at cost. The Company provides for depreciation and amortization using the straight-line method, based upon estimated useful lives of five to ten years or the lease term, if shorter.

RESEARCH AND DEVELOPMENT COSTS - Research and development costs are expensed as incurred.

INCOME TAXES - Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Temporary differences between financial statement and income tax reporting result primarily from net operating losses. As a result of these temporary differences, the Company has recorded a deferred tax asset with an offsetting valuation allowance for the same amount. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when it is considered more likely than not that some portion or all of the deferred tax asset will not be realized.

DEFINED CONTRIBUTION RETIREMENT PLANS - During January 2004, the Company established a 401(k) retirement plan that is available to all employees and requires matching contributions by the Company. During the years ended July 31, 2006, 2005 and 2004, the Company contributed approximately \$101,000, \$101,000 and \$56,000, respectively, to this plan. Prior to January 2004, the Company had a Simple IRA retirement plan, available to all employees that provided for contributions at management's discretion. During the year ended July 31, 2004, the Company made contributions to this Simple IRA of approximately \$37,000.

INVENTORIES - Inventories, consisting of raw materials, are carried at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Inventories at July 31, 2006 and 2005 primarily consisted of inventory related to the Company's nitroglycerin lingual aerosol product candidate. Through outsourcing to INyX, the Company is in the process of starting to make commercial quantities for this product candidate prior to the date that such product candidate may receive final U.S. Food and Drug Administration (FDA) marketing approval (i.e., pre-launch inventory). On June 1, 2005, the Company received an approvable letter from the FDA regarding its New Drug Application (NDA) for NitroMist (nitroglycerin lingual aerosol). The FDA is not requiring any additional clinical studies for approval but has requested that the Company complete certain manufacturing process validation commitments. On April 30, 2006, the Company submitted the necessary documentation to the FDA for the completed process validation commitments. On May 26, 2006, the Company announced that the FDA had accepted the Company's submission regarding its NDA as a complete response and that the FDA indicated a target date of November 3, 2006 for action on the submission. If final approval of this product candidate is not received, or approval is not received timely compared to our estimates for product shelf-life, the Company will write-off the related amounts of pre-launch inventory in the period of that determination. If the Company had been required to write-off the \$585,000 recorded as pre-launch inventory at July 31, 2006, the charge would have been considered by the Company to have been material to its operating results and is likely to be considered material if such a write-off is required in a subsequent period.

RECLASSIFICATION Certain prior year amounts have been reclassified to conform to the current year's presentation.

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USE OF ESTIMATES The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. This requires our management to make estimates about the future resolution of existing uncertainties that affect the reported amounts of assets, liabilities, revenues and expenses which in the normal course of business are subsequently adjusted to actual results. Actual results could differ from such estimates. In preparing these financial statements, management has made its best estimates and judgments of the amounts and disclosures included in the financial statements giving due regard to materiality.

LOSS PER SHARE Loss per common share is computed pursuant to SFAS No. 128, Earnings Per Share. Basic loss per share is computed as net loss divided by the weighted average number of common shares outstanding for the period. Diluted net loss per common share is the same as basic net loss per common share, since potentially dilutive securities from the assumed exercise of all outstanding options and warrants would have an antidilutive effect because the Company incurred a net loss during each period presented. As of July 31, 2006, 2005 and 2004, there were 30.7 million, 26.2 million and 20.0 million common shares, respectively, issuable upon exercise of options and warrants which were excluded from the diluted loss per share computation.

STOCK-BASED COMPENSATION - In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment (SFAS 123R), which revises Accounting for Stock-Based Compensation, (SFAS 123) and supersedes Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, (APB 25), which provided for the use of the intrinsic value method of accounting for employees stock options. SFAS 123R required all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first quarter of the first annual reporting period that began after June 15, 2005. Under SFAS 123R, the use of the intrinsic value method and pro forma disclosures previously permitted under SFAS 123 are no longer an alternative to financial statement recognition.

The Company adopted the provisions of SFAS 123R effective August 1, 2005 and selected the Black-Scholes method of valuation for share-based compensation. The Company adopted the modified prospective transition method which does not require restatement of prior periods. Instead, it requires that compensation cost be recorded as earned for all unvested stock options outstanding at the beginning of the first quarter of adoption of SFAS 123R. The charge is being recognized in research and development and consulting, selling, general and administrative expenses over the remaining service period after the adoption date based on the original estimate of fair value of the options as of the grant date. Prior to the adoption of SFAS 123R, the Company applied the intrinsic-value-based method of accounting prescribed by APB 25 and related interpretations, to account for its stock options granted to employees. Under this method, compensation cost was recorded only if the market price of the underlying common stock on the date of grant exceeded the exercise price. SFAS 123 established accounting and disclosure requirements using a fair-value-based method of accounting for share-based employee compensation plans. As permitted by SFAS 123, the Company elected to continue to apply the intrinsic-value-based method of accounting described above, and adopted only the disclosure requirements of SFAS 123, as amended. For the fiscal year ended July 31, 2006, the Company recorded share-based compensation of approximately \$1,201,000 or \$0.03 per share. The Company will continue to incur share-based compensation charges in future periods. As of July 31, 2006, unamortized stock-based compensation expenses of approximately \$2.4 million remain to be recognized over a weighted-average period of 2.2 years.

As a result of cashless exercise provisions in our employee stock option agreements, the Company used variable accounting treatment under the Financial Accounting Standards Board's Interpretation 44, for issued and outstanding stock options from January 2002 through July 2005. On October 20, 2004, the Company's Board of Directors rescinded the cashless exercise provision for all of its outstanding option grants. Through July 31, 2005, variable plan accounting continued to be applied for approximately 310,000 outstanding options, for which option exercise prices were modified from the original agreement.

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The following table illustrates the pro forma effect on the Company's net loss and net loss per share as if the Company had adopted the fair-value-based method of accounting for share-based compensation under SFAS 123 for the fiscal years ended July 31, 2005 and 2004:

	Fiscal Year Ended July 31,	
	2005	2004
Net loss as reported	\$ (9,450,000)	\$ (6,341,000)
Compensation credit resulting from variable plan accounting	(106,000)	(736,000)
Total share-based employee compensation expense using the fair value based method for all awards	(854,000)	(795,000)
Pro forma net loss	\$ (10,410,000)	\$ (7,872,000)
Basic and diluted net loss per common share:		
As reported	\$ (0.27)	\$ (0.24)
Pro forma net loss	(0.30)	(0.30)

The fair values of options granted during the fiscal years ended July 31, 2005 and 2004 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions, respectively: risk-free interest rates of 4.0%, dividend yield of 0.0%, volatility factors of the expected market price of the Company's common stock of 66% in 2005 and 56% in 2004, and an expected life of the options of five to ten years.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	July 31, 2006	July 31, 2005
Equipment	\$ 2,215,000	\$ 1,912,000
Furniture and fixtures	455,000	455,000
Leasehold improvements	1,472,000	1,479,000
	4,142,000	3,846,000
Less: Accumulated depreciation and amortization	1,438,000	855,000
	\$ 2,704,000	\$ 2,991,000

The Company had total fixed assets of \$570,000 and inventories of \$585,000 at the facilities of INyX as of July 31, 2006. Such assets are the property of the Company and cannot be used by INyX for any other business. In the event that the Company's contract with INyX is terminated for any reason, such assets are to be returned to the Company. As of July 31, 2006, the Company had total gross fixed assets of \$166,000, with an accumulated depreciation of \$8,000, recorded under a capital lease.

NOTE 5 - RELATED PARTY TRANSACTIONS

PLACEMENT AGENT AGREEMENTS (see Note 6) In January 2004, May 2005 and April 2006, the Company completed private placements for which it utilized Paramount BioCapital, Inc., or Paramount, as its placement agent or co-placement agent. Paramount and its affiliates are beneficial owners of a significant amount of shares of common stock and options and warrants for the purchase of shares of common stock of the Company and, accordingly, Paramount is a related party to the Company.

LEGAL FEES - The Company has incurred legal fees charged by a former officer and director of the Company. These fees approximated \$0, \$1,000 and \$195,000 for the years ended July 31, 2006, 2005 and 2004, respectively.

CONSULTING AGREEMENTS - Mr. John H. Klein, the former Chairman of the Company's Board of Directors, consulting agreement ceased on January 31, 2004. The Company paid Mr. Klein approximately \$0, \$1,000 and \$186,000, pursuant to its consulting agreement with Mr. Klein (including finder fees relating to the Company's licensing agreements) for the years ended July 31, 2006, 2005 and 2004, respectively. The amount of the fees is determined according to the net revenue received by the Company in connection with the Par Pharmaceutical agreement.

In November 2005, the Company entered into a Confidential Separation Agreement and General Release (the "Separation Agreement") and a Consulting Agreement (the "Consulting Agreement") with Gary Shangold, M.D. Dr. Shangold is the former President and Chief Executive Officer of the Company. For the fiscal year ended July 31, 2006, pursuant to the Separation Agreement, the Company paid Dr. Shangold a separation payment of \$150,000. For the fiscal year ended July 31, 2006, pursuant to the Consulting Agreement, the Company paid Dr. Shangold \$175,000. As of July 31, 2006, the Company is obligated to pay Dr. Shangold approximately \$125,000 pursuant to the Consulting Agreement, all of which will be paid in fiscal 2007.

LICENSE AND DEVELOPMENT AGREEMENTS WITH RELATED PARTIES - In April 2003, the Company entered into a license and development agreement with Manhattan Pharmaceuticals for the worldwide, exclusive rights to the Company's proprietary oral spray technology to deliver propofol for pre-procedural sedation.

In June 2004, the Company entered into a 20-year worldwide exclusive license agreement with Velcera, a veterinary company. The license agreement is for the exclusive rights to the Company's proprietary oral spray technology in animals.

In October 2004, the Company entered into a license and development agreement (as amended in August 2005) with Hana to develop and market the Company's oral spray version of ondansetron. The agreement is an exclusive license for the U.S. and Canada.

Lindsay A. Rosenwald, M.D., a significant stockholder of the Company, may be deemed to be an affiliate of the Company, Manhattan Pharmaceuticals, Velcera, and Hana Biosciences. Companies affiliated with Dr. Rosenwald have provided financial and other services unrelated to the Company's agreements with the parties to such agreements from time to time.

NOTE 6 - STOCKHOLDERS' EQUITY

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PRIVATE PLACEMENTS - In April 2006, the Company closed a private placement of 8,092,796 shares of common stock, and warrants to purchase a total of 2,427,839 shares of common stock with an exercise price of \$1.60 per share of common stock. The Company received proceeds, net of offering costs, of approximately \$10,593,000. Griffin Securities, Inc. and Paramount, a NASD broker-dealer, acted as the Placement Agents for this private placement. The Placement Agents were paid an aggregate fee for acting as placement agents of cash equal to 7% of the gross proceeds from the sale of the common stock, or \$792,400, and warrants equal to 6% of the shares of common stock purchased, subject to certain exclusions, or warrants to purchase 468,329 shares of common stock. Such warrants have the same terms as those issued to the investors. The Placement Agents were also entitled to a non-accountable expense allowance of up to \$55,000 as reimbursement for out of pocket expenses incurred in connection with the offering. The Company agreed to indemnify the Placement Agents against certain liabilities, including liabilities under the Securities Act of 1933, incurred in connection with the offering.

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In May 2005, the Company closed a private placement of 6,733,024 shares of common stock and Class D warrants to purchase a total of 2,356,559 shares of common stock, with an initial exercise price equal to \$1.30 per share of common stock, subject to adjustment. The Company received net proceeds of approximately \$6,309,000 from the Offering. The financing was led by ProQuest Investments and included Caisse de dépôt et placement du Québec and others. In connection with the private placement, the Company paid a cash commission equal to 7% of the gross proceeds from the private placement, or approximately \$495,000, to Paramount, who acted as its placement agent, and issued to Paramount a warrant to purchase 336,651 shares of common stock (the Placement Warrant). The Placement Warrant is exercisable at an initial exercise price equal to \$1.30 per share (subject to adjustment). Paramount was also entitled to a non-accountable expense allowance of up to \$50,000 to reimburse it for out-of-pocket expenses incurred in connection with the private placement. The Company agreed to indemnify Paramount against certain liabilities, including liabilities under the Securities Act of 1933, incurred in connection with the Offering.

In January 2004, the Company completed a private placement and received net proceeds of \$12,785,000 from the sale of a total of 140 units of the Company's securities. Each unit consisted of 95,238 common shares, and 28,571 warrants. Each warrant entitles the holder to purchase an additional share of the Company's common stock at an exercise price of \$1.40 per share through January 2009. The sale price of each unit was \$100,000. A total of 13,333,333 shares and approximately 4,000,000 warrants were issued. The securities were sold through Paramount. For its services as placement agent, the Company paid Paramount a commission of 7% of the aggregate amount raised, or approximately \$1,000,000, and also issued to Paramount (and its designees) unit purchase options to purchase 1,330,303 shares of common stock at an exercise price of \$1.40 per share and warrants to purchase an additional 399,091 shares of common stock at an exercise price of \$1.40 per share. The Company also paid Paramount a non-accountable expense allowance of \$25,000 to reimburse Paramount for its out-of-pocket expenses.

The Company has entered into registration rights agreements with certain holders of our common stock that require us to continuously maintain an effective registration statement covering the underlying shares of common stock. Such registration statements have been declared effective and must continuously remain effective for a specified term. If we fail to continuously maintain such registration statements as effective throughout the specified terms, the Company may be subject to liability to pay liquidated damages.

PREFERRED STOCK - The Company's Certificate of Incorporation authorizes the issuance of up to 1,000,000 shares of Preferred Stock. None of the Preferred Stock has been designated or issued through July 31, 2006. The Board is authorized to issue shares of Preferred Stock from time to time in one or more series and to establish and designate any such series and to fix the number of shares and the relative conversion and voting rights, and terms of redemption and liquidation.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

EMPLOYMENT AGREEMENTS - At July 31, 2006, the Company had employment agreements with three officers of the Company providing for an aggregate salary of \$765,000 in fiscal 2007 and \$160,000 in fiscal 2008, excluding potential Company matching contributions to the officers' 401(k) plan. The remaining terms of the officers' employment agreements are outlined below. Generally in the event an officer is terminated prior to the end of such agreement, the officer is entitled to severance payments equal to the officer's salary for the shorter of six months or the remaining term of the officer's employment agreement.

The employment agreements with the Company's officers are due to expire on the following schedule: Dr. Egberts' agreement in September 2007, Mr. Spicer's agreement in December 2007, and Mr. Cohen's agreement expired in May 2006. The employment agreement of Mr. Cohen automatically extends for additional one-year periods unless either party to the agreement advises the other to the contrary in writing at least 90 days prior to the expiration of the term.

All of the foregoing employment agreements provide for the potential issuance of bonuses based on certain factors. Such agreements also provide for the grant of options to purchase shares of the Company's common stock, vesting ratably over the term of the agreement.

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LICENSE AND DEVELOPMENT AGREEMENTS - In April 2003, the Company entered into a license and development agreement with Manhattan Pharmaceuticals for the worldwide, exclusive rights to the Company's proprietary oral spray technology to deliver propofol for pre-procedural sedation. The terms of the agreement call for certain milestone and other payments, the first \$125,000 of which was partially received during June 2003. In November 2003, the Company received \$375,000 from Manhattan Pharmaceuticals for license fees. The Company has included these license fees in deferred revenue and is recognizing these license fees over the 20-year term of the license. During the years ended July 31, 2006, 2005 and 2004, the Company invoiced Manhattan Pharmaceuticals approximately \$0, \$65,000 and \$400,000, respectively, for the Company's reimbursable expenses.

In June 2004, the Company entered into a 20-year worldwide exclusive license agreement with Velcera, a veterinary company. The license agreement is for the exclusive rights to the Company's proprietary oral spray technology in animals. In September 2004, the Company received \$1,500,000 from Velcera as an upfront payment in connection with the commercialization agreement. The upfront payment has been included in deferred revenue and will be recognized in income over the 20-year term of the agreement. In addition, the Company received an equity stake of 529,500 shares of common stock, approximately 15% at the time the shares were issued, in Velcera which did not have a material value. The Company may receive additional milestone payments and royalty payments over the 20-year term of the agreement. During the years ended July 31, 2006, 2005 and 2004, the Company invoiced Velcera approximately \$228,000, \$183,000, and \$0, respectively, for reimbursable expenses. Additionally, during the year ended July 31, 2005, the Company invoiced Velcera \$50,000 for a contractual milestone that was reached.

In July 2004, the Company entered into a licensing agreement with Par for the exclusive right to market, sell and distribute nitroglycerin lingual spray in the U.S. and Canada. The Company has received \$250,000 in upfront and milestone payments and may receive additional fees and royalty payments over the 10-year term of the license. The upfront payment has been included in deferred revenue and will be recognized in income over the 10-year term of the agreement.

In October 2004, the Company entered into a license and development agreement pursuant to which the Company granted to Hana Biosciences an exclusive license to develop and market the Company's oral spray version of ondansetron in the U.S. and Canada. Pursuant to the terms of the agreement, in exchange for \$1,000,000, Hana Biosciences purchased 400,000 shares of the Company's common stock at a per share price equal to \$2.50, a premium of \$.91 per share or \$364,000 over the then market value of the Company's common stock. The Company accounted for this premium as deferred revenue related to the license. In connection with the agreement, Hana Biosciences issued to the Company \$500,000 worth of common stock of Hana Biosciences (73,121 shares based on a market value of \$6.84 per share). The proceeds received from Hana Biosciences attributable to the premium are included in deferred revenue and are being recognized over the 20-year term of the agreement. The Company may receive additional license fees and royalties over the 20-year term of the agreement. During the years ended July 31, 2006, 2005, and 2004, the Company invoiced Hana Biosciences approximately \$13,000, \$84,000, and \$0, respectively, for pass-through expenses incurred by the Company on behalf of Hana Biosciences. In the fiscal year ended July 31, 2006, the Company received \$1,500,000 in milestone payments from Hana Biosciences.

On November 18, 2004, the Company entered into a manufacturing and supply agreement with INyX whereby INyX manufactures and supplies the Company's nitroglycerin lingual spray. For a five-year period that began November 18, 2004, INyX is the exclusive provider of the nitroglycerin lingual spray to the Company substantially worldwide. Pursuant to the terms and conditions of the agreement, it will be INyX's responsibility to manufacture, package and supply the nitroglycerin lingual spray in such territories. Thereafter, INyX will have a non-exclusive right to manufacture such spray for an additional five years.

CAPITAL LEASE OBLIGATIONS As of July 31, 2006, the Company has aggregate capital lease obligations of \$147,000 of which \$82,000 and \$65,000 are scheduled to be paid in fiscal 2007 and 2008, respectively.

OPERATING LEASES - In March 2003, the Company entered into a 10-year lease for office, laboratory, manufacturing and warehouse space. During the first five years of the lease, the annual rent is approximately \$332,000 plus a proportionate share of real estate taxes and common areas. Beginning in the sixth year and continuing through the tenth year of the lease, the annual rent will be approximately \$365,000 plus a proportionate share of real estate taxes and common areas. Through December 31, 2005, the Company occupied office and laboratory space at a

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second location. During the fiscal years ended July 31, 2006, 2005 and 2004, the Company paid rent of approximately \$495,000, \$521,000, and 477,000, respectively.

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Future minimum rental payments subsequent to July 31, 2006 are as follows:

Years Ending July 31,

2007	\$332,000
2008	\$332,000
2009	\$363,000
2010	\$366,000
2011	\$366,000
Thereafter	\$761,000
	\$2,520,000

NOTE 8 INVESTMENT IN EQUITY SECURITY

As explained in Note 7, in October 2004, as part of the license agreement with Hana Biosciences, the Company received \$500,000 of common stock of Hana Biosciences (73,121 shares based on a market value of \$6.84 per share at the date of the agreement). As a result of restrictions on its ability to sell the shares, the Company was required by SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, to account for those shares using the cost method through October 2005 and thereafter as marketable equity securities. At July 31, 2006, the Company has classified the shares as available for sale and is recording changes in their value as part of its comprehensive income. Such shares had a market value of \$560,000 at July 31, 2006 and, accordingly, the Company has included its \$60,000 unrealized gain in accumulated comprehensive income, a separate component of stockholders' equity, as of July 31, 2006.

NOTE 9 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are comprised of the following at July 31, 2006 and 2005:

	2006	2005
Accrued compensation	\$ 396,000	\$ 383,000
Professional fees	70,000	244,000
Accrued milestone payments	312,000	312,000
Product development costs	112,000	
Insurance premiums	127,000	
Property and equipment		70,000
Other	94,000	55,000
	\$ 1,111,000	\$ 1,064,000

NOTE 10 - INCOME TAXES

The significant components of the Company's net deferred tax asset are summarized as follows:

	July 31 2006	2005
Stock options	\$ 397,000	\$
Net operating loss carryforwards	14,511,000	10,671,000
Deferred revenue	1,070,000	1,196,000
Property and equipment	(157,000)	(36,000)
Other	49,000	21,000
Total gross deferred tax assets	15,870,000	11,852,000
Valuation allowance	(15,870,000)	(11,852,000)
Net deferred tax assets	\$	\$

At July 31, 2006, the Company had federal and state net operating loss carryforwards for financial reporting and income tax purposes of approximately \$38.3 million and \$25.2 million, respectively, which can be used to offset current and future federal and state taxable income, if any, through 2026 and 2013, respectively. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has provided valuation allowances to offset its deferred tax assets due to the significant uncertainties related to its ability to generate future taxable income. The net increases in the total valuation allowance for fiscal 2006, 2005 and 2004 were \$4.0 million, \$3.8 million and \$2.7 million, respectively.

The tax benefits expected based on the Company's pre-tax loss in fiscal 2006, 2005 and 2004, utilizing the applicable statutory rates, have been reduced to an actual benefit of \$256,000, \$241,000 and \$214,000, respectively, due principally to the aforementioned increases in the valuation allowance. The benefit recognized in such fiscal years relates solely to the sale of certain of the Company's state net operating loss carryforwards.

The following is a reconciliation of the income tax benefit computed at the statutory rate to the provision for income taxes:

	Year Ended July 31, 2006	2005	2004
Federal tax at statutory rate	(34.0%)	(34.0%)	(34.0%)
State income tax	(6.0%)	(6.0%)	(6.0%)
Other		0.3%	(4.5%)
Sale of net operating losses	(2.5%)	(2.5%)	(3.3%)
Increase in valuation allowance	40.0%	39.7%	44.5%
	(2.5%)	(2.5%)	(3.3%)

The Tax Reform Act of 1986 (the Act) provides for a limitation on the annual use of NOL carryforwards (following certain ownership changes, as defined by the Act) which could significantly limit the Company's ability to utilize these carryforwards. The Company may have experienced various ownership changes, as defined by the Act, as a result of past financings and may experience others in connection with future financings. Accordingly, the Company's ability to utilize the aforementioned federal operating loss carryforwards will be limited. The Company is in the

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process of determining if ownership changes, as defined by the Act, have occurred. Additionally, because U.S. tax laws limit the time during which these carryforwards may be applied against future taxes, the Company may not be able to take full advantage of these attributes for federal income tax purposes.

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SALE OF NET OPERATING LOSS CARRYFORWARDS: The State of New Jersey has enacted legislation permitting certain corporations located in New Jersey to sell state tax loss carryforwards and state research and development credits, or net operating loss carryforwards, in order to obtain tax benefits. The Company recorded an income tax benefit of \$256,000, \$241,000 and \$214,000 for the fiscal years ended July 31, 2006, 2005, and 2004, respectively, from the sale of its New Jersey net operating loss carryforwards. If still available under New Jersey law, the Company may attempt to sell its remaining New Jersey net operating loss carryforwards of \$25.2 million as of July 31, 2006. The Company cannot estimate, however, what percentage of its saleable net operating loss carryforwards New Jersey will permit it to sell, how much money will be received in connection with the sale, if the Company will be able to find a buyer for its net operating loss carryforwards or if such funds will be available in a timely manner.

NOTE 11 - STOCK OPTIONS AND WARRANTS

At July 31, 2006, the Company had two plans which allow for the issuance of stock options and other awards: the 1998 Stock Option Plan and the 2006 Equity Incentive Plan (the **Plans**). On January 17, 2006, the stockholders of the Company, upon recommendation of the Board of Directors of the Company, approved the NovaDel Pharma Inc. 2006 Equity Incentive Plan (the **2006 Plan**). The 2006 Plan authorizes the grant of several types of stock-based awards, including stock options, stock appreciation rights and stock (including restricted stock). The amount of shares of common stock originally reserved for issuance under the 2006 Plan was 6 million shares. These Plans are administered by the Compensation Committee of the Board of Directors. Incentive Stock Options (**ISOs**) may be granted to employees and officers of the Company and non-qualified options may be granted to consultants, directors, employees and officers of the Company. Options to purchase the Company's common stock may not be granted at a price less than the fair market value of the common stock at the date of grant and will expire not more than 10 years from the date of grant, and vesting is determined by the Compensation Committee of the Board of Directors. ISOs granted to a 10% or more stockholder may not be for less than 110% of fair market value or for a term of more than five years. As of July 31, 2006, there was approximately 6.0 million shares available for issuance under the Plans.

Information with respect to stock option activity for the fiscal year ended July 31, 2006 is as follows:

Options	Shares (000)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Terms (Years)	Aggregate Intrinsic Value (\$000)
Outstanding at August 1, 2005	6,474	\$ 1.64		\$
Grants	3,280	1.58		
Exercises	(360)	.75		
Cancellations	(1,217)	1.66		
Outstanding at July 31, 2006	8,177	\$ 1.65	4.4	\$ 492
Exercisable at July 31, 2006	4,710	\$ 1.69	3.3	\$ 492

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In the fiscal year ended July 31, 2006, the Company recorded share-based compensation for options using the fair value method required by FAS 123R of approximately \$1,201,000, or \$0.03 per share, respectively, which is included in the Company's net loss for each period. As of July 31, 2006, unamortized stock-based compensation expenses of approximately \$2.4 million remain to be recognized over a weighted-average period of 2.2 years. For grants during the fiscal year ended July 31, 2006, the Company used the following weighted average assumptions in determining fair value under the Black-Scholes model: expected volatility of 64%; dividend yield of 0%; expected term until exercise of 4.5 years; and risk-free interest rate of 4.3%. Expected volatility is based on historical volatility of the Company's common stock. The expected term of options is estimated based on the average of the vesting period and contractual term of the option. The risk-free rate is based on U.S. Treasury yields for securities in effect at the time of grant with terms approximating the expected term until exercise of the option. In addition, under SFAS 123R, the fair value of stock options granted is recognized as expense over the service period, net of estimated forfeitures. The Company is utilizing a 5% forfeiture rate, which it believes is a reasonable assumption to estimate forfeitures. However, the estimation of forfeitures requires significant judgment, and to the extent actual results or updated estimates differ from our current estimates, such resulting adjustment will be recorded in the period estimates are revised. The weighted average grant date fair value of options granted during the fiscal year ended July 31, 2006 was \$0.86. The total intrinsic value of options exercised during the fiscal year ended July 31, 2006 was approximately \$261,000.

At July 31, 2006, there were 4,863,000 non-plan options reserved for issuance.

The following table summarizes information related to warrants outstanding at July 31, 2006:

Price Range	Number of Warrants Outstanding and Exercisable 000's	Remaining Contractual Life (Years)
\$0.01 - 0.99	10,267	1.8
\$1.00 - 1.99	11,391	3.4
\$2.00	900	1.6
Totals	22,558	

NOTE 12 THREATENED LITIGATION

Lawrence J. Kessel, a former director who was not nominated by the Corporate Governance and Nominating Committee of the Board of Directors to stand for re-election to the Board of Directors in January 2006, had alleged that in order to induce him not to stand for re-election to the Board of Directors, the Company promised to pay him compensation as a director and compensate him for options he lost by virtue of the end of his tenure on the Board of Directors. The Company denied these allegations. In June 2006, the Company and Dr. Kessel agreed that Dr. Kessel would not pursue the matter.

NOTE 13 VALUATION AND QUALIFYING ACCOUNTS

Accounts	Balance Beginning of Year	Additions Charged to Cost and Expense	Charged to Other Accounts	Deductions	Balance End of Year
Year ended July 31, 2006					
Allowance for doubtful accounts	\$ 54,000	\$	\$	\$	\$54,000
Deferred tax valuation allowance	11,852,000	4,018,000			15,870,000
Allowance for inventory obsolescence		55,000			55,000
Year ended July 31, 2005					
Allowance for doubtful accounts		54,000			54,000
Deferred tax valuation allowance	8,001,000	3,851,000			11,852,000
Year ended July 31, 2004					
Deferred tax valuation allowance	5,300,000	2,701,000			8,001,000

NOTE 14 QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Unaudited quarterly financial data for the years ended July 31, 2006 and 2005 follows:

Three Months Ended

	October 31, 2005	January 31, 2006	April 30, 2006	July 31, 2006	Fiscal Year Ended July 31, 2006
Total Revenues	\$ 150,000	\$541,000	\$ 1,159,000	\$ 40,000	\$1,890,000
Total Expenses	2,768,000	3,658,000	3,307,000	2,721,000	12,454,000
Loss from Operations	(2,618,000)	(3,117,000)	(2,148,000)	(2,681,000)	(10,564,000)
Interest Income	43,000	30,000	19,000	132,000	224,000
Income Tax Benefit		256,000			256,000
Net Loss	\$ (2,575,000)	\$(2,831,000)	\$ (2,129,000)	\$ (2,549,000)	\$(10,084,000)
Basic and Diluted Loss Per Common Share	\$ (0.06)	\$(0.07)	\$ (0.05)	\$ (0.05)	\$(0.23)
Weighted Average Number of Shares of Common Stock Used in Computation of Basic and Diluted Loss Per Share	40,606,000	40,648,000	41,715,000	48,991,000	43,000,000

Three Months Ended

	October 31, 2004	January 31, 2005	April 30, 2005	July 31, 2005	Fiscal Year Ended July 31, 2005
Total Revenues	\$ 118,000	\$ 124,000	\$ 102,000	\$ 95,000	\$ 439,000
Total Expenses	2,396,000	2,928,000	2,758,000	2,135,000	10,217,000
Loss from Operations	(2,278,000)	(2,804,000)	(2,656,000)	(2,040,000)	(9,778,000)
Interest Income	22,000	13,000	14,000	38,000	87,000
Income Tax Benefit		241,000			241,000
Net Loss	\$ (2,256,000)	\$ (2,550,000)	\$ (2,642,000)	\$ (2,002,000)	\$ (9,450,000)
Basic and Diluted Loss Per Common Share	\$ (0.07)	\$ (0.08)	\$ (0.08)	\$ (0.05)	\$ (0.27)
Weighted Average Number of Shares of Common Stock Used in Computation of Basic and Diluted Loss Per Share	33,100,000	33,596,000	33,834,000	38,671,000	34,808,000

The sum of the quarters may not equal the full year basic and diluted loss per share since each period is calculated separately.

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INDEX TO EXHIBITS

The following exhibits are included with this Annual Report. All management contracts or compensatory plans or arrangements are marked with an asterisk.

EXHIBIT NO.	DESCRIPTION	METHOD OF FILING
3.1	Restated Certificate of Incorporation of the Company	Incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-QSB, as filed with the SEC on June 14, 2004
3.2	Amended and Restated By-laws of the Company	Incorporated by reference to Exhibit 3.1 of the Company's Form 8-K, as filed with the SEC on September 9, 2005
4.1	Form of Class C Warrant for the Purchase of Shares of Common Stock	Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, as filed with the SEC on January 12, 2004
4.2	Form of Warrant issued to certain accredited investors and placement agents	Incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, as filed with the SEC on April 17, 2006
10.1*	1992 Stock Option Plan	Incorporated by reference to the Company's Registration Statement on Form SB-2, as filed with the SEC on August 8, 1997 (File No. 333-33201)
10.2*	Form of Incentive Stock Option Agreement under the 1992 Stock Option Plan	Incorporated by reference to the Company's Registration Statement on Form SB-2, as filed with the SEC on August 8, 1997 (File No. 333-33201)
10.3*	1997 Stock Option Plan	Incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form SB-2, as filed with the SEC on August 8, 1997 (File No. 333-33201)
10.4*	Form of Non-Qualified Option Agreement under the 1997 Stock Option Plan	Incorporated by reference to the Company's Registration Statement on Form SB-2, as filed with the SEC on August 8, 1997 (File No. 333-33201)
10.5*	1998 Stock Option Plan	Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, as filed with the SEC on June 18, 2004 (File No. 333-116665)
10.6*	Form of Stock Option Agreement under the 1998 Stock Option Plan	Incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8, as filed with the SEC on June 18, 2004 (File No. 333-116665)
10.7*	Form of Non-Qualified Stock Option Agreement	Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8, as filed with the SEC on June 18, 2004 (File No. 333-116665)
10.8	Common Stock and Warrant Purchase Agreement, dated December 12, 2001, by and among the Company and certain purchasers	Incorporated by reference to Exhibit A to the Schedule 13D as filed by Lindsay A. Rosenwald with the SEC on December 21, 2001

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10.9	Amendment No. 1, dated January 6, 2002, to the Common Stock and Warrant Purchase Agreement dated December 12, 2001 between the Company and certain purchasers	Incorporated by reference to Exhibit 10.25 to the Company's Registration Statement of Form SB-2, as filed with the SEC on April 15, 2002 (File No. 333-86262)
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10.10	Lease Agreement, dated March 19, 2003, by and between the Company and Macedo Business Park, II, L.L.C.	Incorporated by reference to Exhibit 10.28 to the Company's Quarterly Report on Form 10-QSB for the period ended April 30, 2003, as filed with the SEC on June 19, 2003
10.11	Amendment Number 1 to Lease Agreement dated March 19, 2003 between Macedo Business Park, II, L.L.C. and the Company, dated as of March 19, 2003	Incorporated by reference to Exhibit 10.29 to the Company's Quarterly Report on Form 10-QSB for the period ended April 30, 2003, as filed with the SEC on June 19, 2003
10.12	License and Development Agreement, effective as of April 4, 2003, by and between the Company and Manhattan Pharmaceuticals, Inc.	Incorporated by reference to Exhibit 10.31 to the Amendment No. 1 to the Company's Annual Report on Form 10-KSB, as filed with the SEC on March 11, 2004
10.13	Development, Manufacturing and Supply Agreement, dated July 28, 2004, by and between the Company and Par Pharmaceutical, Inc.	Incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-KSB, as filed with the SEC on November 15, 2004
10.14	Second Amendment to License and Development Agreement, dated as of June 22, 2004, by and between the Company and the Veterinary Company, Inc.	Incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-KSB, as filed with the SEC on November 15, 2004
10.15*	Employment Agreement, dated as of May 23, 2003, by and between the Company and Barry Cohen	Incorporated by reference to Exhibit 10.30 to the Company's Quarterly Report on Form 10-QSB for the period ending April 30, 2003, as filed with the SEC on June 19, 2003
10.16*	Disclosure and Release Agreement Related to the Exchange of Non-Plan Options for Stock Options under the NovaDel Pharma Inc. 1998 Stock Option Plan by and between the Company and Thomas E. Bonney	Incorporated by reference to Exhibit 10.3 of the Company's Form 8-K, as filed with the SEC on August 2, 2005
10.17*	Disclosure and Release Agreement Related to the Exchange of Non-Plan Options for Stock Options under the NovaDel Pharma Inc. 1998 Stock Option Plan by and between the Company and William F. Hamilton	Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, as filed with the SEC on August 2, 2005
10.18*	Disclosure and Release Agreement Related to the Exchange of Non-Plan Options for Stock Options under the NovaDel Pharma Inc. 1998 Stock Option Plan by and between the Company and Charles Nemeroff	Incorporated by reference to Exhibit 10.4 of the Company's Form 8-K, as filed with the SEC on August 2, 2005
10.19*	Employment Agreement, dated as of December 20, 2004, by and between the Company and Michael Spicer	Incorporated by reference to Exhibit 10.35 of the Company's Form 8-K, as filed with the SEC on December 23, 2004
10.20*	Amendment to Employment Agreement dated September 2, 2005, by and between the Company and Michael E.B. Spicer	Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, as filed with the SEC on September 9, 2005
10.21*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated July 28, 2005, by and between the Company and Thomas E. Bonney	Incorporated by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-KSB for the period ended July 31, 2005, as filed with the SEC on October 31, 2005
10.22*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated July 28, 2005, by and between the Company and William F. Hamilton	Incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-KSB for the period ended July 31, 2005, as filed with the SEC on October 31, 2005

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10.23*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated July 28, 2005, by and between the Company and Charles Nemeroff	Incorporated by reference to Exhibit 10.29 of the Company's Annual Report on Form 10-KSB for the period ended July 31, 2005, as filed with the SEC on October 31, 2005
10.24	Amendment No. 1 to License and Development Agreement dated as of August 8, 2005, by and between the Company and Hana Biosciences Inc.	Incorporated by reference to Exhibit 99.1 of the Company's Form 8-K, as filed with the SEC on August 12, 2005
10.25*	Employment Agreement, dated as of September 26, 2005, by and between the Company and Jan H. Egberts, M.D.	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, as filed with the SEC on September 28, 2005
10.26*	Nonqualified Stock Option Agreement dated September 26, 2005, by and between the Company and Jan H. Egberts, M.D.	Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, as filed with the SEC on September 28, 2005
10.27	Confidential Separation Agreement and General Release dated November 29, 2005, by and between the Company and Gary Shangold, M.D.	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, as filed with the SEC on December 2, 2005
10.28	Consulting Agreement dated November 29, 2005, by and between the Company and Gary Shangold, M.D.	Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, as filed with the SEC on December 2, 2005
10.29*	NovaDel Pharma Inc. 2006 Equity Incentive Plan	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, as filed with the SEC on January 23, 2006
10.30*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated January 17, 2006, by and between the Company and Thomas Bonney	Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on March 15, 2006
10.31*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated January 17, 2006, by and between the Company and William Hamilton	Incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on March 15, 2006
10.32*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated December 14, 2005, by and between the Company and J. Jay Lobell	Incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on March 15, 2006
10.33*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated January 17, 2006, by and between the Company and Charles Nemeroff	Incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on March 15, 2006
10.34*	1998 Stock Option Plan Nonqualified Stock Option Agreement dated January 17, 2006, by and between the Company and Steven Ratoff	Incorporated by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on March 15, 2006
10.35	Form of Securities Purchase Agreement by and between the Company and certain accredited investors (with attached schedule of parties and terms thereto)	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, as filed with the SEC on April 17, 2006
10.36	Registration Rights Agreement by and between the Company and certain accredited investors (with attached schedule of parties and terms thereto)	Incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, as filed with the SEC on April 17, 2006
10.37	Placement Agent Agreement, dated March 15, 2006, by and between the Company, Griffin Securities, Inc. and Paramount BioCapital, Inc.	Incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, as filed with the SEC on April 20, 2006

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21.1	Subsidiaries of the Registrant	The registrant has no subsidiaries
23.1	Consent of J.H. Cohn LLP	Filed herewith
31.1	Certification of Chief Executive Officer under Rule 13a-14(a)	Filed herewith

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31.2	Certification of Principal Financial Officer under Rules 13a-14(a)	Filed herewith
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer under 18 USC 1350	Filed herewith