

**UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS**

) No.
██████████ Individually and)
on Behalf of All Others Similarly Situated,) <u>CLASS ACTION</u>
)
Plaintiff,) COMPLAINT FOR VIOLATIONS
) OF THE FEDERAL SECURITIES
v.) LAWS
)
GSI GROUP INC., SERGIO EDELSTEIN, AND)
ROBERT BOWEN,)
)
Defendants.)
)
) <u>DEMAND FOR JURY TRIAL</u>

Plaintiff ██████████ by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, his counsel's investigation, which includes without limitation: (a) review and analysis of regulatory filings made by GSI Group Inc. ("GSI Group" or the "Company") with the United States Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and disseminated by GSI Group; and (c) review of other publicly available information concerning GSI Group.

NATURE OF THE ACTION AND OVERVIEW

1. This is a federal class action on behalf of purchasers of GSI Group's securities between April 30, 2008 and December 3, 2008, inclusive (the "Class Period"), seeking to pursue

remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. GSI Group supplies precision technology to medical, electronics, and industrial markets and semiconductor systems.

3. On December 4, 2008 GSI Group shocked investors when it announced that it would restate its financial statements for the first and second fiscal quarters of 2008. GSI Group revealed that revenue of approximately \$8,982,000 recognized in the first fiscal quarter ended March 28, 2008 and revenue of approximately \$7,194,000 recognized in the second fiscal quarter ended June 27, 2008 should have been deferred until the delivery of additional equipment in accordance with EITF 00-21 Revenue Arrangements with Multiple Deliverables. The Company further disclosed that as a result, the Audit Committee of the Board of Directors of GSI Group had determined that the previously issued financial statements contained in GSI Group's Quarterly Reports on Form 10-Q for the periods ended March 28, 2008 and June 27, 2008 should no longer be relied upon.

4. On this news, shares of GSI Group declined \$0.28 per share, or 29.17%, to close on December 4, 2008 at \$0.68 per share, on unusually heavy volume.

5. The Complaint alleges that, throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose: (1) that the Company improperly recognized revenue; (2) that as a result, the Company misstated its financial results during the Class Period; (3) that the Company's financial results were not prepared in accordance with Generally Accepted Accounting Principles (“GAAP”); (4) that the Company lacked adequate internal and financial controls; and (5) as a result of the above, the Company's financial statements were materially false

and misleading at all relevant times.

6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

7. The claims asserted herein arise under §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j and 78t(a)) and Rule 10b-5 (17 C.F.R. §240.10b- 5) promulgated thereunder by the SEC (17 C.F.R. § 240.10b.5).

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331, §27 of the Exchange Act (15 U.S.C. §78aa).

9. Venue is proper in this Judicial District pursuant to §28 U.S.C. §1391(b), §27 of the Exchange Act (15 U.S.C. §78aa(c)).

10. Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the preparation and dissemination of materially false and/or misleading information, occurred in substantial part in this District. Additionally, the Company's principal executive offices are located within this Judicial District.

11. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

12. Plaintiff [REDACTED] as set forth in the accompanying certification, incorporated by reference herein, purchased GSI Group common stock during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.
13. Defendant GSI Group is incorporated in New Brunswick, Canada and maintains its principal executive offices at 125 Middlesex Turnpike, Bedford, Massachusetts 01730.
14. Defendant Sergio Edelstein ("Edelstein") was, at all relevant times, President and Chief Executive Officer ("CEO") of GSI Group.
15. Defendant Robert Bowen ("Bowen") was, at all relevant times, Chief Financial Officer ("CFO") of GSI Group until his resignation from the Company effective October 28, 2008.
16. Defendants Edelstein and Bowen are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of GSI Group's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein,

as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

SUBSTANTIVE ALLEGATIONS

Background

17. GSI Group supplies precision technology to medical, electronics, and industrial markets and semiconductor systems.

Materially False and Misleading Statements Issued During the Class Period

18. The Class Period begins on April 30, 2008. On this day, GSI Group issued a press release entitled, "GSI Group Reports First Quarter Results." Therein, the Company, in relevant part, stated:

GSI Group Inc., (Nasdaq: GSIG), a supplier of precision technology and semiconductor systems, today announced financial results for the first quarter ended March 28, 2008.

First quarter revenue was \$71.7 million, compared to \$86.5 million in the fourth quarter of 2007 and \$74.2 million for the first quarter of 2007. Excluding restructuring charges, operating profit was \$1.5 million in the first quarter versus \$7.7 million in the fourth quarter and \$6.1 million in the first quarter of 2007. GAAP net income for the quarter was \$2.1 million, or \$0.05 per diluted share, compared to the fourth quarter results of \$4.7 million, or \$0.11 per diluted share, and \$3.2 million, or \$0.08 per diluted share in the first quarter of 2007.

First quarter bookings were \$56.1 million, compared to \$87.5 million in the fourth quarter of 2007 and \$76.9 million in the first quarter of 2007. The book-to-bill ratio was 0.78.

The backlog as of March 28, 2008 was \$74.8 million, compared with \$79.3 in the first quarter of 2007. The backlog as of March 28, 2008 includes deferred revenue of \$11.7 million.

Dr. Sergio Edelstein, President and CEO commented, "I am pleased

with the gains we have made in our Precision Technology segment. The semiconductor and printed circuit board markets softened during the first quarter and we are using this cyclical period to position ourselves for the next upturn and to gain greater operational efficiency. We remain focused on executing our strategy of market penetration, new product launches, building our presence in Asia and integrating our company to optimize efficiency.”

Gross margin was 38.1% in the first quarter, versus 38.0% in the fourth quarter 2007. Operating expenses, excluding restructuring charges were \$25.9 million in the first quarter compared to \$25.2 million in the fourth quarter. Stock based compensation was \$0.8 million in the first quarter versus \$0.7 million in the fourth quarter 2007.

Cash and cash equivalents were \$170.7 million, down \$1.1 million from the fourth quarter. First quarter cash usage includes disbursements of \$3.1 million in connection with the Company’s previously announced stock buyback program.

The Company anticipates the following for the second quarter of 2008:

- Revenue to be in the range of \$64.0 million to \$68.0 million
- Diluted earnings per share, including restructuring charges, at approximately breakeven.

19. On May 5, 2008, GSI Group filed its Quarterly Report with the SEC on Form 10-Q.

The Company's 10-Q was signed by Defendants Edelstein and Bowen, and reaffirmed the Company's financial results previously announced on April 30, 2008.

20. The Company’s 10-Q filed on May 5, 2008 also contained Sarbanes-Oxley required certifications, signed by Defendants Edelstein and Bowen, who certified:

1. I have reviewed this quarterly report on Form 10-Q of GSI Group Inc. for the period ended March 28, 2008;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not

- misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15f and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that

has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

21. On July 31, 2008 GSI Group issued a press release entitled, "GSI Group Reports Second Quarter Results." Therein, the Company, in relevant part, stated:

GSI Group Inc., (Nasdaq: GSIG), a supplier of precision technology and semiconductor systems, today announced financial results for the second quarter ended June 27, 2008.

Second quarter revenue was \$66.0 million, compared to \$71.7 million in the first quarter of 2008 and \$73.1 million for the second quarter of 2007. Excluding restructuring charges, operating profit was \$1.6 million in the second quarter versus \$1.5 million in the first quarter and \$5.4 million in the second quarter of 2007. GAAP net income for the quarter was \$1.1 million, or \$0.03 per diluted share, compared to the first quarter results of \$2.1 million, or \$0.05 per diluted share, and \$3.3 million, or \$0.08 per diluted share in the second quarter of 2007.

Second quarter bookings were \$51.2 million, compared to \$56.1 million in the first quarter of 2008. The book-to-bill ratio was 0.78.

The backlog as of June 27, 2008 was \$60.0 million, compared with

\$74.8 million in the first quarter of 2008. The backlog as of June 27, 2008 includes deferred revenue of \$10.6 million.

Dr. Sergio Edelstein, President and CEO commented, "Although GSI's overall slower business levels mirror the current state of the semiconductor industry, our laser, scanner and encoder product lines continue to perform well. I am particularly pleased with the market's increasing acceptance of our new Lightning Scanners, JK and Fiber Lasers, and Mercury II Encoders."

"In addition, we have recently announced the execution of a definitive agreement to acquire Excel Technology," Dr. Edelstein continued. "This transaction will nearly double the revenues from our Precision Technology segment. Going forward, we expect the Precision Technology segment of our business will approach 80% of GSI's total revenue, and will expand our presence in several of our most attractive target markets."

Gross margin was 38.5% in the second quarter, versus 38.1% in the first quarter of 2008. Operating expenses, excluding restructuring charges, were \$23.8 million in the second quarter compared to \$25.9 million in the first quarter. Stock based compensation was \$0.7 million in the second quarter versus \$0.8 million in the first quarter of 2008.

Cash and cash equivalents were \$183.3 million, an increase of \$12.6 million from the first quarter. Second quarter cash usage includes disbursements of \$3.3 million in connection with the Company's previously announced stock buyback program.

GSI launched a tender offer to purchase the outstanding shares of Excel Technology on July 23, 2008 and it is expected to remain open until August 19, 2008. The Company continues to expect that both the US Optics and Excel Technology transactions will close in the third quarter. For more information, please refer to our recent filings with the Securities and Exchange Commission.

22. On July 31, 2008, GSI Group filed its Quarterly Report with the SEC on Form 10-Q. The Company's 10-Q was signed by Defendants Edelstein and Bowen, and reaffirmed the Company's financial results previously announced on July 31, 2008. The Company's 10-Q also contained

Sarbanes-Oxley required certifications, signed by Defendants Edelstein and Bowen, substantially similar to the certifications contained in ¶20, *supra*.

23. The statements contained in ¶¶18-22 were materially false and/or misleading when made because defendants failed to disclose or indicate the following: (1) that the Company improperly recognized revenue; (2) that as a result, the Company misstated its financial results during the Class Period; (3) that the Company's financial results were not prepared in accordance with GAAP; (4) that the Company lacked adequate internal and financial controls; and (5) as a result of the above, the Company's financial statements were materially false and misleading at all relevant times.

Disclosures at the End of the Class Period

24. On December 4, 2008 GSI Group shocked investors when it issued a press release entitled, "GSI Group Inc. to Restate Financial Results for the First and Second Fiscal Quarters of 2008." Therein, the Company, in relevant part, stated:

GSI Group Inc. (Nasdaq: GSIG - News), a supplier of precision technology and semiconductor systems, today announced that it has identified errors in the recognition of revenue related to sales to a customer in the first and second fiscal quarters of 2008 in its Semiconductor Systems Segment. GSI Group has identified revenue of approximately \$8,982,000 recognized in the first fiscal quarter ended March 28, 2008 and revenue of approximately \$7,194,000 recognized in the second fiscal quarter ended June 27, 2008 that should have been deferred until the delivery of additional equipment in accordance with EITF 00-21 Revenue Arrangements with Multiple Deliverables. As a result, the Audit Committee of the Board of Directors of GSI Group has determined that the previously issued financial statements contained in GSI Group's Quarterly Reports on Form 10-Q for the periods ended March 28, 2008 and June 27, 2008 should no longer be relied upon.

GSI Group also announced that its Audit Committee, with the

assistance of independent legal counsel and forensic accountants, is currently conducting a review of sales transactions in its Semiconductor Systems Segment and other sales transactions that contain arrangements with multiple deliverables for fiscal years 2007 and 2008. The Audit Committee's review is ongoing and additional adjustments to GSI Group's historical financial statements may be required as a result of the review.

GSI Group intends to file its restated financial statements for the first and second fiscal quarters of 2008 together with the filing of its Quarterly Report on Form 10-Q for the period ended September 26, 2008 once the Audit Committee's review is completed.

25. On this news, shares of GSI Group declined \$0.28 per share, or 29.17%, to close on December 4, 2008 at \$0.68 per share, on unusually heavy volume.

**GSI GROUP'S VIOLATION OF GAAP RULES
IN ITS FINANCIAL STATEMENTS
FILED WITH THE SEC**

26. These financial statements and the statements about the Company's financial results were false and misleading, as such financial information was not prepared in conformity with GAAP, nor was the financial information a fair presentation of the Company's operations due to the Company's improper accounting for, and disclosure about its revenues, in violation of GAAP rules.

27. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. Regulation S-X (17 C.F.R. § 210.4 01(a) (1)) states that financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. § 210.10-01(a).

28. The fact that GSI Group expects to restate its financial statements, and informed investors that these financial statements should not be relied upon is an admission that they were false and misleading when originally issued (APB No.20, 7-13; SFAS No. 154, 25).

29. Given these accounting irregularities, the Company announced financial results that were in violation of GAAP and the following principles:

(a) The principle that "interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements" was violated (APB No. 28, 10);

(b) The principle that "financial reporting should provide information that is useful to present to potential investors and creditors and other users in making rational investment, credit, and similar decisions" was violated (FASB Statement of Concepts No. 1, 34);

(c) The principle that "financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events, and circumstances that change resources and claims to those resources" was violated (FASB Statement of Concepts No. 1, 40);

(d) The principle that "financial reporting should provide information about an enterprise's financial performance during a period" was violated (FASB Statement of Concepts No. 1, 42);

(e) The principle that "financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it" was violated (FASB Statement of Concepts No. 1, 50);

(f) The principle that "financial reporting should be reliable in that it represents what it purports to represent" was violated (FASB Statement of Concepts No. 2, 58-59);

(g) The principle that "completeness, meaning that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions" was violated (FASB Statement of Concepts No. 2, 79); and

(h) The principle that "conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered" was violated (FASB Statement of Concepts No. 2, 95).

30. The adverse information concealed by Defendants during the Class Period and detailed above was in violation of Item 303 of Regulation S-K under the federal securities law (17 C.F.R. §229.303).

CLASS ACTION ALLEGATIONS

31. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased GSI Group's securities between April 30, 2008 and December 3, 2008, inclusive (the "Class Period") and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

32. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, GSI Group's securities were actively traded on National Association of Securities Dealers Automated Quotations Market ("NASDAQ"). While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through

appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Millions of GSI Group shares were traded publicly during the Class Period on the NASDAQ and as of October 6, 2008, GSI Group had 41,709,379 shares of common stock outstanding. Record owners and other members of the Class may be identified from records maintained by GSI Group or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

33. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

34. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

35. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) Whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) Whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of GSI Group; and

(c) To what extent the members of the Class have sustained damages and the proper measure of damages.

36. A class action is superior to all other available methods for the fair and efficient

adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

37. The market for GSI Group's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, GSI Group's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired GSI Group's securities relying upon the integrity of the market price of the Company's securities and market information relating to GSI Group, and have been damaged thereby.

38. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of GSI Group's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. Said statements and omissions were materially false and/or misleading in that they failed to disclose material adverse information and/or misrepresented the truth about GSI Group's business, operations, and prospects as alleged herein.

39. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about GSI Group's financial well-being and prospects. These material misstatements

and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

LOSS CAUSATION

40. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

41. During the Class Period, Plaintiff and the Class purchased GSI Group's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors's losses.

SCIENTER ALLEGATIONS

42. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding GSI Group, his/her control over, and/or receipt and/or

modification of GSI Group's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning GSI Group, participated in the fraudulent scheme alleged herein.

APPLICABILITY OF PRESUMPTION OF RELIANCE
(FRAUD-ON-THE-MARKET DOCTRINE)

43. The market for GSI Group's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, GSI Group's securities traded at artificially inflated prices during the Class Period. On May 12, 2008 the price of the Company's common stock reached a Class Period high of \$8.25 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of GSI Group's securities and market information relating to GSI Group, and have been damaged thereby.

44. During the Class Period, the artificial inflation of GSI Group's stock was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about GSI Group's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of GSI Group and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company stock. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially

inflated prices, and each of them has been damaged as a result.

45. At all relevant times, the market for GSI Group's securities was an efficient market for the following reasons, among others:

(a) GSI Group stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, GSI Group filed periodic public reports with the SEC and the NASDAQ;

(c) GSI Group regularly communicated with public investors *via* established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) GSI Group was followed by securities analysts employed by major brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

46. As a result of the foregoing, the market for GSI Group's securities promptly digested current information regarding GSI Group from all publicly available sources and reflected such information in GSI Group's stock price. Under these circumstances, all purchasers of GSI Group's securities during the Class Period suffered similar injury through their purchase of GSI Group's securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

47. The statutory safe harbor provided for forward-looking statements under certain

circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of GSI Group who knew that the statement was false when made.

FIRST CLAIM
Violation of Section 10(b) of
The Exchange Act and Rule 10b-5
Promulgated Thereunder Against All Defendants

48. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

49. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase GSI Group's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took

the actions set forth herein.

50. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for GSI Group's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

51. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about GSI Group's financial well-being and prospects, as specified herein.

52. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of GSI Group's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about GSI Group and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

53. Each of the Individual Defendants' primary liability, and controlling person liability,

arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

54. The defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing GSI Group's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

55. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of GSI Group's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trade, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired GSI Group's securities during the Class Period at artificially high prices and were damaged thereby.

56. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that GSI Group was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their GSI Group securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

57. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

58. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period

SECOND CLAIM
Violation of Section 20(a) of
The Exchange Act Against the Individual Defendants

59. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

60. The Individual Defendants acted as controlling persons of GSI Group within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

61. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

62. As set forth above, GSI Group and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their

positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: December 12, 2008