

UNITED STATES DISTRICT COURT
FOR THE DISTRICT COURT OF MASSACHUSETTS

WILTOLD TRZECIAKOWSKI, Individually and
On Behalf of All Others Similarly Situated,

Plaintiff,

v.

GSI GROUP INC., SERGIO EDELSTEIN and
ROBERT BOWEN,

Defendants.

NO. 08-CV-12065-GAO

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION, MOTION FOR ATTORNEYS' FEES
AND REIMBURSEMENT OF EXPENSES, AND SETTLEMENT FAIRNESS HEARING**

IF YOU PURCHASED OR OTHERWISE ACQUIRED COMMON STOCK OF GSI GROUP INC. BETWEEN FEBRUARY 27, 2007 AND JUNE 30, 2009, INCLUSIVE, YOU COULD RECEIVE A PAYMENT FROM A CLASS ACTION SETTLEMENT, AND YOUR RIGHTS WILL BE AFFECTED BY IT.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

Securities and Time Period: GSI Group Inc. ("GSI" or the "Company") common stock purchased or otherwise acquired between February 27, 2007 and June 30, 2009, inclusive (the "Class Period").

Settlement Fund: \$3,250,000.00 in cash. Your recovery will depend on the number of shares of common stock that you purchased and the timing of your purchases, and any sales. Depending on the number of eligible shares of common stock that participate in the Settlement and when that common stock was purchased and sold, the estimated average recovery per share of common stock will be approximately \$0.12 before deduction of court-approved fees and expenses and any other awards or payments.

The Lawsuit: The Settlement resolves class action litigation over whether GSI; its Chief Executive Officer, Sergio Edelstein; and its former Chief Financial Officer, Robert Bowen, made false and misleading statements during the Class Period. The Mason Tenders' District Council Trust Funds was appointed by the Court to represent all Class Members and was designated as the "Lead Plaintiff" for the case and Cohen Milstein Sellers & Toll PLLC ("Cohen Milstein") was appointed by the Court to serve as "Lead Counsel".

Attorneys' Fees and Expenses: Lead Counsel have litigated this Action on a contingent basis. They have conducted this litigation and advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Settlement Fund. This is customary in this type of litigation. Lead Counsel will apply to the Court for attorneys' fees not to exceed 25% of the \$3,250,000 Settlement Fund and reimbursement of out-of-pocket expenses not to exceed \$325,000 (exclusive of ongoing costs from the administration of the Settlement) plus interest on all fees and expenses, all to be paid from the Settlement Fund. If the above amounts are requested and approved by the Court, the average cost per share of common stock for fees and expenses will be \$0.04. In addition, Lead Counsel will request that the Court approve payment of a case contribution payment to the Lead Plaintiff, for reimbursement of its time and expenses in representing the Class and litigating this case, of up to \$10,000.

Deadlines: Submit Claim: March 11, 2011 Request Exclusion: February 2, 2011 File Objection: February 2, 2011 Court Hearing on Fairness of Settlement: February 16, 2011	For More Information: Claims Administrator: GSI Group Securities Litigation c/o Strategic Claims Services P.O. Box 230 600 N. Jackson Street, Suite 3 Media, PA 19063	Lead Counsel: Lisa M. Mezzetti S. Douglas Bunch Cohen Milstein Sellers & Toll PLLC 1100 New York Avenue, N.W. West Tower, Suite 500 Washington, DC 20005 Telephone: 202-408-4600 Facsimile: 202-408-4699 www.cohenmilstein.com
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Your legal rights are affected whether you act or do not act.

Please read this Notice carefully.

Statement of Recovery

Lead Plaintiff's damages consultant estimates that approximately 27,075,500 shares of GSI common stock were traded and allegedly damaged during the Class Period. This expert estimates that the average compensable damage per share is \$0.41 and that the average recovery per share of GSI common stock under the Settlement will be \$0.12 per share before the deduction of attorneys' fees, costs and expenses, as approved by the Court. The actual recovery per share will depend on: (1) the number of claims filed; (2) when Class Members purchased or otherwise acquired their shares during the Class Period; (3) whether Class Members either sold their shares during the Class Period or held their shares past the end of the Class Period; (4) administrative costs, including the costs of providing notice to the Class; and (5) the amount awarded by the Court for attorneys' fees, costs, and expenses and any case contribution payment to the Lead Plaintiff. Distributions to Class Members will be made based on the Plan of Allocation set forth in this Notice. See the Plan of Allocation on pages 6-7.

The Circumstances of the Settlement

The principal reason Lead Plaintiff has agreed to the Settlement is to provide a benefit to the Class Members now. This benefit must be compared to the risk that no recovery might be achieved after contested motions, a contested trial, and likely appeals, possibly years into the future. Although Lead Counsel were prepared to file an amended complaint and contest the expected Motions to be filed by Defendants, and go to trial, and were confident in their ability to present a case, they recognize that such motions and trial are risky propositions and that Lead Plaintiff and the Class might not have prevailed. The claims advanced by the Class involve numerous complex legal and factual issues, requiring extensive expert testimony, which would add considerably to the expenses and duration of the litigation. Lead Counsel recognize that there are substantial obstacles that Lead Plaintiff and the Class would have had to overcome to prevail on their liability claims. For example, Lead Plaintiff faced a likelihood that some or all of its claims could have been resolved against it before trial. Had the case proceeded to a motion to dismiss or gone to trial, Defendants would have asserted that GSI recognized revenue in good faith and that Defendants' statements about GSI's business and in GSI's financial statements were not knowingly false or misleading when made. Defendants would have asserted that none of them acted with intent to deceive or recklessness, which is a required element of Lead Plaintiff's claims.

In addition, the parties disagreed on numerous other issues that could affect the outcome of the litigation. The issues include: (1) the amount by which any GSI common stock was allegedly artificially inflated (if at all) during the relevant time period; (2) the extent to which the various statements made by Defendants, which Lead Plaintiff alleged were materially false or misleading, influenced (if at all) the trading prices of GSI common stock at various times during the relevant time period; (3) the extent to which the various allegedly adverse material facts that Lead Plaintiff alleged were not disclosed to the public influenced (if at all) the trading prices of GSI common stock at various times during the relevant time period; and (4) whether the statements made or facts allegedly omitted were false, misleading, material, or otherwise actionable under the federal securities laws.

Finally, the Company's bankruptcy proceedings, currently pending in the United States Bankruptcy Court for the District of Delaware and captioned *In re MES Int'l, Inc., et al.*, Case No. 0914109 (P JW) (the "Bankruptcy Case"), created uncertainty as to whether the case could proceed against the Company, and if so and even if Lead Plaintiff was able to obtain a judgment against the Company at trial, the extent to which such a judgment could be enforced against the Company. Upon the filing of the Company's bankruptcy petition on November 20, 2009, litigation against the Company, as debtor, was automatically stayed pursuant to the U.S. Bankruptcy Code; Lead Plaintiff would have had to file a motion to lift that stay and there was a substantial risk that it would not have been granted. (After the proposed Settlement was reached, the Company's plan of reorganization was confirmed by the Bankruptcy Court and the reorganized GSI emerged from the proceedings.)

Despite these risks, this Settlement enables the Class to recover a substantial amount now. As a result, Lead Plaintiff and Lead Counsel believe this Settlement is fair and reasonable and provides a reasonable recovery to the Class.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A CLAIM FORM:	The only way to receive a payment.
EXCLUDE YOURSELF:	Receive no payment. This is the only option that allows you to participate in another lawsuit against the Defendants or the Released Parties concerning the legal claims being released in this case.
OBJECT:	You may write to the Court if you do not like this Settlement, the Plan of Allocation, or the request for attorneys' fees and expenses.
GO TO A HEARING:	You may ask to speak in Court about the fairness of the Settlement.
DO NOTHING:	Receive no payment.

These rights and options—**and the deadlines to exercise them**—are explained in this Notice.

The Court in charge of this case must decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and, if there are any appeals, after they are resolved. Please be patient.

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BASIC INFORMATION

1. Why did I receive this Notice package?

You or someone in your family may have purchased shares of GSI common stock between February 27, 2007 and June 30, 2009, inclusive (this is the “Class Period”).

If this description applies to you, you have a right to know about a proposed settlement of this class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement and Plan of Allocation. If the Court approves them, and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, the Plan of Allocation, your legal rights, what benefits are available, who is eligible for them, and how to receive them.

2. What is this lawsuit about?

GSI designs, develops, manufactures and sells lasers, laser systems, precision motion devices, associated precision motion control technology and systems. The complaint filed in this Action (the “Complaint”) alleges that Defendants issued numerous materially false and misleading statements during the Class Period¹ that caused GSI’s securities to trade at artificially inflated prices. Specifically, the Complaint alleges that Defendants’ public statements were false and misleading or failed to disclose or indicate that: (1) the Company improperly recognized revenue during the Class Period; (2) the Company misstated its financial results during the Class Period; (3) the Company’s financial results were not prepared in accordance with Generally Accepted Accounting Principles (“GAAP”); (4) the Company lacked adequate internal and financial controls; and (5) as a result, the Company’s financial statements were materially false and misleading at all relevant times.

On December 4, 2008, GSI announced that it would restate its financial statements for the first and second fiscal quarters of 2008. The fact that a company announces a restatement is generally recognized as an acknowledgment that the mistakes in its financial statements are material in size and importance. Indeed, they were: GSI revealed that revenue of approximately \$8,982,000 recognized in the first fiscal quarter ended March 28, 2008 (12.5% of the quarter’s total revenue) and revenue of approximately \$7,194,000 recognized in the second fiscal

¹In the Complaint, the Class Period was defined as April 30, 2008 through and including December 3, 2008. Lead Plaintiff’s subsequent investigation led it to expand the Class Period to February 27, 2007 through and including June 30, 2009.

quarter ended June 27, 2008 (10.9% of the quarter's total revenue) should have been deferred until the delivery of additional equipment in accordance with the Financial Accounting Standards Board's EITF 00-21, "Revenue Arrangements with Multiple Deliverables." The Company further disclosed that, as a result of the foregoing, the Audit Committee of the Board of Directors of GSI had determined that the previously-issued financial statements contained in GSI's Quarterly Reports on Form 10-Q for the periods ended March 28, 2008 and June 27, 2008 should no longer be relied upon.

After the Complaint was filed, on February 2, 2009, GSI announced that the problems went further: it had "identified revenue recognition errors related to the incorrect timing in the recognition of revenue from multi-element sales transactions to certain customers in its Semiconductor Systems Segment during 2007." Therefore, according to GSI, its "previously issued interim and annual historical financial statements for 2007 should no longer be relied upon." In addition, the Company announced that its Audit Committee had expanded its review to include the Company's fiscal year 2006 financial reports and statements.

Subsequently, on March 30, 2009, the Company announced that it had "identified errors related to timing of the recognition of revenue from sales to certain customers in its Semiconductor Systems Segment during fiscal year 2006," and that, consequently, its "previously issued interim and annual historical financial statements for fiscal year 2006 should no longer be relied upon."

Finally, on June 30, 2009, the Company reported that it was nearing completion of its evaluation of sales transactions in its Semiconductor Systems segment for 2004 through 2008, and gave approximate amounts of restated revenues for those five fiscal years. The Company also announced that it was evaluating sales transactions in its Precision Technology segment for those five fiscal years.

The Complaint alleges that Defendants' misstatements during the Class Period regarding GSI's financial results were false when made and thus violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934.

3. Why is this Action a class action?

In a class action, one or more people called class representatives sue on behalf of people who have similar claims. All of these people who have similar claims are referred to collectively as a "Class" or individually as "Class Members." One court resolves the issues for all Class Members, except for those who exclude themselves from the Settlement. U.S. District Judge George A. O'Toole, Jr. of the United States District Court for the District of Massachusetts is in charge of this class action. The case is known as *Wiltold Trzeciakowski, Individually and on Behalf of All Others Similarly Situated v. GSI Group Inc., Sergio Edelstein and Robert Bowen*, Case No. 08-cv-12065-GAO. Mr. Trzeciakowski filed the first complaint in this action; the Court later appointed Mason Tenders District Council Trust Funds as Lead Plaintiff, to litigate the case for the Class.

4. Why is there a settlement?

The Court did not decide in favor of Lead Plaintiff or Defendants. Instead, both sides agreed to a settlement. That way, they avoid the cost and risks of further litigation and trial. As explained above, the Lead Plaintiff and its attorneys think the Settlement is best for all Class Members.

WHO IS IN THE SETTLEMENT

To see whether you will receive money from this Settlement, you first have to determine whether you are a Class Member.

5. How do I know whether I am part of the Settlement?

The Class includes ***all persons or entities who purchased or otherwise acquired GSI common stock between February 27, 2007 and June 30, 2009, inclusive. Excluded from the Class are the persons and entities described immediately below.***

6. What are the exceptions to being included?

You are not a Class Member if you are a Defendant; an entity deemed to have succeeded GSI in its bankruptcy proceedings; the reorganized GSI (the company that emerged from the bankruptcy proceedings); an officer or director of GSI during or after the Class Period; a corporation, trust or other entity in which any Defendant or the reorganized GSI has a controlling interest; or a member of the immediate families of Sergio Edelstein or Robert Bowen or their successor, heir, assign or legal representative. Also excluded from the Class are any putative Class Members who exclude themselves by filing a request for exclusion in accordance with the requirements set forth in this Notice.

If you sold GSI common stock between February 27, 2007 and June 30, 2009, inclusive, that does not make you a Class Member. You are a Class Member only if you purchased GSI common stock between February 27, 2007 and June 30, 2009, inclusive.

If one of your mutual funds purchased or owns shares of GSI stock, that alone does not make you a Class Member.

7. I am still not sure whether I am included.

If you are still not sure whether you are included, you can ask for free help. For more information, you can contact the Claims Administrator, Strategic Claims Services, by phone at (866) 274-4004, by facsimile at (610) 565-7985, visit the website at www.strategicclaims.net, or you can fill out and return the claim form described in question 11, to see if you qualify.

THE SETTLEMENT BENEFITS – WHAT YOU RECEIVE

8. What does the Settlement provide?

GSI and the insurance carrier for GSI and its directors and officers have agreed to pay \$3,250,000 cash into the Settlement Fund. The balance of this fund, after payment of court-approved attorneys' fees and expenses, any payment to the Lead Plaintiff, taxes, and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing newspaper notice (the "Net Settlement Fund"), will be divided among all Class Members who submit valid claim forms.

Lead Plaintiff filed a Class Claim in the Company's bankruptcy proceedings. This Settlement will resolve that Claim and the actions taken by Lead Plaintiff in the Bankruptcy Case as a representative of the Class, which were limited to matters and claims arising out of, relating to, or in connection with the claims that have been or could have been asserted by Lead Plaintiff or any Class Members in this Action. Nothing in this Settlement affects or limits any election filed in the Bankruptcy Case by an individual Class Member except for claims that have been or could have been asserted in this Action.

A Class Member's receipt of proceeds from the Settlement, as set forth in this Notice, will not waive or affect in any fashion his, her, or its rights to any other distribution under the Company's Bankruptcy Plan, including but not limited to a claim as a holder of a Holdings Equity Interest (as that is defined in the Bankruptcy Case). Thus, if you continued to hold your GSI stock through a certain date, you have certain rights in the Bankruptcy Case to receive a distribution; those rights will not be affected by this Settlement.

It is the position of Defendants that any Class Member that "opts out" of the Class in this Action (under the procedure set forth below), but which has not timely objected to GSI's Bankruptcy Plan in accordance with orders of the Bankruptcy Court, has lost and waived any right that he/she/it may have had to opt out of or otherwise challenge the releases contained in the Bankruptcy Plan or to otherwise object to the Bankruptcy Plan. The Lead Plaintiff and Defendants have agreed that the Settlement is not meant to augment the rights of anyone to opt out of releases contained in the Bankruptcy Plan.

PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG SETTLEMENT CLASS MEMBERS

9. How much will my payment be?

If you are entitled to a payment, your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members submit, how many shares of GSI common stock you purchased, and when you bought and sold your GSI shares. By following the Plan of Allocation described below, you can calculate your "Recognized Loss". The Claims Administrator will distribute the Net Settlement Fund according to the Plan of Allocation after the deadline for submission of Proof of Claim and Release forms has passed.

The Claims Administrator will determine each Class Member's *pro rata* share of the Net Settlement Fund based upon each Class Member's valid "Recognized Loss". The Recognized Loss formula is not intended to be an estimate of the amount that a Class Member might have been able to recover after a trial; it also is not an estimate of the amount that will be paid to Class Members pursuant to the Settlement. The Recognized Loss formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Class Members with valid claims.

10. The basis for the calculation of your Recognized Loss

The Net Settlement Fund will be distributed to Class Members who submit valid, timely claim forms ("Authorized Claimants") under the following Plan of Allocation proposed by Lead Plaintiff. This Plan of Allocation reflects Lead Plaintiff's contention that because of alleged misrepresentations and omissions contained in GSI's financial results and other public statements, the price of GSI's common stock was artificially inflated during the Class Period until June 30, 2009. Defendants deny that they made any material misrepresentations or failed to disclose any material information, or that GSI's stock price was artificially inflated.

PLAN OF ALLOCATION

Lead Counsel has consulted with a damages consultant and developed the Plan of Allocation, to calculate how Class Members will share in the Net Settlement Fund. Defendants have had, and will have, no involvement or responsibility for the terms or application of the Plan of Allocation set forth here.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's Recognized Loss. If, however, as expected, the amount in the Net Settlement Fund is not sufficient to permit payment of the total Recognized Loss of each Authorized Claimant, then each Authorized Claimant will be paid the percentage of the Net Settlement Fund that each Authorized Claimant's Recognized Loss bears to the total of the Recognized Losses of all Authorized Claimants—thus, the Class member's *pro rata* share of the Net Settlement Fund. Receipt of these monies by each Authorized Claimant will be deemed full and complete payment from the Settlement of his/her/its Recognized Loss.

An Authorized Claimant's Recognized Loss will be calculated as follows:

1. For each share of GSI Group common stock purchased between February 27, 2007 and December 3, 2008, inclusive and:
 - a) Sold prior to the close of trading on December 3, 2008, the Recognized Loss is \$0.00.
 - b) Sold at a loss between December 4, 2008 and May 19, 2009, the Recognized Loss shall be the lesser of: (i) \$0.25 per share; or (ii) the difference between the purchase price per share and the sales price per share.
 - c) Sold at a loss between May 20, 2009 and June 30, 2009, the Recognized Loss shall be the lesser of: (i) \$0.60 per share; or (ii) the difference between the purchase price per share and the sales price per share.
 - d) Sold at a loss between July 1, 2009 and September 28, 2009, the Recognized Loss shall be the lesser of: (i) \$0.98 per share; or (ii) the difference between the purchase price per share and the mean trading price per share beginning July 1, 2009 through the date of sale.
 - e) Held as of the close of trading on September 28, 2009, the Recognized Loss shall be the lesser of: (i) \$0.98 per share; or (ii) the difference between the purchase price and \$0.65 per share, if greater than zero.²
2. For each share of GSI Group common stock purchased between December 4, 2008 and May 19, 2009, inclusive and:
 - a) Sold prior to the close of trading on May 19, 2009, the Recognized Loss is \$0.00.
 - b) Sold at a loss between May 20, 2009 and June 30, 2009, the Recognized Loss shall be the lesser of: (i) \$0.35 per share; or (ii) the difference between the purchase price per share and the sales price per share.
 - c) Sold at a loss between July 1, 2009 and September 28, 2009, the Recognized Loss shall be the lesser of: (i) \$0.73 per share; or (ii) the difference between the purchase price per share and the mean trading price per share beginning on July 1, 2009 through the date of sale.
 - d) Held as of the close of trading on September 28, 2009, the Recognized Loss shall be the lesser of: (i) \$0.73 per share; or (ii) the difference between the purchase price and \$0.65 per share, if greater than zero.
3. For each share of GSI Group common stock purchased between May 20, 2009 and June 30, 2009, inclusive and:
 - a) Sold prior to the close of trading on June 30, 2009, the Recognized Loss is \$0.00.
 - b) Sold at a loss between July 1, 2009 and September 28, 2009, the Recognized Loss shall be the lesser of: (i) \$0.38 per share; or (ii) the difference between the purchase price per share and the mean trading price per share beginning on July 1, 2009 through the date of sale.
 - c) Held as of the close of trading on September 28, 2009, the Recognized Loss shall be the lesser of: (i) \$0.38 per share; or (ii) the difference between the purchase price and \$0.65 per share, if greater than zero.

²Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." The mean closing price of GSI Group common stock during the 90-day period beginning on July 1, 2009 and ending on September 28, 2009 was \$0.65.

For Class Members who held shares at the beginning of the Class Period, or who made multiple purchases, acquisitions or sales during the Class Period, the first-in, first-out (“FIFO”) method will be applied to their holdings, purchases, and sales for purposes of calculating a Recognized Loss. Under the FIFO method, shares sold during the Class Period will be matched first against shares held at the beginning of the Class Period. The sale of any remaining shares during the Class Period will then be matched in chronological order against shares purchased during the Class Period.

Acquisition by Gift, Inheritance or Operation of Law

If a Class Member acquired GSI common stock during the Class Period by way of gift, inheritance or operation of law, such a claim will be computed by using the date and price of the original purchase and not the date and price of transfer. In such instances, the recipient must provide documentation of the original purchase in addition to the transfer.

Employee Stock Options

For Class Members who acquired publicly-traded GSI common stock by exercising employee stock options granted to him or her by GSI, the purchase price will be the exercise price or strike price that the Class Member actually paid.

Payments Less Than \$10.00

A payment to any Class Member that would amount to less than \$10.00 in total will not be included in the calculation of the Net Settlement Fund, and no payment will be distributed to these Class Members because of the excessive administrative costs that would be incurred.

A Class Member will be eligible to receive a distribution from the Net Settlement Fund only if a Class Member had a net loss, after all profits from transactions in GSI common stock during the Class Period are subtracted from all losses. There will be no Recognized Loss attributable to short sales.

HOW YOU RECEIVE A PAYMENT – SUBMITTING A CLAIM FORM

11. How will I receive a payment?

To qualify for payment, you must be an eligible Class Member and you must submit a Proof of Claim and Release form. This form is enclosed with this Notice. Read the instructions carefully, fill out the form, include all the documents the form requests, sign it, and mail it in an envelope postmarked no later than March 11, 2011. Retain a copy of everything you mail, in case the materials are lost or destroyed during shipping.

12. When will I receive my payment?

The Court will hold a hearing on February 16, 2011, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether appeals, if any are filed, can be resolved, and resolving them can take time, perhaps several years. In addition, the Claims Administrator must process all of the Proof of Claim and Release forms. The processing is complicated and will take many months. Please be patient.

13. What am I giving up by staying in the Class?

Unless you exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants or the Released Parties (defined below) about the claims being released in this Settlement. It also means that all of the Court’s orders in this case will apply to you and legally bind you and you will release your claims in this case against the Defendants.

Pursuant to the proposed Settlement, and on the Effective Date, Lead Plaintiff and other members of the Class who do not exclude themselves will release and forever discharge, and will forever be enjoined from prosecuting, the Released Claims (defined below) against the Released Parties (also defined below).

The “Defendants” include GSI Group, Sergio Edelstein and Robert Bowen, each of whom will be released from all Released Claims. The proposed Settlement will release all Class Members’ Released Claims against each Defendant, their past or present subsidiaries, parents, successors and predecessors, officers, directors, shareholders, partners, agents, employees, attorneys, advisors, insurers, investment advisors, and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of such persons, and the legal representatives, heirs, successors-in-interest or assigns of such persons, and all “Released Parties” as that term is defined in GSI’s Bankruptcy Plan (collectively, the “Released Parties”).

“Released Claims” means any and all claims, debts, demands, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or un-accrued, liquidated or un-liquidated, at law or in equity, matured or un-matured, whether class and/or individual in nature, including both known claims and “Unknown Claims” (as defined below), (1) that have been asserted in this Action by Lead Plaintiff against any of the Released Persons, or (2) that could have been asserted in this Action, or in any other action or forum by Lead Plaintiff and/or Class Members or any of them against any of the Released Persons which arise out of or are based upon or relate in any way to the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Complaint in this Action and which related to the purchase or acquisition of GSI common stock during the Class Period.

“Unknown Claims” means any and all Released Claims which Lead Plaintiff or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement, including any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

If the proposed Settlement is approved by the Court and becomes final, all Released Claims will be dismissed on the merits and with prejudice as to all Class Members who do not exclude themselves from the Class.

If the Settlement becomes final, all Defendants will release all claims they hold against the Lead Plaintiff, Class Members and their counsel.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this Settlement, and you want to keep the right to sue or continue to sue the Defendants on your own about the same claims being released in this Settlement, then you must take steps to exclude yourself from the Settlement. This is referred to as “opting out” of the Class.

14. How do I exclude myself from the Settlement?

To exclude yourself from the Settlement, you must send a letter by mail stating that you want to be excluded from *Wiltold Trzeciakowski, Individually and on Behalf of All Others Similarly Situated v. GSI Group Inc., Sergio Edelstein and Robert Bowen*, Case No. 08-cv-12065-GAO. You must include your name, address, telephone number, your signature, and the number of shares of GSI common stock you purchased between February 27, 2007 and June 30, 2009, inclusive; the number of shares sold during this time period, if any; the dates of such purchases, acquisitions, and sales; and the price paid or received per share for each purchase, acquisition, or sale. Your Request for Exclusion must be sent to:

GSI Group Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063

Please keep a copy of everything you send by mail, in case it is lost or destroyed during shipping.

Your Request for Exclusion must be **received** no later than February 2, 2011. You cannot exclude yourself by phone or by e-mail. If you ask to be excluded, you are not eligible to receive any Settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit and you will be able to pursue the claims that are being released in this Settlement.

15. If I do not exclude myself, can I sue the Defendants for the same thing later?

No. Unless you exclude yourself, you give up any right to sue the Defendants or the Released Parties for the claims being released by this Settlement. If you have a pending lawsuit relating to the claims being released in this case against any of the Defendants, speak to your lawyer in that case immediately and give him/her this packet. Remember, the exclusion deadline is February 2, 2011.

16. If I exclude myself, can I receive a payment from this Settlement?

No. If you exclude yourself, you cannot send in a Proof of Claim and Release form. But, you may sue, continue to sue, or be part of a different lawsuit asserting the claims being released in this Settlement against the Defendants or the Released Parties.

THE LAWYERS REPRESENTING YOU

17. Do I have a lawyer in this case?

The Court appointed Cohen Milstein to represent you and the other Class Members as Lead Counsel. You will not be individually charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

18. How will the lawyers be paid?

Lead Counsel will apply to the Court for attorneys' fees not to exceed 25% of the \$3,250,000 Settlement Fund and for reimbursement of their out-of-pocket expenses up to \$325,000, which they paid or are payable in this litigation, plus interest on these two amounts at the same rate as earned by the Settlement Fund. *The amounts approved by the Court will be paid from the Settlement Fund.* Class Members are not personally liable for any fees or expenses of Lead Counsel or other counsel for Lead Plaintiff.

The attorneys' fees and expenses requested will be the only payment to Lead Counsel and other counsel for Lead Plaintiff for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. To date, these counsel have not been paid for conducting this litigation on behalf of the Lead Plaintiff and the Class nor for their substantial out-of-pocket expenses. The fee requested will compensate Lead Plaintiff's counsel for their work in litigating the case and reaching the Settlement. The request is well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court may, however, award less than this amount.

If the above amounts for fees and expenses are requested and approved by the Court, the average cost per share of common stock will be \$0.04.

In addition, Lead Counsel will request that the Court approve payment of a case contribution payment to the Lead Plaintiff, for reimbursement of its time and expenses in representing the Class and litigating this case, of up to \$10,000.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it.

19. How do I tell the Court that I do not like the Settlement?

If you are a Class Member, you can object to the Settlement if you do not like any part of it. To object, you must send a letter saying that you object to the Settlement in *Wiltold Trzeciakowski, Individually and on Behalf of All Others Similarly Situated v. GSI Group Inc., Sergio Edelstein and Robert Bowen*, Case No. 08-cv-12065-GAO. Be sure to include your name, address, telephone number, your signature, the number of shares of GSI common stock you purchased and sold between February 27, 2007 and June 30, 2009, inclusive, and the reasons you object to the Settlement. Any objection to the Settlement must be mailed or delivered such that it is **received** by each of the following no later than February 2, 2011:

Court: Clerk of the Court UNITED STATES DISTRICT COURT DISTRICT OF MASSACHUSETTS 1 Courthouse Way Boston, MA 02210	Lead Counsel: Lisa M. Mezzetti S. Douglas Bunch COHEN MILSTEIN SELLERS & TOLL PLLC 1100 New York Avenue, N.W. West Tower, Suite 500 Washington, D.C. 20005	Defendants' Counsel: Nina F. Locker Caz Hashemi WILSON SONSINI GOODRICH & ROSATI, P.C. 650 Page Mill Road Palo Alto, CA 94304
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20. What is the difference between objecting to the Settlement and excluding myself from the Class?

Objecting is simply telling the Court that you do not like something about the Settlement, the Plan of Allocation, or the application for attorneys' fees and expenses. You can object **only if** you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S FAIRNESS HEARING

21. When and where will the Court decide whether to approve the Settlement?

The Court will hold a hearing on February 16, 2011, at the United States District Courthouse, Courtroom 9, 1 Courthouse Way, Boston, Massachusetts 02210. At this hearing the Court will consider whether the Settlement and the Plan of Allocation are fair, reasonable, and adequate and should be approved. If there are objections, the Court will consider them. The Court will listen to people who have requested in writing by February 2, 2011 to speak at the hearing. The Court may also consider Lead Counsel's application for attorneys' fees and reimbursement of expenses and the request for a case contribution payment to the Lead Plaintiff.

22. Do I have to come to the hearing?

No. Lead Counsel will answer any questions Judge O'Toole may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as your written objection is received on time, the Court will consider it. You may also pay your own lawyer to attend, but this is not necessary.

23. May I speak at the hearing?

You may ask the Court for permission to speak at the hearing. To do so, you must send a letter stating your intention to appear in *Wiltold Trzeciakowski, Individually and on Behalf of All Others Similarly Situated v. GSI Group Inc., Sergio Edelstein and Robert Bowen*, Case No. 08-cv-12065-GAO. Be sure to include your name, address, telephone number, your signature, and the number of shares of GSI common stock you purchased and sold between February 27, 2007 and June 30, 2009, inclusive. Your notice of intention to appear must be **received** no later than February 2, 2011, and be sent to the Clerk of the Court, Lead Counsel, and Defendants' Counsel, at the addresses listed in Question 19. You cannot speak at the hearing if you exclude yourself from the Settlement.

IF YOU DO NOTHING

24. What happens if I do nothing at all?

If you do nothing, you will receive no money from this Settlement. But, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants or the Released Parties about the same claims being released in this Settlement.

OBTAINING MORE INFORMATION

25. Are there more details about the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation of Settlement dated July 29, 2010. You can view and print the Stipulation of Settlement at www.strategicclaims.net, or obtain a copy of the Stipulation or more information about the Settlement by contacting the Claims Administrator by phone at (866) 274-4004 or by facsimile at (610) 565-7985. You also can obtain a copy of the Stipulation from the Clerk's Office at the United States District Court for the District of Massachusetts, 1 Courthouse Way, Boston, Massachusetts 02210, during regular business hours.

PLEASE DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE

SPECIAL NOTICE TO NOMINEES

If you purchased or otherwise acquired GSI common stock during the period between February 27, 2007 and June 30, 2009, inclusive, for the beneficial interest of a person or organization other than yourself, the Court has directed that within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such persons or entities, or (2) provide a list of the names and addresses of such persons or entities to the Claims Administrator:

GSI Group Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

In either case, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: OCTOBER 12, 2010

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS