WINNEBAGO INDUSTRIES INC
Form 144
January 16, 2007

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                 UNITED STATES             | OMB APPROVAL                |
      SECURITIES AND EXCHANGE COMMISSION   | OMB Number:      3235-0101 |
            Washington, D.C. 20549         | Expires: December 31, 2006 |
                                           | Estimated average burden   |
                               FORM 144    | hours per response....4.47 |
                                            -----------------------------
                 NOTICE OF PROPOSED SALE OF SECURITIES
         PURSUANT TO RULE 144 UNDER THE SECURITIES ACT OF 1933

ATTENTION: Transmit for filing 3 copies of this form concurrently with either
placing an order with a broker to execute sale or executing a sale directly with
a market maker.
--------------------------------------------------------------------------------
1(a) NAME OF ISSUER (Please type or print)

     Winnebago Industries, Inc.
--------------------------------------------------------------------------------
1(b) IRS IDENT. NO.                 |                 (c) SEC FILE NO.
                                    |
     42-0802678                     |                     I-6403
--------------------------------------------------------------------------------
1(d) ADDRESS OF ISSUER

     605 W. Crystal Lake Road,   P.O. Box 152,
--------------------------------------------------------------------------------
1(d) CITY STATE ZIP CODE

     Forest City, Iowa  50436
--------------------------------------------------------------------------------
1(e) TELEPHONE
--------------------------------------------------------------------------------
     AREA CODE           |NUMBER
       641               |585-3535
--------------------------------------------------------------------------------
2(a) NAME OF PERSON FOR WHOSE ACCOUNT THE SECURITIES ARE TO BE SOLD

     Robert L. Gossett
--------------------------------------------------------------------------------
2(b) IRS IDENT. NO.                          (c) RELATIONSHIP TO ISSUER

                                            Officer - VP Administration
--------------------------------------------------------------------------------
2(d) ADDRESS STREET

     2713 Campus Lane
--------------------------------------------------------------------------------
2(d) CITY STATE ZIP CODE

     Albert Lea, MN 56007
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INSTRUCTION: The person filing this notice should contact the issuer to obtain
the I.R.S. Identification Number and the SEC File Number.


                       (b)
               Name and Address of       -------
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3(a) Title of the Class of Securities to be Sold	Each Broker Through Whom the Securities are to be Offered or Each Market Maker who is Acquiring the Securities	SEC USE ONLY ------- Broker-Dealer File Number	(c) Number of Shares or Other Units to be Sold (See instr. 3(c))	(d) Aggregate Market Value (See instr. 3(d))	(e) Number of Shares or Other Units Outstanding (See instr. 3(e))	(
Common Stock, $.50 par value	First Clearing Corporation 10730 Wheat First Drive Glen Allen, VA 23060		3,000	$98,580	31,396,508	

INSTRUCTIONS:

1.(a) Name of issuer
  (b) Issuer's I.R.S. Identification Number
  (c) Issuer'S S.E.C. file number, if any
  (d) Issuer's address, including zip code
  (e) Issuer's telephone number, including area code

2.(a) Name of person for whose account the securities are to be sold
  (b) Such person's I.R.S. identification number, if such person is an entity
  (c) Such person's relationship to the issuer (e.g., officer, director, 10% stockholder, or member of immediate family of any of the foregoing)
  (d) Such person's address, including zip code

3.(a) Title of the class of securities to be sold
  (b) Name and address of each broker through whom the securities are intended to be sold
  (c) Number of shares or other units to be sold (if debt securities, give the aggregate face amount)
  (d) Aggregate market value of the securities to be sold as of a specified date within 10 days prior to the filing of this notice
  (e) Number of shares or other units of the class outstanding, or if debt securities the face amount thereof outstanding, as shown by the most recent report or statement published by the issuer
  (f) Approximate date on which the securities are to be sold
  (g) Name of each securities exchange, if any, on which the securities are intended to be sold

POTENTIAL PERSONS WHO ARE TO RESPOND TO THE COLLECTION OF INFORMATION CONTAINED IN THIS FORM ARE NOT REQUIRED TO RESPOND UNLESS THE FORM DISPLAYS A CURRENTLY VALID OMB CONTROL NUMBER.

TABLE I - SECURITIES TO BE SOLD

FURNISH THE FOLLOWING INFORMATION WITH RESPECT TO THE ACQUISITION OF THE SECURITIES TO BE SOLD AND WITH RESPECT TO THE PAYMENT OF ALL OR ANY PART OF THE PURCHASE PRICE OR OTHER CONSIDERATION THEREFOR:

Title of the Class	Date You Acquired	Nature of Acquisition Transaction	Name of Person from Whom Acquired (If gift, also give date donor acquired)	Amount of Securities Acquired	D P

Common Stock, $.50 par value	11/21/05	Exercise of Stock Option	Winnebago Industries, Inc.	3,000	1

INSTRUCTIONS:

If the securities were purchased and full payment therefore was not made in cash at the time of purchase, explain in the table or in a note thereto the nature of the consideration given. If the consideration consisted of any note or other obligation, or if payment was made in installments describe the arrangement and state when the note or other obligation was discharged in full or the last installment paid.

TABLE II - SECURITIES SOLD DURING THE PAST 3 MONTHS

FURNISH THE FOLLOWING INFORMATION AS TO ALL SECURITIES OF THE ISSUER SOLD DURING THE PAST 3 MONTHS BY THE PERSON FOR WHOSE ACCOUNT THE SECURITIES ARE TO BE SOLD.

Name and Address of Seller	Title of Securities Sold	Date of Sale	Amount of Securities	Gros Proc
NONE				

REMARKS:

INSTRUCTIONS:

See the definition of "person" in paragraph (a) of Rule 144. Information is to be given not only as to the person for whose account the securities are to be sold but also as to all other persons included in that definition. In addition, information shall be given as to sales by all persons whose sales are required by paragraph (e) of Rule 144 to be aggregated with sales for the account of the person filing this notice.

ATTENTION:

THE PERSON FOR WHOSE ACCOUNT THE SECURITIES TO WHICH THIS NOTICE RELATES ARE TO SOLD HEREBY REPRESENTS BY SIGNING THIS NOTICE THAT HE DOES NOT KNOW ANY MATERIAL ADVERSE INFORMATION IN REGARD TO THE CURRENT AND PROSPECTIVE OPERATIONS OF THE ISSUER OF THE SECURITIES TO BE SOLD WHICH HAVE NOT BEEN PUBLICLY DISCLOSED.

1/16/07	/s/ Raymond M. Beebe, Secretary, Winnebago Industries, Inc. under Power of Attorney
(DATE OF NOTICE)	(SIGNATURE)

THE NOTICE SHALL BE SIGNED BY THE PERSON FOR WHOSE ACCOUNT THE SECURITIES ARE

Roman" SIZE="2">The amounts paid to named executive officers in the fiscal year ended December 31, 2010 are detailed in the compensation tables that follow this section. This section should be read in conjunction with the Executive Compensation Program Elements section above.

The significant impact of the economic downturn on the Company followed by the Company s bankruptcy filing in November 2009 made it inappropriate to continue the equity-based component of the annual and long-term incentive awards.

Additionally, as a result of our Chapter 11 restructuring and the fact that a registration statement was not in effect for our 2006 Equity Incentive Plan, we did not have the ability to make any equity-based awards to our named executive officers. The 2006 Equity Incentive Plan was terminated upon our emergence from Chapter 11 as contemplated by our final plan of reorganization. Also, pursuant to the final plan of reorganization, our Board of Directors and the Company s shareholders authorized a new 2010 management incentive plan covering up to 8% of our fully-diluted common shares at the Company s annual shareholders meeting on November 23, 2010.

Certain of the named executive officers who served during the fiscal year-ended December 31, 2010 are not compensated by the Company and therefore, are not subject to the overall philosophies expressed in this Compensation Discussion and Analysis.

Michael Katzenstein and Gabriel Bresler were appointed as Chief Restructuring Officer and Associate Chief Restructuring Officer, respectively, pursuant to the terms of an engagement letter dated May 6, 2010 between the Company and two of its wholly owned subsidiaries and FTI that was entered into in connection with the Company s Chapter 11 proceedings. Messrs. Katzenstein and Bresler are not employees of the Company and therefore are not compensated by the Company. Mr. Katzenstein also served as Company s Principal Executive Officer and Director from July 23, 2010 until December 14, 2010. Further information regarding the arrangement with FTI is provided in the section entitled Certain Relationships on page 53 of this management proxy circular.

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Glenn Davis was appointed Principal Financial Officer and Principal Accounting Officer on April 1, 2010. Mr. Davis serves as Principal Financial Officer and Principal Accounting Officer pursuant to the terms of a referral agreement the Company entered into with Fenway Consulting Group, LLC on January 12, 2009 and is not an employee of the Company. With the exception of a $35,000 bonus payment earned and paid to Mr. Davis in 2010, as described in footnote (1) to the Summary Compensation Table, Mr. Davis is not compensated by the Company. Further information regarding this arrangement is provided in the section entitled Certain Relationships on page 53 of this management proxy circular.

2010 CEO Compensation

Dr. Sergio Edelstein

Dr. Edelstein served as the Company s Chief Executive Officer from July 10, 2006 to May 25, 2010. On February 23, 2009, the Committee approved a temporary one-year reduction of base salary effective April 1, 2009 for Dr. Edelstein. Effective April 1, 2010, Dr. Edelstein s annual base salary was reinstated to $520,000. As a result of the adverse effect the world-wide economic downturn was having on the Company s business and the Company s status as a delinquent filer, no formal cash incentive plan was developed for Dr. Edelstein in 2010 and no equity grants were awarded to him in 2010.

On May 24, 2010, the Company entered into a Separation and Release Agreement with Dr. Edelstein in which the terms and conditions related to his resignation from employment effective May 25, 2010 were specified. In exchange for a set of comprehensive releases from Dr. Edelstein, the Company agreed to provide Dr. Edelstein with: 12 months of base salary in the form of salary continuance, a lump sum payment of $259,123.48 and immediate vesting of all outstanding unvested shares of restricted stock which were issued to him upon our emergence from bankruptcy.

Michael Katzenstein

Mr. Katzenstein served as Company s Principal Executive Officer from July 23, 2010 until December 14, 2010. As previously discussed, Mr. Katzenstein was appointed pursuant to an engagement letter the Company entered into with FTI Consulting Inc. and was not an employee of the Company and therefore was not compensated by the Company.

John Roush

On July 30, 2010, the Board formed an ad hoc Search Committee to plan and oversee a smooth transition to permanent senior leadership. This committee, chaired by Stephen Bershad, also included Dennis Fortino and Michael Katzenstein, who was serving as Principal Executive Officer of the Company following his role as Chief Restructuring Officer. The Search Committee retained Lancor, a global executive search firm, to assist it in identifying and vetting outside candidates for the position. The search was conducted on a nation-wide basis and a number of candidates from across the country were considered. The position required that the individual reside in or relocate to the greater Boston area. The Search Committee, with the assistance of the search firm, identified and interviewed multiple candidates, ultimately narrowing the selection to three outside candidates. Each member of the Search Committee interviewed each of the finalists at least once. After considering all of the information, the Search Committee ultimately recommended John Roush to the full Board as the most qualified candidate for the position. Mr. Roush was living and working in Massachusetts at the time. The Search Committee negotiated the terms of Mr. Roush s agreement. The terms of the employment agreement with Mr. Roush were guided by: comparable company data provided by Towers Watson, a leading global professional services company well known for its executive compensation practice; the Company s existing CEO compensation program; Mr. Roush s salary history; and input from Lancor.

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On November 16, 2010, the Company and Mr. Roush entered into an employment agreement (the CEO Employment Agreement) providing for the employment of Mr. Roush in an advisory capacity prior to December 14, 2010 and as the Company s Chief Executive Officer on and after December 14, 2010. The initial term of Mr. Roush s employment (the Initial CEO Term) expires on December 13, 2013 and will automatically be extended for successive one-year periods unless either the Company or Mr. Roush gives 90-days notice of non-extension to the other party (the Initial CEO Term and any such successive one-year periods, collectively, the CEO Term). Mr. Roush receives an initial base salary of $500,000 per year, subject to review and upward adjustment by the Company s Board of Directors in its sole discretion. In addition, in March 2011, the Company paid Mr. Roush a one-time cash payment of $176,375. On December 20, 2010, the Company granted to Mr. Roush 333,334 restricted stock units (the CEO Sign-On RSUs) pursuant to the terms of the CEO Employment Agreement. The CEO Sign-On RSUs will vest in substantially equal installments over three years from December 13, 2010 and will become fully vested immediately prior to a Change in Control (as defined in the CEO Employment Agreement). During the period beginning on December 13, 2010 and ending immediately prior to the grant of the CEO Sign-On RSUs, Mr. Roush was, under certain circumstances, entitled to receive (but did not ultimately receive) a one-time lump sum cash payment equal to the fair market value of 333,334 shares of the Company s common stock in lieu of the CEO Sign-On RSUs.

Starting in 2011, Mr. Roush will be eligible to receive an annual performance-based cash bonus of 85% of his annual base salary (the CEO Target Bonus) payable upon the attainment of individual and Company performance goals established by the Board of Directors in consultation with Mr. Roush, which the Board of Directors may increase at its discretion should such performance goals be exceeded. With respect to 2011, Mr. Roush will receive a minimum cash bonus equal to 80% of the CEO Target Bonus even if his individual and/or the Company performance goals are not attained.

In March 2011, the Company granted Mr. Roush the 2011 annual equity compensation award required by the terms of the CEO Employment Agreement in the form of 133,334 restricted stock units (the CEO 2011 RSUs), which will vest in substantially equal installments over three years from the date of grant and will become fully vested immediately prior to a Change in Control. Beginning in 2012, Mr. Roush will be granted an annual equity compensation award equal to 200% of his annual base salary in each applicable year of the CEO Term (collectively, the CEO Annual Equity Awards).

Post-2010 Executive Agreements

On February 10, 2011, the Company and Robert Buckley entered into an employment agreement (the CFO Employment Agreement) providing for the employment of Mr. Buckley in an advisory capacity prior to March 31, 2011 and as the Company s Chief Financial Officer on and after March 31, 2011. The initial term of Mr. Buckley s employment (the Initial CFO Term) expires on February 22, 2014 and will automatically be extended for successive one-year periods unless either the Company or Mr. Buckley gives 90-days notice of non-extension to the other party (the Initial CFO Term and any such successive one-year periods, collectively, the CFO Term). Mr. Buckley receives an initial base salary of $325,000 per year, subject to review and upward adjustment by the Company s Board of Directors in its sole discretion. On February 22, 2011, the Company granted Mr. Buckley 110,000 restricted stock units (the CFO Sign-On RSUs) pursuant to the terms of the CFO Employment Agreement. The CFO Sign-On RSUs will vest in substantially equal installments over three years from the Effective Date and will become fully vested immediately prior to a Change in Control (as defined in the CFO Employment Agreement).

Starting in 2011, Mr. Buckley will be eligible to receive an annual performance-based cash bonus of 65% of his annual base salary (the CFO Target Bonus) payable upon the attainment of individual and Company performance goals established by the Board of Directors in consultation with Mr. Buckley, which the Board of Directors may increase at its discretion should such performance goals be exceeded. With respect to 2011, Mr. Buckley will receive a minimum cash bonus equal to 85% of the CFO Target Bonus even if his individual and/or the Company performance goals are not attained.

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In March 2011, the Company granted Mr. Buckley the 2011 annual equity compensation award in the form of 50,000 restricted stock units pursuant to the terms of the CFO Employment Agreement, which will vest in substantially equal installments over three years from the date of grant and will become fully vested immediately prior to a Change in Control. Beginning in 2012, Mr. Buckley will be granted an annual equity compensation award equal to 150% of his annual base salary in each applicable year of the CFO Term (collectively, the CFO Annual Equity Awards). The CFO Annual Equity Awards will become fully vested immediately prior to a Change in Control and will otherwise be subject to the same vesting schedule and other general terms and conditions as annual equity awards made to other senior executives of the Company.

The terms of the employment agreement with Mr. Buckley were guided by: comparable company data provided by Towers Watson, a leading global professional services company well known for its executive compensation practice; the Company s previous CFO compensation program and Mr. Buckley s salary history.

Executive Severance Agreements

Pursuant to the employment agreement entered into with Mr. Roush on November 16, 2010, the Company has certain obligations to Mr. Roush upon termination of employment. Further information regarding the termination obligations is provided in Potential Payments Upon Termination or Change in Control below.

Pursuant to the employment agreement entered into with Mr. Buckley on February 10, 2011, the Company has certain obligations to Mr. Buckley upon termination of employment. Further information regarding the termination obligations is provided in Potential Payments Upon Termination or Change in Control below.

Indemnification Agreements

As of December 31, 2010, Messrs. Roush, Katzenstein, Davis, Bellantuoni, and Dr. Edelstein were parties to indemnification agreements with the Company and, in the case of Mr. Roush, GSI Group Corp., a subsidiary of the Company. Additionally, Messrs. Katzenstein and Bresler are covered by an indemnification provision included in the engagement letter between the Company and FTI. In addition, as of February 10, 2011, Mr. Buckley became a party to indemnification agreements with the Company and GSI Group Corp., a subsidiary of the Company. Such indemnification agreements and provisions generally provide, among other things, that each executive will be indemnified to the fullest extent permitted by applicable law against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such executive in connection with any proceeding by reason of his or her relationship with the Company. In addition, such indemnification agreements and provisions provide for the advancement of expenses incurred by each executive in connection with any proceeding covered by such indemnification agreements, subject to the conditions set forth therein and to the extent such advancement is not prohibited by law.

Tax and Accounting Implications

In 2010, the Company s compensation programs were affected by each of the following:

Accounting for Stock-Based Compensation: The Company accounts for stock-based compensation in accordance with the requirements of Accounting Standard Codification (ASC) 718, Stock Compensation . The Company also takes into consideration ASC 718 and other generally accepted accounting principles in determining changes to policies and practices for its stock-based compensation programs.

Section 162(m) of the Internal Revenue Code: This section generally limits the deductibility of compensation for a public company s chief executive officer and its three other most highly compensated named executive officers (other than the principal financial officer) unless the compensation is less than $1 million during any fiscal year or is performance-based under

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Section 162(m). The Company periodically reviews the potential consequences of Section 162(m), and it generally intends to structure the performance-based portion of executive compensation, where feasible, to comply with exemptions in Section 162(m) so that the compensation remains tax deductible to the Company. The Committee in its judgment may; however, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such compensation is appropriate and in the best interests of the stockholders after taking various factors into consideration, including business conditions and the performance of such executive officer.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Company s Compensation Discussion and Analysis, and based on such review and discussions, has recommended to the board of directors that the Compensation Discussion and Analysis be included in the Company s 2010 Management Proxy Circular.

Mr. Stephen W. Bershad (Chairperson)

Mr. Dennis J. Fortino

Mr. K. Peter Heiland

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EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information regarding the compensation earned during the fiscal years ended December 31, 2010, 2009 and 2008 by each of the Company s named executive officers. For the year-ended December 31, 2010, the Company s named executive officers consisted of: (i) the individuals who served as the Principal Executive Officer or Chief Executive Officer (J. Roush, M. Katzenstein and S. Edelstein, Ph.D.) during the year-ended December 31, 2010, (ii) the individual who served as the Principal Financial Officer (G. Davis) during the year-ended December 31, 2010, (iii) the three most highly compensated executive officers other than the Principal Executive Officer or Chief Executive Officer and the Principal Financial Officer who were serving as of December 31, 2010 (M. Katzenstein, A. Bellantuoni and G. Bresler), and (iv) two additional executive officers who would have met the requirements in (iii), but for the fact that the individuals were not considered named executive officers as of December 31, 2010 (P. Brak and S. Webb) (the individuals described in (i) through (iv) above, collectively, the NEOs or Named Executive Officers).

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($)(1) (d)	Stock Awards ($)(2) (e)	Non-Equity Incentive Plan Compensation ($)(3) (g)	All Other Compensation ($)(4) (i)	Total ($) (j)
Executive Officers							
John A. Roush *Chief Executive Officer*	2010	28,846	176,375	3,290,007		28	3,495,256
Michael E. Katzenstein *Chief Restructuring Officer and Former Principal Executive Officer*	2010						(5)
Glenn E. Davis *Principal Financial Officer Principal Accounting Officer*	2010		35,000				35,000 (6)
Anthony J. Bellantuoni	2010	209,058	40,000			21,542	270,600
Vice President, Corporate	2009	186,022				19,670	205,692
Resources	2008	215,880		101,250 (7)	8,736	24,575	350,441
Gabriel E. Bresler *Associate Chief Restructuring Officer*	2010						(5)
Philippe Brak	2010	239,231				6,756	245,987
Vice President and General	2009	212,692				546,836 (8)	759,528
Manager	2008	250,962	25,000	202,500 (10)	37,500	461,855 (9)	977,817

Stephen Webb	2010	221,608		36,025 (11)	33,407	291,040
Managing Director	2009	177,375		7,830	32,684	217,889
	2008	251,417	101,250 (7)	12,762	37,476	402,905
Former Executive Officers						
Sergio Edelstein, Ph.D	2010	189,600	437,490 (12)		828,045	1,455,135
Former President and Chief	2009	442,400			18,174	460,574
Executive Officer	2008	514,000	607,500 (13)	(14)	21,997	1,143,497

(1) Amounts shown exclude performance-based incentive payments which to the extent applicable are included in Non-Equity Incentive Plan Compensation. Amount shown for Mr. Roush in 2010 represents a one-time

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signing bonus earned by Mr. Roush in 2010 and paid to Mr. Roush prior to March 15, 2011. Amount shown for Mr. Davis in 2010 represents a one-time bonus earned by and paid to Mr. Davis in 2010 pursuant to his contributions to the Company during its Chapter 11 bankruptcy proceedings. Amount shown for Mr. Bellantuoni in 2010 represents a one-time bonus earned by Mr. Bellantuoni in 2010 and paid prior to March 15, 2011, for his significant contributions to the Company during the year-ended December 31, 2010. Amount shown for Mr. Brak in 2008 represents a one-time signing bonus earned by and paid to Mr. Brak in 2008.

(2) Amounts shown do not reflect compensation actually received. Rather, amounts shown represent the aggregate grant date fair value of these awards determined in accordance with ASC 718 (disregarding any reduction in such value due to any estimate of forfeitures related to service-based vesting conditions). Under ASC 718, compensation expense with respect to stock awards is generally recognized over the vesting periods applicable to the awards. For further discussion regarding the assumptions used in the estimation of the fair value of these awards and details regarding the associated calculation of compensation cost related thereto, refer to Note 10 to Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on March 30, 2011. With the exception of a sign-on restricted stock unit award granted to Mr. Roush in 2010 pursuant to his employment agreement, there were no stock or option awards granted to NEOs in the fiscal years ended December 31, 2010 or 2009. The amount shown for Dr. Edelstein in 2010 represents the aggregate compensation cost recognized during the year-ended December 31, 2010 associated with the modification of previously granted, outstanding but unvested, restricted stock awards pursuant to the Separation and Release Agreement entered into as of May 24, 2010.

(3) Amounts shown consist of awards earned during the period based on performance under the applicable annual cash bonus incentive plan. With the exception of amounts earned in 2008, amounts earned under the Company s annual cash bonus incentive plan are typically payable by their terms at a later date in the year following the year in which they are earned, subject to continued employment through the date of payment. Amounts shown for 2008 were originally payable by their terms in March 2009, subject to continued employment through the date of payment, but payment was subsequently deferred until successful completion of the Company s restatement upon filing of the Form 10-K for the year-ended December 31, 2008. Amounts earned in 2008 were paid in 2010. The only cash bonus incentive plan in effect during the years ended December 31, 2010 and 2009 was the Annual Management Bonus Program, which applied to only Messrs. Brak and Webb. Under this program, Messrs. Brak and Webb were eligible to earn and be paid a bonus on a quarterly basis.

(4) Includes the following for 2010:

	Executive Officers				Former Executive Officers
	Mr. Roush ($)	**Mr. Bellantuoni ($)**	**Mr. Brak ($)**	**Mr. Webb ($)**	**Dr. Edelstein ($)**
Car Allowance	$	$ 8,734	$	$ 11,690	$ 4,662
Defined Contribution Plan Match		6,725	6,202	17,729	3,457
Life Insurance Premiums	28	1,057	554	3,988	401
Other[4]		5,026			402
Severance: Salary Continuation					520,000[1]
Severance: Lump Sum					259,123[2]
Vacation Payout					40,000[3]
	$ 28	**$ 21,542**	**$ 6,756**	**$ 33,407**	**$ 828,045**

[1] Amount represents salary continuation of 12 months in accordance with the May 24, 2010 Separation and Release Agreement.

[2] Amount represents a lump sum payment in accordance with the May 24, 2010 Separation and Release Agreement.

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3 Amount represents payment for earned and accrued unused vacation time through May 25, 2010 in accordance with the May 24, 2010 Separation and Release Agreement.

4 Amounts include reimbursement of financial and tax services and reimbursement of automobile related fees, including maintenance and registration fees.

(5) Messrs. Katzenstein and Bresler were appointed Chief Restructuring Officer and Associate Chief Restructuring Officer, respectively, pursuant to the terms of the engagement letter dated May 6, 2010 between the Company and two of its wholly owned subsidiaries and FTI. Consequently, Messrs. Katzenstein and Bresler are not employees of the Company and are not individually compensated by the Company. Mr. Katzenstein also served as the Company s Principal Executive Officer and as a Director of the Company from July 23, 2010 until December 14, 2010. Further information regarding the arrangement with FTI is provided in the section entitled Certain Relationships on page 53 of this management proxy circular.

(6) Mr. Davis was appointed Principal Financial Officer and Principal Accounting Officer on April 1, 2010. Mr. Davis serves as Principal Financial Officer and Principal Accounting Officer pursuant to the terms of a referral agreement the Company entered into with Fenway Consulting Group, LLC on January 12, 2009. Consequently, Mr. Davis is not an employee of the Company and with the exception of a $35,000 bonus payment earned and paid to Mr. Davis in 2010, Mr. Davis is not individually compensated by the Company. Further information regarding this arrangement is provided in the section entitled Certain Relationships on page 53 of this management proxy circular.

(7) Excludes 7,333 performance-based restricted stock awards that were granted on March 14, 2008 and were forfeited during the year-ended December 31, 2008. At the time of the grant, it was not probable that the performance conditions related to these shares would be achieved. Assuming the highest level of performance conditions would be achieved, the aggregate grant date fair value of all stock awards granted to each of Mr. Webb and Mr. Bellantuoni in 2008 would be $279,450, an increase of $178,200 to the respective numbers reported in the table above.

(8) Amount shown includes, among other things, reimbursements for costs incurred while Mr. Brak was on assignment in Rugby, UK, including tax-related gross-up payments and the related relocation costs incurred in connection with Mr. Brak s relocation from Rugby, UK to California, USA, which in the aggregate equaled approximately $540,276.

(9) Amount shown includes, among other things, reimbursements for relocation costs incurred in connection with Mr. Brak s relocation from California, USA to Rugby, UK, which in the aggregate equaled approximately $452,725.

(10) Excludes 14,667 performance-based restricted stock awards that were granted on March 14, 2008 and were forfeited during the year-ended December 31, 2008. At the time of the grant, it was not probable that the performance conditions related to these shares would be achieved. Assuming the highest level of performance conditions would be achieved, the aggregate grant date fair value of all stock awards granted to Mr. Brak in 2008 would be $558,900, an increase of $356,400 to the number reported in the table above.

(11) Amount shown represents cash bonus payable pursuant to the Annual Management Bonus Program.

(12) Pursuant to the terms of the Separation and Release Agreement entered into as of May 24, 2010, the vesting associated with all of Dr. Edelstein s unvested previously issued restricted stock awards was accelerated effective on the date of employment termination (May 25, 2010). The vesting was accelerated for all outstanding awards whether subject only to service-based vesting conditions or also subject to the achievement of performance metrics. The accelerated vesting pertained to 58,332 restricted stock awards,

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including 50,000 performance-based shares granted in 2006 and 8,332 service-based shares granted in 2008. The amount shown represents the aggregate modification date fair value of the accelerated awards based on the stock price on the date of modification.

(13) Excludes 44,000 performance-based restricted stock awards that were granted on March 14, 2008 and were forfeited during the year-ended December 31, 2008. At the time of the grant, it was not probable that the performance conditions related to these shares would be achieved. Assuming the highest level of performance conditions would be achieved, the aggregate grant date fair value of all stock awards granted to Dr. Edelstein in 2008 would be $1,676,700, an increase of $1,069,200 to the number reported in the table above.

(14) The amount previously reported as earned by Dr. Edelstein in 2008 was $176,800; however, this amount was not paid prior to Dr. Edelstein s termination and Dr. Edelstein waived all rights to such bonus upon termination.

Grants of Plan-Based Awards

The following table sets forth information regarding all plan-based awards granted to the Company s Named Executive Officers during the year-ended December 31, 2010.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)				
Name(a)	**Type**	**Grant Date (b)**	**Threshold ($) (c)**	**Target ($) (d)**	**Maximum ($) (e)**	**Threshold (#) (f)**	**Target (#) (g)**	**Maximum (#) (h)**	**All other stock awards: number of shares of stock or units (#) (i)**	**Grant Date Fair Value of Stock Awards (l) ($)**
Executive Officers										
John A. Roush	Bonus Equity - RSU	12/20/2010							333,334	3,290,007 (3)
Michael E. Katzenstein	Bonus Equity									
Glenn E. Davis	Bonus Equity									
Anthony J. Bellantuoni	Bonus Equity									
Gabriel E. Bresler	Bonus Equity									
Philippe Brak	Bonus Equity	(4)	- (5)	- (6)	- (7)					
Stephen Webb	Bonus Equity	(4)	- (5)	32,984 (6)	71,640 (7)					
Former Executive Officers										
Sergio Edelstein, Ph. D.	Bonus Equity	5/25/2010							58,332 (8)	437,490 (9)

(1) Amounts in these columns reflect threshold, target and maximum payout levels under the Annual Management Bonus Program, the only applicable bonus program for the year ended December 31, 2010. Mr. Brak and Mr. Webb are the only NEOs for the year-ended December 31, 2010 that were eligible to participate in the Annual Management Bonus Program due to their respective roles as Vice

President/General Manager and Managing Director, of certain business units. Amounts earned pursuant to the Annual Management Bonus Program are determined based on the financial performance of the respective business units. However, the determination of the bonus pool and amount allocated to the business unit manager were at the discretion of the Chief Executive Officer. Accordingly, individuals were to receive no cash payouts to the extent the financial performance of the

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business unit was deemed inadequate. Pursuant to the terms of the Annual Management Bonus Program, an overall bonus pool for the respective business unit was determined by the Chief Executive Officer based on actual operating profit earned by the business unit. Amounts earned by the business unit managers under the Annual Management Bonus Program were determined by the Chief Executive Officer based on an allocation of the overall bonus pool. Within the terms of the Annual Management Bonus Program, there were certain parameters defining a possible range of a business unit s operating profits that could be allocated to an overall bonus pool and a possible range of the established bonus pool that could be allocated to the respective business unit managers; however, the determination of the overall bonus pool and business unit manager allocation was purely discretionary since neither a threshold financial or performance metric nor a maximum payout was outlined. The actual amount earned is reported under the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.

(2) No performance-based awards under any equity incentive plan were granted to the NEOs during the year ended December 31, 2010.

(3) Grant date fair value of restricted stock unit award issued during the year-ended December 31, 2010 was calculated by multiplying the number of restricted stock units granted by the market price of the Company s common stock on the date of grant.

(4) The 2009 Management Bonus Program was approved in February 2009 and the Company decided to continue the program in 2010.

(5) Failure to generate operating profit or meet a minimum level of performance as determined by the Chief Executive Officer would have resulted in no bonus earned or paid out pursuant to the Annual Management Bonus Program.

(6) The target payouts assume the achievement of the quarterly operating profit objective pursuant to the respective business unit s fiscal year 2010 forecast. Additionally, the target payouts assume that the overall bonus pool for the respective business unit is established at the mid-point of the range as defined in the Annual Management Bonus Program and that the allocation of the bonus pool to the respective executive is also at the mid-point of the range as defined in the Annual Management Bonus Program. The actual amount earned by Mr. Brak and Mr. Webb, respectively, under the Annual Management Bonus Program was $0 and $36,025, respectively. The target payout for Mr. Brak is $0 because the respective business unit was not expected to generate an operating profit.

(7) The maximum potential payouts assume the achievement of the quarterly operating profit objective pursuant to the respective business unit s fiscal year 2010 forecast. Additionally, the maximum potential payouts assume that the overall bonus pool for the respective business unit is established at the maximum of the range as defined in the Annual Management Bonus Program and that the allocation of the bonus pool to the respective executive is also at the maximum of the range as defined in the Annual Management Bonus Program. However, the maximum potential payouts under the Annual Management Bonus Program were unlimited. The actual amount earned by Mr. Brak and Mr. Webb, respectively, under the Annual Management Bonus Program was $0 and $36,025, respectively. The maximum potential payout for Mr. Brak is $0 because the respective business unit was not expected to generate an operating profit.

(8) Pursuant to the terms of the Separation and Release Agreement entered into as of May 24, 2010, the vesting associated with all of Dr. Edelstein s unvested previously issued restricted stock awards was accelerated effective on the date of employment termination (May 25, 2010). The vesting was accelerated for all outstanding awards whether subject only to service-based vesting conditions or also subject to the achievement of performance metrics. The accelerated vesting pertained to 58,332 restricted stock awards, including 50,000 performance-based shares granted in 2006 and 8,332 service-based shares granted in 2008.

(9) The amount shown represents the aggregate modification date fair value of the accelerated awards based on the stock price on the date of modification.

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Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information regarding stock awards that have not yet vested for each of the Company s Named Executive Officers as of December 31, 2010. There were no outstanding option awards held by the Company s Named Executive Officers as of December 31, 2010.

		Stock Awards	
Name (a)	**Grant Date**	**Number of Shares or Units of Stock That Have Not Vested (#) (g)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(1) (h)**
Executive Officers			
John A. Roush	12/20/2010	333,334(2)	3,526,674
Michael E. Katzenstein	-	-	-
Glenn E. Davis	-	-	-
Anthony J. Bellantuoni	3/14/2008	1,389(3)	14,696
Gabriel E. Bresler	-	-	-
Philippe Brak	3/14/2008	2,777(3)	29,381
Stephen Webb	3/14/2008	1,389(3)	14,696
Former Executive Officers			
Sergio Edelstein, Ph.D.	-	-	-

(1) Represents the product of the shares in column (g) multiplied by $10.58, the closing market price of the Company s common stock on the OTC Markets Group, Inc. as of December 31, 2010.

(2) Represents time-based restricted stock units granted on December 20, 2010. Each restricted stock unit represents the right to receive one share of common stock upon vesting. These units are scheduled to vest in three equal annual installments on December 13, 2011, December 13, 2012 and December 13, 2013, provided that the executive remains employed by the Company on the vesting dates.

(3) Represents time-based restricted shares granted on March 14, 2008. These shares vested on March 14, 2011.

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Option Exercises and Stock Vested

The following table sets forth information regarding all restricted stock awards that vested and the value realized upon vesting by each of the Company s Named Executive Officers during the year-ended December 31, 2010. There were no option awards exercised by any of the Company s Named Executive Officers during the year-ended December 31, 2010.

	Stock Awards	
Name	**Number of Shares Acquired on Vesting (#)(1)**	**Value Realized on Vesting ($)(2)**
(a)	**(d)**	**(e)**
Executive Officers		
John A. Roush	-	-
Michael E. Katzenstein	-	-
Glenn E. Davis	-	-
Anthony J. Bellantuoni	4,521	28,611
Gabriel E. Bresler	-	-
Philippe Brak	2,778	14,001
Stephen Webb	3,476	21,401
Former Executive Officers		
Sergio Edelstein, Ph.D.	82,331	552,583

(1) Shares that vested during the year-ended December 31, 2010 and were released upon bankruptcy emergence were subject to an approximate 6% holdback related to an escrow established in connection with the Company s emergence from bankruptcy. The shares listed do not reflect the escrow, however, pursuant to the resolution of the class action litigation, all escrow shares were released to the respective individuals in March 2011.

(2) Value realized on vesting is computed by multiplying the number of shares of stock vested by the closing market price of the Company s common stock on the applicable vesting date or the release date, to the extent the release date occurs subsequent to the vest date.

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Potential Payments Upon Termination or Change of Control

The following table sets forth estimated compensation that, in addition to any payments in connection with earned but unpaid salary, unused vacation time, employee benefits and business expenses through the applicable termination date, the Company would be obligated to provide to each of the Company s Named Executive Officers upon termination of employment or change in control pursuant to the terms of individualized employment agreements or other contractual obligations. Other than these agreements and obligations, there are no other plans or other contractual obligations triggered upon termination of employment or change in control related to the Company s Named Executive Officers. The amounts reflected in the following table assume that the termination of employment or change in control occurred on December 31, 2010.

Dr. Edelstein and the Company entered into a Separation and Release Agreement dated May 24, 2010, which sets forth the separation payments and benefits payable to Dr. Edelstein. Dr. Edelstein s employment with the Company terminated effective May 25, 2010.

Name	Event	Salary ($)	Bonus ($)	Vesting of Outstanding Stock ($)	IRC Section 280G Gross-Up Payment ($)	Total ($)
Executive Officers						
John A. Roush	Termination without cause or by employee for good reason	$750,000 (1) (18 months salary)	(2)	$3,526,674 (3) (4) (5) (6) (Immediate vesting of CEO Sign-On RSUs)		$4,276,674
	Termination without cause or by employee for good reason, within 12 months following a change in control	$1,000,000 (1) (200% annual base salary in a lump sum)	(2)	$3,526,674 (3) (4) (5) (6) (Immediate vesting of CEO Sign-On RSUs)	$594,687(7)	$5,121,361
	Termination due to death or by Company due to disability	N/A	(2)	$3,526,674 (3) (4) (5) (6) (Immediate vesting of CEO Sign-On RSUs)		$3,526,674
Michael E. Katzenstein			No agreement			
Glenn E. Davis			No agreement			
Anthony J. Bellantuoni			No agreement			
Gabriel E. Bresler			No agreement			
Philippe Brak			No agreement			
Stephen Webb	Termination without cause, in lieu of notice	$166,206 (1) (9 months salary)				$166,206

(1) Amounts based on the executive s annual base salary for the year-ended December 31, 2010.

(2) Beginning in 2011, the amount to be paid is equal to the product of: (i) amount of bonus that would have been payable if executive was still employed as of the applicable date in which the date of termination occurs based on actual individual and Company performance goals in such year and (ii) ratio of the number of days elapsed during the fiscal year in which such termination of employment occurs to 365. However, if the termination date occurs in 2011, the guaranteed bonus (if greater), which is equal to 80% of the target bonus of 85% of annual base salary, will be used in place of the calculated bonus.

(3) CEO Sign-on RSUs represent grant of 333,334 RSUs on December 20, 2010.

(4) Represents the outstanding number of shares of 333,334 multiplied by $10.58, the closing market price of the Company s common stock as of December 31, 2010.

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(5) Additionally, pursuant to the restricted stock unit award agreement for the CEO Sign-On RSUs, the CEO Sign-On RSUs will become fully vested and non-forfeitable immediately prior to and subject to consummation of a Change in Control.

(6) The following additional equity awards may be granted in the future and may be subject to accelerated vesting in connection with certain terminations of employment on and after the applicable date of grant: (i) 133,334 RSUs granted in March 2011 and (ii) annual equity compensation awards with a value equal to 200% of Mr. Roush s annual base salary, commencing after 2011.

(7) The estimated amount of the potential tax gross-up payment was calculated assuming (1) a change of control on December 31, 2010, (2) the application of the highest marginal rate of federal income taxation, and (3) the application of the highest marginal rate of state and local income taxes in the locality of Mr. Roush s residence (net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes). This estimated calculation is for purposes of this table only and does not reflect any reduction for any amounts determined to be reasonable compensation or attributable to non-competition covenants; actual results may differ.

Termination Agreements

Employment Agreement with Mr. Roush

On November 16, 2010, the Company and Mr. Roush entered into an employment agreement (as defined above, the CEO Employment Agreement). The initial term of the CEO Employment Agreement is a period of three years from December 13, 2010 through December 13, 2013, unless earlier terminated. The initial term will automatically renew for successive one year periods, unless either party gives notice of non-extension no later than 90 days prior to expiration of the then-applicable term. Pursuant to the terms of the CEO Employment Agreement, there are certain obligations of the Company that become due in the event of termination or change in control.

Upon termination of Mr. Roush s employment for any reason, Mr. Roush or Mr. Roush s estate is entitled to receive: (i) any portion of Mr. Roush s annual base salary through the date of termination not theretofore paid, (ii) any business expenses owed to Mr. Roush, (iii) any accrued, but unused vacation pay owed to Mr. Roush and (iv) any amount arising from Mr. Roush s participation in, or benefits under, any employee benefit plans, programs or arrangements (together referred to as CEO Accrued Amounts).

If Mr. Roush s employment is terminated by the Company without Cause (as defined in the CEO Employment Agreement) or by Mr. Roush for Good Reason (as defined in the CEO Employment Agreement), then in addition to the payment of the CEO Accrued Amounts, the Company will: (i) continue to pay the annual base salary for 18 months in accordance with the Company s regular payroll practices; provided that if such termination occurs within 12 months after a Change in Control (as defined in the CEO Employment Agreement), then, in lieu of the foregoing annual base salary payments, the Company will pay Mr. Roush a lump sum equal to 200% of his annual base salary, (ii) pay Mr. Roush a pro rata portion of any performance-based cash bonus to which he would have been entitled had he remained employed by the Company (or, if termination of Mr. Roush s employment occurs in the fiscal year 2011, a prorated portion of his guaranteed bonus for 2011 if greater), and (iii) cause any unvested CEO Sign-On RSUs to be become vested, the pro rata portion of the CEO 2011 RSUs and any CEO Annual Equity Awards subject to service-based vesting to become vested, and the pro rata portion of any CEO Annual Equity Awards subject to performance-based vesting to continue to be eligible to become vested in accordance with its terms based on actual performance; provided that if such termination occurs (x) while Mr. Roush is unable to engage in substantial gainful activity that may reasonably be expected to result in Disability (as defined in the CEO Employment Agreement), then the Company will cause the CEO Sign-On RSUs, the CEO 2011 RSUs, and all CEO Annual Equity Awards subject to service-based vesting to be fully vested and all CEO Annual Equity Awards subject to performance-based vesting to continue to be eligible to become vested in accordance with their terms based on actual performance, and (y) within 12 months after a Change in Control, then the Company will cause all unvested equity awards held by Mr. Roush to become vested, deeming for purposes of awards subject to performance-based vesting that the Company will attain target performance levels.

If Mr. Roush s employment is terminated due to death or by the Company due to Disability (as defined in the CEO Employment Agreement), then in addition to the payment of the CEO Accrued Amounts, the Company will: (i) pay Mr. Roush a pro rata portion of any performance-based cash bonus to which he would have been entitled had he remained employed by the Company (or if termination of Mr. Roush s employment occurs in the fiscal year 2011, a prorated portion of his guaranteed bonus for 2011 if greater), (ii) cause any unvested CEO Sign-On RSUs, CEO 2011 RSUs and CEO Annual Equity Awards subject to service-based vesting to become fully vested, and (iii) cause all CEO Annual Equity Awards subject to performance-based vesting to continue to be eligible to become vested in accordance with their terms based on actual performance.

Mr. Roush is also entitled to a tax gross-up in the event that any payments due to him pursuant to the CEO Employment Agreement or otherwise would be subject to an excise tax imposed by Sections 280G and 4999 of the Code. The gross-up is intended to be of an amount necessary to place Mr. Roush in the same after-tax position as if no payments to him were subject to an excise tax under Sections 280G and 4999 of the Code.

In accordance with the terms of the CEO Employment Agreement, no payment shall be made and no acceleration in vesting shall occur, pursuant to Mr. Roush s employment being terminated by the Company without Cause, within 12 months after a Change in Control, by Mr. Roush for Good Reason, due to death or by the Company due to Disability, if and following the date certain Restricted Covenants (as defined in the CEO Employment Agreement) are violated during the Restricted Period (defined as the period from the Effective Date, as defined in the CEO Employment Agreement, through the eighteen month anniversary of the Date of Termination, as defined in the CEO Employment Agreement), if the violations are not cured within 30 days of written notice thereof.

Employment Agreement with Mr. Buckley

On February 11, 2011, the Company and Mr. Buckley entered into an employment agreement (as defined above the CFO Employment Agreement). The initial term of Mr. Buckley s employment (the Initial CFO Term) expires on February 22, 2014, unless earlier terminated. The initial term will automatically renew for successive one year periods, unless either party gives notice of non-extension no later than 90 days prior to expiration of the then-applicable term. Pursuant to the terms of the CFO Employment Agreement, there are certain obligations of the Company that become due in the event of termination or change in control.

Upon termination of Mr. Buckley s employment for any reason, Mr. Buckley or Mr. Buckley s estate is entitled to receive: (i) any portion of Mr. Buckley s annual base salary through the date of termination not theretofore paid, (ii) any business expenses owed to Mr. Buckley, (iii) any accrued, but unused vacation pay owed to Mr. Buckley and (iv) any amount arising from Mr. Buckley s participation in, or benefits under, any employee benefit plans, programs or arrangements (together referred to as CFO Accrued Amounts).

If Mr. Buckley s employment is terminated by the Company without Cause (as defined in the CFO Employment Agreement) or by Mr. Buckley for Good Reason (as defined in the CFO Employment Agreement), then in addition to the payment of the CFO Accrued Amounts, the Company will: (i) continue to pay the annual base salary for 18 months in accordance with the Company s regular payroll practices; provided that if such termination occurs within 12 months after a Change in Control (as defined in the CFO Employment Agreement), then, in lieu of the foregoing annual base salary payments, the Company will pay Mr. Buckley a lump sum equal to 200% of his annual base salary, (ii) pay Mr. Buckley a pro rata portion of any performance-based cash bonus to which he would have been entitled had he remained employed by the Company (or, if termination of Mr. Buckley s employment occurs in the fiscal year 2011, a prorated portion of his guaranteed bonus for 2011 if

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greater), and (iii) cause any unvested CFO Sign-On RSUs to be become vested, the pro rata portion of the CFO 2011 RSUs and any CFO Annual Equity Awards subject to service-based vesting to become vested, and the pro rata portion of any CFO Annual Equity Awards subject to performance-based vesting to continue to be eligible to become vested in accordance with its terms based on actual performance; provided that if such termination occurs while Mr. Buckley is unable to engage in substantial gainful activity that may reasonably be expected to result in Disability (as defined in the CFO Employment Agreement), then the Company will cause the CFO Sign-On RSUs, the CFO 2011 RSUs, and all CFO Annual Equity Awards subject to service-based vesting to be fully vested and all CFO Annual Equity Awards subject to performance-based vesting to continue to be eligible to become vested in accordance with their terms based on actual performance.

If Mr. Buckley s employment is terminated due to death or by the Company due to Disability (as defined in the CFO Employment Agreement), then in addition to the payment of the CFO Accrued Amounts, the Company will: (i) pay Mr. Buckley a pro rata portion of any performance-based cash bonus to which he would have been entitled had he remained employed by the Company (or, if termination of Mr. Buckley s employment occurs in the fiscal year 2011, a prorated portion of his guaranteed bonus for 2011 if greater), (ii) cause any unvested CFO Sign-On RSUs, CFO 2011 RSUs and CFO Annual Equity Awards subject to service-based vesting to become fully vested, and (iii) cause all CFO Annual Equity Awards subject to performance-based vesting to continue to be eligible to become vested in accordance with their terms based on actual performance.

Mr. Buckley is also entitled to a tax gross-up in the event that any payments due to him pursuant to the CFO Employment Agreement or otherwise would be subject to an excise tax imposed by Sections 280G and 4999 of the Code. The gross-up is intended to be of an amount necessary to place Mr. Buckley in the same after-tax position as if no payments to him were subject to an excise tax under Sections 280G and 4999 of the Code.

In accordance with the terms of the CFO Employment Agreement, no payment shall be made and no acceleration in vesting shall occur, pursuant to Mr. Buckley s employment being terminated by the Company without Cause, within 12 months after a Change in Control, by Mr. Buckley for Good Reason, due to death or by the Company due to Disability, if and following the date certain Restricted Covenants (as defined in the CFO Employment Agreement) are violated during the Restricted Period (defined as the period from the Effective Date, as defined in the CFO Employment Agreement, through the eighteen month anniversary of the Date of Termination, as defined in the CFO Employment Agreement), if the violations are not cured within 30 days of written notice thereof.

Service Agreement with Mr. Webb

On December 13, 2010, the Company and Mr. Webb entered into a service agreement (Service Agreement). Pursuant to the terms of the Service Agreement, there are certain obligations of the Company that become due in the event of termination.

The term of employment will continue pursuant to the terms of the Service Agreement until terminated by either the Company or Mr. Webb giving the other at least nine months of written notice (Notice Period). However, the employment may be terminated at any time and with immediate effect by the Company, if the Company pays a sum in lieu of notice (Payment in Lieu) equal to the salary as of the date of termination which the employee would have been entitled to receive under the Service Agreement during the Notice Period. The Payment in Lieu will not include any element in relation to: (i) any bonus or commission payments that might otherwise have been due during the period for which the Payment in Lieu is made, (ii) any payment with respect to benefits which the employee would have been entitled to receive during the period for which the Payment in Lieu is made; and (iii) any payment with respect to any holiday entitlement (as defined in the Service Agreement) that would have accrued during the period for which the Payment in Lieu is made. The Payment in Lieu would be payable in equal monthly installments (Installment Payments) until the date on which the notice period would have expired if notice had been given. In the event of a Payment in Lieu, Mr. Webb would be

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obliged to seek alternative income during the Payment in Lieu period and to notify the Company of any income received during this period. In the event alternative income is received, the installment payments would be reduced by the amount of such alternative income received. The Company may also terminate the employment with Mr. Webb with immediate effect, without notice and with no liability to make any further payment to Mr. Webb, other than amounts accrued at the date of termination, if certain conditions pursuant to the terms of the Service Agreement exist.

Also, pursuant to the terms of the Service Agreement, following service of the notice to terminate, the Company or the Company s Board of Directors may by written notice require Mr. Webb not to perform any service, or to perform only specific services until the termination of employment. During this period, Mr. Webb would continue to receive his salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement, remain an employee of the Company and bound by the terms of the Service Agreement, and follow other specified conditions pursuant to the Service Agreement.

Pursuant to the terms of the Service Agreement, there are certain post-termination restrictions that Mr. Webb must comply with in order to protect the confidential information, trade secrets and business connections of the Company. These restrictions generally extend 12 months following termination.

Separation and Release Agreement for Dr. Edelstein

Dr. Edelstein s employment with the Company terminated effective May 25, 2010. The Company entered into a Separation and Release Agreement (Separation Agreement) with Dr. Edelstein as of May 24, 2010, which superseded all prior arrangements and understandings related to rights and benefits in effect upon termination or change in control. Pursuant to the Separation Agreement, Dr. Edelstein executed a release in favor of the Company in exchange for certain separation benefits. More specifically, the Separation Agreement with Dr. Edelstein provided for payment of the following benefits:

All accrued and unpaid base salary earned through May 25, 2010;

Payment for earned and accrued unused vacation time through May 25, 2010;

12 months of salary continuation, $520,000, to be paid in accordance with the Company s normal bi-weekly payroll practices;

A lump sum payment of $259,123.48, and

Reimbursement for all reasonable business expenses incurred by Dr. Edelstein prior to termination provided that expenses are submitted in accordance with the Company s policies no later than 45 days following the termination date.

In addition, in accordance with the terms of the Separation Agreement, the vesting associated with all of Dr. Edelstein s unvested previously issued restricted stock awards was accelerated effective on the date of employment termination. The vesting was accelerated for all outstanding awards whether subject only to service-based vesting conditions or also subject to the achievement of performance metrics.

Change in Control Agreements

At the Annual and Special Meeting of Shareholders held on November 23, 2010, the shareholders of GSI Group, Inc. approved the Company s 2010 Incentive Award Plan (2010 Incentive Plan). The 2010 Incentive Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights, deferred stock, deferred stock units, dividend equivalents, performance awards and stock payments to employees, consultants and directors. The 2010 Incentive Plan does not provide

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for a specific effect upon a Change in Control, as defined. Therefore, in general, upon a Change in Control, as defined, the terms and conditions of the applicable award agreement would control.

Pursuant to the terms of restricted stock unit award agreements for the 333,334 and 133,334 restricted stock units granted to Mr. Roush on December 20, 2010 and March 9, 2011, respectively, the restricted stock units will become fully vested and nonforfeitable immediately prior to a Change in Control, as defined in the CEO Employment Agreement, and subject to the consummation of, and Mr. Roush s continued employment or services until immediately prior to, such Change in Control.

Pursuant to the terms of restricted stock unit award agreements for the 110,000 and 50,000 restricted stock units granted to Mr. Buckley on February 22, 2011 and March 9, 2011, respectively, the restricted stock units will become fully vested and nonforfeitable immediately prior to a Change in Control, as defined in the CFO Employment Agreement, and subject to the consummation of, and Mr. Buckley s continued employment or services until immediately prior to, such Change in Control.

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DIRECTOR COMPENSATION

In general, the Company uses a combination of cash and equity-based compensation to attract and retain candidates to serve on the Company s Board of Directors. The Company does not compensate directors who are also employees for their service on the Board of Directors. Accordingly, during the year-ended December 31, 2010, Messrs. Roush, Katzenstein, and Dr. Edelstein, who served as the Company s Chief Executive Officer or Principal Executive Officer, at different times during the year-ended December 31, 2010, did not receive any compensation for their service on the Board of Directors. The Board of Director compensation is overseen by the Nominating and Corporate Governance Committee rather than the Compensation Committee, which focuses on employee compensation. The Nominating and Corporate Governance Committee periodically reviews its cash and equity-based compensation for non-employee directors and makes recommendations to the Board of Directors for any adjustments.

Prior to the Company s emergence from its Chapter 11 restructuring on July 23, 2010, the director compensation included an annual retainer earned quarterly, an additional annual retainer earned quarterly for serving as a Chairperson of the Board of Directors or for serving as a chairperson of a committee of the Board of Directors, individual meeting fees for each meeting or teleconference attended, and an annual grant of $40,000 of time-based restricted stock that was scheduled to vest annually in equal increments over three years, beginning on the first anniversary of the grant date. The annual director fee for service on the Board of Directors was $13,200. The additional annual fee for service as the Chairperson of the Board of Directors was $32,400. The additional annual fee for service as chairperson of a committee was $4,800 for the chairperson of the Audit Committee, $2,400 for both the chairperson of the Compensation Committee and the chairperson of the Nominating and Corporate Governance Committee, and $1,600 for the chairperson of the Technology Committee. In addition, fees for each in-person individual meeting were $1,200, while fees for each individual teleconference meeting were $600. Upon emergence from bankruptcy, fees payable for compensation related to annual retainers and individual meetings that occurred in 2010 through the date of bankruptcy emergence were paid in cash to the members of the pre-emergence Board of Directors. Also, fees payable to the pre-emergence Board of Directors for compensation owed related to annual retainers and individual meeting fees that occurred prior to 2010, but were unpaid as of the date of emergence, were satisfied through the issuance of common shares and cash, as applicable, upon emergence from Chapter 11 restructuring on July 23, 2010. Additionally, upon emergence from bankruptcy, the 2010 annual grant of $40,000 time-based restricted stock was granted to each director who continued to serve on the reconstituted post-emergence Board of Directors and to each director for whom the retirement provisions of the Company s equity plan applied. Members of the pre-emergence Board of Directors who were neither named to the reconstituted post-emergence Board of Directors nor affected by the retirement provisions of the Company s equity plan forfeited their rights to the 2010 annual grant of $40,000 of time-based restricted stock. Additionally, Ms. Hatsopoulos received an additional cash payment of $45,000 in recognition of her services during the Chapter 11 restructuring.

Upon emergence from its Chapter 11 restructuring on July 23, 2010, the Company s Board of Directors was reconstituted. Following the Company s emergence from its Chapter 11 restructuring, the Nominating and Corporate Governance Committee engaged Towers Watson to evaluate the board s non-employee director compensation practices. In September 2010, following such evaluation, the Board of Directors approved the following compensation for non-employee directors:

Each non-employee member of the Board of Directors will receive an annual retainer in the amount of $125,000.

The Chairperson of the Audit Committee will receive an additional annual retainer in the amount of $15,000.

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The Chairperson of the Compensation Committee and the Nominating and Corporate Governance Committee will each receive an additional annual retainer in the amount of $10,000 (unless any such Chairperson is also serving as non-executive Chairperson of the Board of Directors).

The non-executive Chairperson of the Board of Directors will receive an additional annual retainer in the amount of $125,000. Fifty percent of the foregoing non-employee director compensation will be paid in the form of cash and the remaining fifty percent of such compensation will be payable in the form of deferred stock units that will be convertible into shares of the Company s common stock upon a holder s termination of directorship with the Company.

As of the end of the Company s fiscal year ended December 31, 2010, each director and former director was also a party to an indemnification agreement with the Company. Such indemnification agreements generally provide, among other things, that each director shall be indemnified to the fullest extent permitted by applicable law against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such director in connection with any proceeding by reason of his or her relationship with the Company. In addition, such indemnification agreements provide for the advancement of expenses incurred by such director in connection with any proceeding covered by such indemnification agreements, subject to the conditions set forth therein and to the extent such advancement is not prohibited by law.

Director Compensation Table

The following table sets forth information regarding the compensation earned during the fiscal year ended December 31, 2010 by the Company s non-employee directors.

Name (a)	Fees Earned or Paid in Cash ($)(1) (b)	Stock Awards ($)(2)(3)(4)(5)(6) (c)	Total ($) (h)
Directors			
Stephen W. Bershad	55,632	154,172	209,804
Eugene I. Davis	30,041	83,250	113,291
Dennis J. Fortino	27,816	77,090	104,906
K. Peter Heiland	27,816	77,090	104,906
Ira J. Lamel	31,154	86,334	117,488
Byron O. Pond	56,616	117,800	174,416
Former Directors			
Richard B. Black	43,800	40,710	84,510
Garrett A. Garrettson, Ph.D.	26,600	-	26,600
Phillip A. Griffiths, Ph.D.	24,000	-	24,000
Marina Hatsopoulos	72,600	-	72,600
Benjamin J. Virgilio	26,400	-	26,400

(1) All fees earned by the Company s Board of Directors during the year-ended December 31, 2010 were paid in full prior to December 31, 2010. The amount for Mr. Pond includes $28,800 for services provided on the pre-emergence Board of Directors.

(2) Amounts shown do not reflect compensation actually received. Rather, amounts shown represent the aggregate grant date fair value of these awards determined in accordance with ASC 718 (disregarding any reduction in such value due to any estimate of forfeitures related to service-based vesting conditions). Under ASC 718, compensation expense with respect to stock awards is generally recognized over the vesting

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periods applicable to the awards. The restricted stock awards granted by the Company generally vest over a three year period. The deferred stock units granted by the Company were fully vested on the grant date. For further discussion regarding the assumptions used in the estimation of the fair value of these awards and details regarding the associated calculation of compensation cost related thereto, refer to Note 10 to Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on March 30, 2011.

(3) All awards were granted at the closing price of the Company s common stock on the OTC Markets Group, Inc. on the date of grant. The amount for Messrs. Bershad, Davis, Fortino, Heiland and Lamel, represents the aggregate grant date fair value associated with the respective annual deferred stock unit award granted to each director on September 2, 2010 at $6.66 per share. The amount for Mr. Pond includes the annual pre-emergence restricted stock award of 5,900 shares granted on July 23, 2010 at $6.90 per share and the annual deferred stock unit award of 11,575 deferred stock units granted on September 2, 2010 at $6.66 per share. The July 23, 2010 restricted stock award granted to Mr. Pond was forfeited as of March 11, 2011 and no portion of such award was vested at the time of such forfeiture. The amount for Mr. Black, to whom the retirement provisions of the Company s pre-emergence equity plan applied, represents the annual restricted stock award of 5,900 shares granted on July 23, 2010 at $6.90 per share.

(4) The Company had the following deferred stock units, restricted stock awards and options outstanding to directors as of December 31, 2010:

Name	Deferred Stock Units[1] (#)	Restricted Stock Awards[2] (#)	Options[3] (#)
Stephen W. Bershad	23,149		
Eugene I. Davis	12,500		
Dennis J. Fortino	11,575		
K. Peter Heiland	11,575		
Ira J. Lamel	12,963		
Byron O. Pond	11,575	20,008	3,333
Total	**83,337**	**20,008**	**3,333**

1 Represents deferred stock units granted to the directors on September 2, 2010. Such deferred stock units were fully vested on the date of grant and will convert into an equal number of shares of the Company s common stock as of the date the respective director ceases their membership on the Board of Directors.

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[2] The unvested restricted stock awards previously granted to Dr. Garrettson, Dr. Griffiths, Ms. Hatsopoulos and Mr. Virgilio were forfeited effective on July 23, 2010 upon the Company s emergence from its Chapter 11 restructuring. The vesting associated with restricted stock awards previously granted to Mr. Black was accelerated effective July 23, 2010 upon the Company s emergence from its Chapter 11 restructuring, pursuant to the retirement provisions of the Company s equity plan. Restricted stock awards previously granted to Mr. Pond continue to vest as originally scheduled, subject to continued service on the date of vesting, and represent the only director restricted stock awards outstanding as of December 31, 2010:

Grant Date	Total Number of Shares Granted	Number of Unvested Shares as of 12/31/10	Vesting Schedule	Scheduled Vesting Date(s)
July 28, 2008	3,109	1,036	1/3 annually[1]	July 28, 2011
July 28, 2009	19,608	13,072	1/3 annually[1]	July 28, 2011
				July 28, 2012
July 23, 2010[2]	5,900	5,900	1/3 annually	July 13, 2011
				July 13, 2012
				July 13, 2013
	28,617	20,008		

[1] Awards subject to accelerated vesting upon Mr. Pond s resignation or retirement (other than removal for cause) following the occurrence of both (1) Mr. Pond s attainment of 75 years of age and (2) Mr. Pond s completion of ten years of service as a director. Mr. Pond is expected to be entitled to such accelerated vesting upon resignation or retirement (other than removal for cause) on or after July 6, 2011.

[2] This award was forfeited unvested on March 11, 2011.

[3] In 2006, the Company ceased to grant awards of options to purchase shares of the Company s common stock to non-employee directors. Furthermore, the vesting associated with all outstanding options to purchase shares of the Company s common stock was accelerated on December 31, 2005. Therefore, the previously unrecognized expense associated with all awards of options to purchase shares of the Company s common stock was recognized on that date. Upon the Company s emergence from its Chapter 11 restructuring on July 23, 2010, all outstanding option awards held by the former directors were cancelled. As of December 31, 2010, Mr. Pond is the only director holding outstanding stock option awards. The award held by Mr. Pond as of December 31, 2010 is a fully vested stock option related to an award granted on November 8, 2005.

(5) During the year-ended December 31, 2010, the following previously granted restricted stock awards were forfeited:

	Grant Date		
Name	**July 24, 2007**	**July 28, 2008**	**Total**
Garrett A. Garrettson, Ph.D.	495	2,072	2,567
Phillip A. Griffiths, Ph.D.	495	2,072	2,567
Marina Hatsopoulos	495	2,072	2,567
Benjamin J. Virgilio	495	2,072	2,567
Total	**1,980**	**8,288**	**10,268**

The unvested restricted stock awards previously granted to Dr. Garrettson, Dr. Griffiths, Ms. Hatsopoulos and Mr. Virgilio were forfeited effective on July 23, 2010 upon the Company s emergence from its Chapter 11 restructuring, and represent the only director restricted stock awards forfeited during the year ended December 31, 2010.

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(6) During the year-ended December 31, 2010, the following previously granted options to purchase shares of the Company s common stock were cancelled upon the Company s emergence from its Chapter 11 restructuring on July 23, 2010 or expired unexercised, as applicable:

	Grant Date			
Name	**September 21, 2004**	**July 28, 2005**	**November 8, 2005**	**Total**
Richard B. Black	3,333	-	3,333	6,666
Garrett A. Garrettson, Ph.D.	-	13,333	3,333	16,666
Phillip A. Griffiths, Ph.D.	3,333	-	3,333	6,666
Marina Hatsopoulos	-	13,333	3,333	16,666
Byron O. Pond	3,333	-	-	3,333
Benjamin J. Virgilio	3,333	-	3,333	6,666
Total	**13,332**	**26,666**	**16,665**	**56,663**

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company s common shares as of April 1, 2011, for: (1) each person (or group of affiliated persons) who is known by the Company to own beneficially more than 5% of the Company s outstanding common shares; (2) each of the Company s current directors; (3) each of the Company s Named Executive Officers; and (4) all directors and executive officers of the Company as a group, based on information available to the Company as of the date of this management proxy circular.

Beneficial ownership is determined in accordance with SEC rules and includes voting or investment power with respect to securities. Except as indicated by the footnotes below, the Company believes, based on the information furnished to it, that the persons and entities named in the table below have sole voting and investment power with respect to all common shares that they beneficially own, subject to applicable community property laws. All common shares subject to options exercisable within 60 days of April 1, 2011, all rights to acquire common shares within 60 days of April 1, 2011, and all restricted shares that vest within 60 days of April 1, 2011 are deemed to be outstanding and beneficially owned by the persons holding those options, rights, or restricted shares for the purpose of computing the number of shares beneficially owned and the percentage ownership of that person. They are not, however, deemed to be outstanding and beneficially owned for the purpose of computing the percentage ownership of any other person.

Percentage ownership of outstanding shares is based on 33,352,192 common shares outstanding as of April 1, 2011.

Name and Address of Beneficial Owner(1)	**Amount and Nature of Beneficial Ownership (2)**	**Percentage of Common Shares**
5% Shareholders		
Goldman Sachs Asset Management (3) 200 West Street New York, NY 10282	3,030,000	9.08%
Tennenbaum Capital Partners, LLC (4) 2951 28th Street, Suite 1000 Santa Monica, California 90405	2,034,402	6.10%
JEC II Associates, LLC (5) 68 Mazzeo Drive Randolph, MA 02368	1,694,863	5.08%
Directors and Executive Officers		
Stephen W. Bershad (6)	4,158,446	12.46%
Eugene I. Davis (7)	18,880	*
Dennis J. Fortino (7)	17,483	*
K. Peter Heiland (5) (8)	3,161,621	9.47%
Ira J. Lamel (7)	19,580	*
Byron O. Pond (9)	56,930	*
John A. Roush (10)		*

Michael E. Katzenstein	*

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Glenn E. Davis		*
Anthony J. Bellantuoni (11)	19,967	*
Gabriel E. Bresler		*
Philippe Brak (12)	13,769	*
Stephen Webb (13)	10,533	*
All Directors and executive officers as a group (13 persons) (14)	7,477,209	22.33%

* Represents less than 1% of the outstanding common shares.

(1) Unless otherwise indicated, the address of each shareholder is c/o GSI Group, Inc., 125 Middlesex Turnpike, Bedford, Massachusetts 01730.

(2) The information provided in this table is based on the Company s records, information supplied to the Company by its executive officers, directors and principal shareholders and information contained in Schedules 13D and 13G filed with the SEC.

(3) Pursuant to a Schedule 13D/A filed with the SEC on March 31, 2011, Goldman Sachs Asset Management (GSAM) and Liberty Harbor I GP, LLC (LH I GP) may be deemed to beneficially own indirectly, and Liberty Harbor Master Fund I, L.P. (Liberty Harbor) may be deemed to beneficially own directly, 3,030,000 common shares of the Company. Each of GSAM, LH I GP and Liberty Harbor has shared voting and dispositive power over all 3,030,000 reported common shares.

(4) Pursuant to a Schedule 13D/A filed with the SEC on July 26, 2010, Tennenbaum Capital Partners, LLC (Tennenbaum) serves as investment advisor to, inter alia, Special Value Opportunities Fund, LLC, Special Value Expansion Fund, LLC, Special Value Continuation Partners, LP and Tennenbaum Opportunities Partners V, LP, which are the record holders of the 2,007,170 common shares of the Company beneficially owned by Tennenbaum. Tennenbaum has the sole voting and dispositive power over all 2,007,170 reported common shares. Based on the Company s records, 27,232 shares were released in March 2011, pursuant to the finalization of the class action settlement, and are included in the number of shares beneficially owned by Tennenbaum.

(5) Pursuant to a Schedule 13D/A filed with the SEC on March 8, 2011, JEC II Associates, LLC may be deemed to beneficially own 1,694,863 common shares and Heidi Shippell-Heiland and K. Peter Heiland may be deemed to beneficially own 3,150,046 common shares of the Company. JEC II Associates, LLC, Heidi Shippell-Heiland and K. Peter Heiland each has shared voting and dispositive power over the shares beneficially owned by them. Mr. Heiland is also a director of the Company. Ms. Shippell-Heiland and Mr. Heiland are the managers of JEC II Associates, LLC. Please see footnote 8 for additional discussion of the common shares beneficially owned by Mr. Heiland.

(6) Mr. Bershad is the Chairman of the Board of Directors of the Company. Mr. Bershad owns 2,158,446 common shares directly. Mr. Bershad is deemed a beneficial owner of 2,000,000 common shares as the trustee of various grantor retained annuity trusts that were established for the benefit of his daughters. Mr. Bershad retains sole voting and dispositive power over the shares held in the trusts. Mr. Bershad s direct ownership includes 34,964 deferred stock units that are fully vested and will convert into shares of common stock upon the date Mr. Bershad ceases to be a director of the Company. Mr. Bershad does not have voting rights or the right to receive dividends on these deferred stock units until they are converted to common shares.

(7) Messrs. Davis, Fortino, and Lamel are members of the Board of Directors of the Company. The respective amounts represent deferred stock units that are fully vested and will convert into shares of common stock upon the date each respective director ceases to be a director of the Company. The directors do not have voting rights or the right to receive dividends on the respective deferred stock units until they are converted to common shares.

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(8) Mr. Heiland is a member of the Board of Directors of the Company. Includes 17,483 deferred stock units that are fully vested and will convert into shares of common stock upon the date Mr. Heiland ceases to be a director of the Company. Mr. Heiland does not have voting rights or the right to receive dividends on these deferred stock units until they are converted to common shares. Of the 3,161,621 shares beneficially owned by Mr. Heiland, 1,449,275 are held in the K. Peter Heiland 2008 Irrevocable Trust and the Heidi S. Shippell-Heiland 2008 Irrevocable Trust (the Trusts). Mr. Heiland and his wife, Heidi Shippell-Heiland, are beneficiaries of the Trusts. Mr. Heiland has shared voting and dispositive power with respect to the 3,161,621 shares, with the exception of the 17,483 deferred stock units described above.

(9) Mr. Pond is a member of the Board of Directors of the Company. Includes 17,483 deferred stock units that are fully vested and will convert into shares of common stock upon the date Mr. Pond ceases to be a director of the Company. Mr. Pond does not have voting rights or the right to receive dividends on these deferred stock units until they are converted to common shares. Includes options to purchase 3,333 common shares that are exercisable within 60 days of April 1, 2011. Excludes 14,108 unvested shares of restricted stock, which are subject to a risk of forfeiture in favor of the Company and for which Mr. Pond does not have voting rights or the right to receive dividends until vested.

(10) Excludes 466,668 unvested restricted stock units, which are subject to a risk of forfeiture in favor of the Company. Each restricted stock unit represents the right to receive one common share of the Company upon vesting. Mr. Roush does not have voting rights or the right to receive dividends until vested.

(11) Excludes 7,500 unvested restricted stock units, which are subject to a risk of forfeiture in favor of the Company. Each restricted stock unit represents the right to receive one common share of the Company upon vesting. Mr. Bellantuoni does not have voting rights or the right to receive dividends until vested.

(12) Excludes 5,000 unvested restricted stock units, which are subject to a risk of forfeiture in favor of the Company. Each restricted stock unit represents the right to receive one common share of the Company upon vesting. Mr. Brak does not have voting rights or the right to receive dividends until vested.

(13) Excludes 5,000 unvested restricted stock units, which are subject to a risk of forfeiture in favor of the Company. Each restricted stock unit represents the right to receive one common share of the Company upon vesting. Mr. Webb does not have voting rights or the right to receive dividends until vested.

(14) Excludes 484,168 unvested restricted stock units, which are subject to a risk of forfeiture in favor of the Company. Each restricted stock unit represents the right to receive one common share of the Company upon vesting. Also excludes 14,108 unvested shares of restricted stock, which are subject to a risk of forfeiture in favor of the Company.

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EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information regarding the Company s common shares that may be issued upon the exercise of options and rights under all of its existing equity compensation plans as of December 31, 2010:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity Compensation Plans approved by security holders			
1995 Award Plan	7,000 (1)	$ 27.32	
2006 Equity Incentive Plan	- (2) (3)		
2010 Incentive Award Plan	333,334 (4)		2,565,279
Equity Compensation Plans not approved by security holders	83,337 (5)		

(1) Options outstanding as of December 31, 2010 were originally issued pursuant to the 1995 Award Plan, which was approved by the Company s shareholders. In May 2006, the Company s shareholders approved the adoption of the 2006 Equity Incentive Plan. Pursuant to the terms of the 2006 Equity Incentive Plan, any shares reserved for issuance under the 1995 Award Plan related to options would return to the 2006 Equity Incentive Plan pool to the extent the associated options expire unexercised. The Company s 1995 Award Plan and 2006 Equity Incentive Plan were cancelled upon the Company s emergence from its Chapter 11 restructuring on July 23, 2010, and as of such date no shares remain available for future issuance under the 1995 Award Plan or 2006 Equity Incentive Plan.

(2) In May 2006, the Company s shareholders approved the adoption of the 2006 Equity Incentive Plan. The Company s 2006 Equity Incentive Plan was cancelled upon the Company s emergence from its Chapter 11 restructuring on July 23, 2010, and as of such date no shares remain available for future issuance under the 2006 Equity Incentive Plan.

(3) Excludes 31,038 shares of unvested restricted common stock issued under the 2006 Equity Incentive Plan.

(4) Represents unvested restricted stock units outstanding as of December 31, 2010, issued and outstanding under the 2010 Incentive Award Plan, which was approved by the Company s shareholders in November 2010.

(5) Represents deferred stock unit awards granted to the members of the Company s Board of Directors, which are fully vested as of December 31, 2010 and will convert into shares of common stock as of the date the respective director ceases to be a director of the Company. These awards were granted pursuant to standalone award agreements outside of an equity compensation plan.

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CERTAIN RELATIONSHIPS

The Company s written Code of Ethics and Business Conduct sets forth the general principle that the Company s directors, officers and employees must act in the best interests of the Company and its shareholders and must refrain from engaging in any activity that presents a conflict of interest or having a personal interest that presents a conflict of interest. The Code of Ethics and Business Conduct generally provides that a conflict of interest is an interest that might impair or even appear to impair an individual s ability to make objective and fair decisions while performing his or her duties and responsibilities to the Company honestly, objectively and effectively. There may be times when a commercial relationship involving the Company s directors, officers or employees or their family members is beneficial to the Company and is not likely to raise material conflict of interest issues, but those situations should be disclosed to the Company for further review. The Company s policy is to review periodically, but not less than annually, all related party transactions for potential conflict of interest situations. The Company s corporate staff is primarily responsible for monitoring and obtaining information from the directors and officers with respect to related party transactions and for then determining, based on the facts and circumstances, whether the Company or a related party has a direct or indirect material interest in the transaction. If deemed necessary, the Nominating and Corporate Governance Committee or Audit Committee of the Board of Directors may review certain related party transactions to determine if any transaction creates a conflict of interest.

Michael Katzenstein and Gabriel Bresler were appointed Chief Restructuring Officer (CRO) and Associate Chief Restructuring Officer (Associate CRO), respectively, pursuant to the terms of the engagement letter (Engagement Letter) dated May 6, 2010 between the Company and two of its wholly owned subsidiaries and FTI Consulting, Inc. (FTI) that was entered into in connection with the Company s Chapter 11 proceedings. Mr. Katzenstein also served as the Company s Principal Executive Officer and as a Director of the Company from July 23, 2010 until December 14, 2010. Since December 14, 2010, Mr. Katzenstein has resumed the position of CRO. During his tenure as a director, the Board of Directors determined that Mr. Katzenstein was not an independent director as defined in NASDAQ Listing Rule 5602(a)(2). Pursuant to the terms of the Engagement Letter, Mr. Katzenstein will remain employed by FTI and will perform services as CRO through FTI, reporting to the Company s Board of Directors. Mr. Katzenstein does not receive any compensation from the Company and does not participate in any of the Company s employee benefit plans. During the year ended December 31, 2010, the Company instead compensated FTI at an aggregate rate of approximately $0.2 million per month for Mr. Katzenstein s services as CRO and Gabriel E. Bresler s services as Associate CRO plus additional fees based on time incurred for certain other temporary employees who support Messrs. Katzenstein and Bresler, pursuant to the terms of the Engagement Letter. Additionally, the arrangement with FTI for services under the Engagement Letter included a Completion Fee of $1.4 million, which was earned and payable during the year-ended December 31, 2010 pursuant to the terms of the arrangement. On February 6, 2011, the Engagement Letter was amended (such amendment, Amendment #1) to provide for Mr. Katzenstein to serve on a part-time basis as the Company s CRO, as well as any additional hourly temporary staff, to perform duties as requested and under the supervision of the Company s Chief Executive Officer. Additionally, Amendment #1 replaced the compensation provisions under the Engagement Letter, and provided for services rendered by Mr. Katzenstein and any additional hourly temporary staff to be compensated at FTI s normal hourly rate.

During the year-ended December 31, 2010, FTI earned $3.9 million related to these services, including $1.4 million related to the monthly services provided by Messrs. Katzenstein and Bresler in 2010, $1.4 million related to the Completion Fee earned in 2010, and $1.1 million related to the temporary employees who provided support to Messrs. Katzenstein and Bresler in 2010. All amounts earned were paid by the Company in 2010 with the exception of $0.1 million, which was paid in 2011. Additionally, FTI was paid a $0.2 million retainer in 2010 related to these services.

The Company has a separate arrangement with another segment within FTI, which commenced in November 2009, to provide certain accounting and financial reporting services. This segment of FTI reports directly to the Board of Directors and as directed by the Board of Directors. During the year-ended December 31,

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2010, FTI earned $3.7 million for these accounting and financial reporting services. All amounts pertaining to the accounting and financial reporting services were paid by the Company in 2010, with the exception of $0.9 million, which was paid in 2011.

Glenn Davis joined the Company as a consultant in January 2009, and served as Interim Finance Executive for the Company, primarily responsible for coordinating the Company s accounting and financial functions. As previously reported on the Company s Current Report on Form 8-K, filed with the SEC on April 7, 2010, Glenn Davis was appointed as the Principal Financial Officer and Principal Accounting Officer of the Company on April 1, 2010. Mr. Davis served as Principal Financial Officer and Principal Accounting Officer pursuant to the terms of a referral agreement the Company entered into with Fenway Consulting Group, LLC (Fenway) on January 12, 2009. Pursuant to the terms of the referral agreement, Mr. Davis does not receive any compensation from the Company, with the exception of a $35,000 bonus payment earned in 2010 (described further above in the Summary Compensation Table) and a $150,000 bonus payment earned in 2011, nor does he participate in any of the Company s employee benefit plans. The Company compensates Fenway at a rate of $165 per hour for Mr. Davis services as Principal Financial Officer and Principal Accounting Officer. During the year-ended December 31, 2010, Fenway earned $0.5 million related to the services performed by Mr. Davis. All amounts earned were paid in 2010, with the exception of $29,700, which will be paid in 2011. On February 9, 2011, in connection with the appointment of Mr. Buckley as Chief Financial Officer, the Company s Board of Directors approved a cash bonus for Mr. Davis in the amount of $150,000, of which $50,000 was payable in March 2011 when normal corporate bonuses were paid, and $100,000 will be payable if Mr. Davis continues to provide services to the Company until May 1, 2011 or is terminated by the Company prior to May 1, 2011. As of March 31, 2011, Mr. Davis no longer serves as the Company s Principal Financial Officer and Principal Accounting Officer.

On December 14, 2010, John A. Roush was appointed the Company s Chief Executive Officer and a member of the Board of Directors. Prior thereto, Mr. Roush was a corporate officer of PerkinElmer, Inc. (PerkinElmer) until December 3, 2010. PerkinElmer supplies components to the Company, and the Company supplies scanners to PerkinElmer. During the year-ended December 31, 2010, the Company purchased approximately $1.5 million of components from PerkinElmer, and PerkinElmer purchased approximately $0.1 million of scanners from the Company. Accounts payable to PerkinElmer as of December 31, 2010 was approximately $0.2 million, and there was no accounts receivable from PerkinElmer as of December 31, 2010.

Richard B. Black was the Chairman of the Company s Board of Directors until July 23, 2010. Mr. Black is the President and Chief Executive Officer of ECRM, Inc. (ECRM). Mr. Pond, a member of the Company s Board of Directors, is also on the Board of Directors of ECRM. ECRM manufactures laser systems equipment for the printing and publishing industry. During the year-ended December 31, 2010, the Company recognized approximately $0.2 million in revenue related to purchases of equipment from the Company by ECRM. The transactions with ECRM were on terms and conditions that were consistent with similar transactions with other customers.

K. Peter Heiland has been a member of the Company s Board of Directors since July 23, 2010. Mr. Heiland is the owner and manager of JEC II Associates, LLC, a privately held investment company and a significant shareholder of the Company, and is the founder and President of Integrated Dynamics Engineering Gmbh (IDE). IDE is a developer and manufacturer of vibration control products, magnetic field compensation systems, acoustic enclosures and robotics. During the year-ended December 31, 2010, the Company purchased approximately $0.4 million of subassemblies from IDE. The amounts and terms of these transactions were comparable to similar third-party transactions. Based on information provided by Mr. Heiland, the Nominating and Corporate Governance Committee has concluded that Mr. Heiland does not have a material interest in the Company s transactions with IDE.

The Company recorded sales and raw materials purchases from Sumitomo Heavy Industries Ltd. (Sumitomo), a significant shareholder during the year ended December 31, 2010, but not as of December 31,

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2010. During the year-ended December 31, 2010, the Company recorded revenue from Sumitomo of approximately $1.4 million and purchased approximately $18,000 of raw materials from Sumitomo. The transactions were on terms believed to be no more or less favorable that similar transactions with other customers and suppliers.

As previously reported on the Company s Current Report on Form 8-K, filed with the SEC on May 18, 2010, the Company and certain subsidiaries entered into a Restructuring Plan Support Agreement (the Plan Support Agreement) with the Equity Committee, the Committee Members and the Consenting Noteholders in connection with the Company s bankruptcy proceedings. Stephen W. Bershad, the current Chairman of the Company s Board of Directors, and JEC II Associates, LLC, a shareholder of the Company that currently beneficially owns over 5% of the Company s common shares, served as Committee Members. Additionally, K. Peter Heiland, a current member of the Company s Board of Directors, serves as a manager of JEC II Associates, LLC. Pursuant to the Plan Support Agreement, the Equity Committee, the Committee Members and the Consenting Noteholders agreed to support the Company s final plan of reorganization that provided for the Company s emergence from bankruptcy.

As previously reported on the Company s Current Report on Form 8-K, filed with the SEC on July 23, 2010, the Company entered into a Registration Rights Agreement (the Registration Rights Agreement) with the Consenting Noteholders. One of the Company s current shareholder s that beneficially owns over 5% of the Company s common shares, Tennenbaum Capital Partners, LLC, has relationships with certain of the Consenting Noteholders, as described in footnote 4 to the table in the section entitled Security Ownership of Certain Beneficial Owners and Management above and one of the Company s current shareholders that beneficially owned over 5% of the Company s common shares during the year-ended December 31, 2010, Highbridge Capital Management, LLC, has relationships with certain of the Consenting Noteholders. The Registration Rights Agreement provides that, from the time the Company became current in its reporting obligations under the Securities Exchange Act of 1934 (the Exchange Act) and for as long as it remains a public company with shares registered under the Exchange Act, the Consenting Noteholders party to the Registration Rights Agreement that collectively own at least 30% of the registrable securities have a right to twice demand the registration of their registrable securities on a registration statement. The registration may be a shelf registration, filed with the SEC on an underwritten or non-underwritten basis. In addition, the Consenting Noteholders have unlimited piggyback registration rights.

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OTHER MATTERS

Performance Graph

The following graph compares the cumulative total return to shareholders for the Company s common shares for the period from December 31, 2005 through December 31, 2010 with the NASDAQ Composite Index and the Philadelphia Semiconductor Sector Index. The comparison assumes an investment of $100 is made on December 31, 2005 in the Company s common shares and in each of the indices and in the case of the indices it also assumes reinvestment of all dividends. The performance shown is not necessarily indicative of future performance.

	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010
GSI Group Inc.	$ 100.00	$ 89.23	$ 85.08	$ 5.25	$ 8.01	$ 32.47
NASDAQ Composite Index	$ 100.00	$ 109.52	$ 120.27	$ 71.51	$ 102.89	$ 120.29
PHLX Semiconductor Sector Index	$ 100.00	$ 97.40	$ 85.10	$ 44.25	$ 75.06	$ 85.89

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the officers, directors and persons who own more than 10% of our common shares to file reports of ownership and changes in ownership with the SEC. These officers, directors and 10% shareholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file. Based solely on a review of copies of Forms 3, 4 or 5 filed by the Company on behalf of its directors and officers or otherwise provided to the Company, the Company believes that during and with respect to the year ended December 31, 2010, its officers, directors and greater than 10% shareholders complied with all applicable Section 16(a) filing requirements, except for the forms discussed below.

During the year ended December 31, 2010, the Company filed two late Forms 3 for Michael Katzenstein and Gabriel Bresler.

Directors and Officers Liability Insurance

At December 31, 2010, the Company maintained an entity and director and officers liability insurance policy in the aggregate principal amount of $20 million and $10 million of additional A-side coverage for non-indemnifiable claims for current officers and directors. The policy is subject to a $250,000 deductible for each indemnifiable loss. For claims that are not indemnifiable, there is no deductible. The Company is obligated to pay all deductibles. The policy expires in July 2011. The annual premium for this policy was approximately $269,000. This policy does not cover any actions or claims that occurred prior to emergence from bankruptcy.

Additionally, as of December 31, 2010, the Company maintained a policy for former officers and directors in the aggregate principal amount of $20 million and $17 million of additional A-side coverage for non-indemnifiable claims. The policy is subject to a $250,000 deductible per loss for securities claims and $500,000 for all other claims that are indemnifiable by the Company. For claims that are not indemnifiable, there is no deductible. The Company is obligated to pay all deductibles. The policy expires in July 2016. The premium for the six-year policy was approximately $389,000.

Indebtedness of Directors and Officers

Since the beginning of the year ended December 31, 2010, there has been no indebtedness to the Company by any director or officer or the family members or associates of any such person, other than amounts owing for purchases, subject to usual trade terms, for ordinary travel and expense advances and for other transactions in the ordinary course of business.

Shareholder Proposals for the 2012 Annual Meeting

Shareholder proposals intended for inclusion in next year s management proxy circular pursuant to Rule 14a-8 for the 2012 annual meeting of shareholders must be received at the Company s principal executive offices on or before December 17, 2011. Unless otherwise required by law, shareholder proposals received after this date will not be included in next year s management proxy circular. Shareholder proposals not intended for inclusion in next year s management proxy circular or notice of meeting, but which instead are sought to be presented directly at next year s annual meeting, will be considered untimely if received later than March 1, 2012. Proxies will confer discretionary authority with respect to such untimely proposals. In order to curtail controversy as to the date upon which such written notice is received by the Company, it is suggested that such notice be submitted by Certified Mail, Return Receipt Requested.

In the event the date of the 2012 annual meeting of shareholders is changed by more than 30 days from the date of the 2011 annual meeting, the Company will inform shareholders of such change and will indicate the new dates by which shareholder proposals must be received.

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Householding

The Company s annual report, including audited financial statements for the fiscal year ended December 31, 2010, is being mailed to you along with this management proxy circular. In order to reduce printing and postage costs, Broadridge Investor Communication Services has undertaken an effort to deliver only one annual report and one management proxy circular to multiple shareholders sharing an address. This delivery method, called householding, is not being used, however, if Broadridge has received contrary instructions from one or more of the shareholders sharing an address. If your household has received only one annual report and one management proxy circular, the Company will promptly deliver a separate copy of the annual report and the management proxy circular to any shareholder who sends a written request to GSI Group Inc., 125 Middlesex Turnpike, Bedford, Massachusetts 01730, USA, Attention: Investor Relations or who calls our Investor Relations staff at 781-266-5137.

You can also notify Broadridge that you would like to receive separate copies of the Company s annual report and management proxy circular in the future by writing or calling your bank or broker. Even if your household has received only one annual report and one management proxy circular, a separate proxy form or voting instruction form, as applicable, should have been provided for each shareholder account. Each proxy form or voting instruction form, as applicable, should be signed, dated, and returned in the enclosed self-addressed envelope. If your household has received multiple copies of the Company s annual report and management proxy circular, you can request the delivery of single copies in the future by completing the enclosed consent, if applicable, or writing or calling Broadridge directly.

Information Concerning the Company

You may obtain the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, the Company s 2010 audited consolidated financial statements, and additional copies of this document on the Company s Web site at http://www.gsig.com, or by writing to or calling Investor Relations, GSI Group Inc., 125 Middlesex Turnpike, Bedford, Massachusetts 01730, USA, or 781-266-5137. You may also obtain such documents and additional information about the Company on SEDAR at www.sedar.com or on EDGAR at www.sec.gov. This information is not incorporated by reference into this management proxy circular.

Other Business

The Board of Directors knows of no business to be brought before the annual meeting other than as described in this management proxy circular. If other matters properly come before the shareholders at the meeting, it is the intention of the persons named on the proxy form to vote the shares represented thereby on such matters in accordance with their judgment.

Directors Approval

The contents and the sending of this management proxy circular have been approved by the Company s Board of Directors.

By Order of the Board of Directors

John A. Roush

Chief Executive Officer

Bedford, Massachusetts

April 14, 2011

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GSI GROUP INC.

9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
www.computershare.com

MR SAM SAMPLE
123 SAMPLES STREET
SAMPLETOWN SS X9X 9X9

Security Class COMMON

Holder Account Number
C1234567890 **X X X**

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Form of Proxy - Annual General Meeting of Shareholders to be held on May 11, 2011

This Form of Proxy is solicited by and on behalf of the Board of Directors of GSI Group Inc.

Notes to proxy

1. **Every holder has the right to appoint some other person or company of their choice, who need not be a holder, to attend and act on their behalf at the meeting or any continuation, adjournment or postponement thereof. If you wish to appoint a person or company other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).**
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you must sign this proxy with signing capacity stated, and you may be required to provide documentation evidencing your power to sign this proxy.
3. This proxy should be signed in the exact manner as the name(s) appear(s) on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. **The securities represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted by the designated officers FOR each of the nominees for Director in Proposal 1 and FOR Proposal 2.**
6. The securities represented by this proxy will be voted in favour or withheld from voting or voted against each of the matters described herein, as applicable, in accordance with the instructions of the holder, on any ballot that may be called for and, if the holder has specified a choice with respect to any matter to be acted on, the securities will be voted accordingly.
7. This proxy confers discretionary authority in respect of such other matters that may properly come before the meeting or any continuation, adjournment or postponement thereof. The Board of Directors, at present, knows of no other business to be presented at the meeting.

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8. This proxy should be read in conjunction with the accompanying documentation provided by Management.

Proxies submitted must be received by 2:00 pm, Eastern Time, on May 9, 2011.

VOTE USING THE TELEPHONE OR INTERNET 24 HOURS A DAY 7 DAYS A WEEK!

Call the number listed BELOW from a touch tone telephone.

Go to the following web site: www.investorvote.com

1-866-732-VOTE (8683) Toll Free

If you vote by telephone or the Internet, DO NOT mail back this proxy.

Voting by mail may be the only method for securities held in the name of a corporation or securities being voted on behalf of another individual.

Voting by mail or by Internet are the only methods by which a holder may appoint a person as proxyholder other than the Management nominees named on the reverse of this proxy. Instead of mailing this proxy, you may choose one of the two voting methods outlined above to vote this proxy.

To vote by telephone or the Internet, you will need to provide your CONTROL NUMBER listed below.

CONTROL NUMBER 123456789012345

00TDKB CPUQC01.E.INT/000001/i1234

Appointment of Proxyholder

The undersigned shareholder of GSI Group Inc. (the Company) hereby appoints John A. Roush, Chief Executive Officer or, failing him, Robert Buckley, Chief Financial Officer

OR

Print the name of the person you are appointing if this person is someone other than the designated officers listed herein.

as my/our proxyholder with full power of substitution and to attend, act and to vote for and on behalf of the shareholder in accordance with the following direction and in their discretion with respect to all other matters that may properly come before the Annual General Meeting of Shareholders to be held at Latham & Watkins LLP, 885 Third Avenue, New York, New York, 10022-4834 on Wednesday, May 11, 2011 at 2:00 p.m. ET and at any continuation, adjournment or postponement thereof.

VOTING RECOMMENDATIONS ARE INDICATED BY HIGHLIGHTED TEXT OVER THE BOXES.

1. Election of Directors

	For	Withhold		For	Withhold		For	Withhold
01. John A. Roush	¨	¨	02. Stephen W. Bershad	¨	¨	03. Eugene I. Davis	¨	¨
04. Dennis J. Fortino	¨	¨	05. K. Peter Heiland	¨	¨	06. Ira J. Lamel	¨	¨
07. Byron O. Pond	¨	¨						

Fold

2. Appointment of Auditors	**For**	**Against**	**Abstain**
To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2011.	¨	¨	¨

Fold

Authorized Signature(s) This section must be completed for your instructions to be executed.

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Meeting. **If no voting instructions are indicated above, this Proxy will be voted by the designated officers FOR each of the nominees for Director in Proposal 1 and FOR Proposal 2.**

Signature(s)

Date

____/_____/____

Interim Financial Statements Mark this box if you would like to receive Interim Financial Statements and accompanying Management s Discussion and Analysis by mail.	..	**Annual Financial Statements** Mark this box if you would NOT like to receive the Annual Financial Statements and accompanying Management s Discussion and Analysis by mail.	..

If you are not mailing back your proxy, you may register online to receive the above financial report(s) by mail at www.computershare.com/mailinglist.