

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT COURT OF MASSACHUSETTS

_____		)	
WILTOLD TRZECIAKOWSKI, Individually and	)		
On Behalf of All Others Similarly Situated,	)		
	)		
Plaintiff,	)		
v.	)	NO. 08-CV-12065-GAO	
	)		
GSI GROUP INC., SERGIO EDELSTEIN and	)		
ROBERT BOWEN,	)		
	)		
Defendants.	)		
_____		)	

**STIPULATION OF SETTLEMENT**

This Stipulation of Settlement dated July 29, 2010 (the “Stipulation”) is submitted pursuant to Rule 23 of the Federal Rules of Civil Procedure. Subject to the approval of the Court, this Stipulation is entered into among Lead Plaintiff Mason Tenders’ District Council Trust Funds (“Lead Plaintiff”) and defendants GSI Group Inc. (“GSI” or the “Company”), Sergio Edelstein and Robert Bowen (together, the “Defendants”) (Defendants and Lead Plaintiff are the “Parties”), by and through their respective counsel.

WHEREAS:

A. On December 12, 2008, the above-captioned action (“the Action”) was filed against Defendants in the United States District Court for the District of Massachusetts. The complaint (the “Complaint”) asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission (the “SEC”);

B. By Order dated May 8, 2009, the Honorable George A. O’Toole appointed

Mason Tenders' District Council Trust Funds as Lead Plaintiff and appointed Cohen Milstein Sellers & Toll PLLC ("Cohen Milstein") as lead counsel ("Lead Counsel") and Berman DeValerio as liaison counsel ("Liaison Counsel") for the Class;

C. On June 26, 2009, the Parties filed a stipulation, signed by the Court on July 1, 2009, setting a deadline for the filing of a consolidated or amended complaint of thirty days following the Company's filing of certain restatements with the SEC;

D. After several announcements by the Company that it expected to file its restated financial statements, on November 20, 2009 the Company filed for bankruptcy protection as a debtor in possession in a case pending under Chapter 11 of the U.S. Bankruptcy Code (the "Chapter 11 Proceedings") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), an act which stayed litigation against the Company pursuant to 11 U.S.C. § 362;

E. On December 23, 2009, the parties filed a stipulation setting a deadline of February 5, 2010 for the filing of a consolidated or amended complaint against defendants Edelstein and Bowen, in which Lead Plaintiff reserved the right to seek leave to lift the stay of litigation against the Company and Defendants reserved certain rights;

F. Shortly thereafter, the Parties agreed, particularly in light of the Chapter 11 Proceedings, to attempt to resolve the claims in the Action;

E. As part of this effort to resolve the case, Defendants' Counsel discussed with Lead Counsel for the Class some of the facts and documents relevant to the Action and Lead Counsel for the Class sent Defendants' Counsel a statement of the facts and allegations of Lead Plaintiff's case. The Parties also exchanged written statements of their positions in connection with a formal mediation that the Parties participated in on

March 16, 2010. The mediation was conducted by mediator David Geronemus, Esq. A representative of Lead Plaintiff attended the full day mediation. As a result of this mediation, the Parties reached an agreement in principle to settle the Action and drafted a Memorandum of Understanding for the resolution of it. Execution of the Memorandum of Understanding was delayed due to the Chapter 11 Proceedings. The Memorandum of Understanding was fully executed as of June 14, 2010;

F. Defendants have denied and continue to deny that they have committed any act or omission giving rise to any liability and/or violation of law. Nonetheless, Defendants have concluded that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation to eliminate the burden and expense of future litigation with respect to matters at issue in the Action. This Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession by any party of any infirmity in the claims or defenses asserted. The Parties to this Stipulation recognize that the Action is being voluntarily settled after advice of counsel, and that the terms of the Settlement are fair, adequate and reasonable;

G. Lead Counsel has conducted a thorough investigation relating to the claims and the underlying events and transactions alleged in the Complaint. Lead Counsel's investigation and discovery included, *inter alia*: (i) review of GSI's SEC filings; (ii) review of securities analysts' reports and advisories about the Company; (iii) review of wire and press releases published by and regarding the Company; (iv) review of publicly-available documents, conference calls and announcements made by Defendants; (v) review of information regularly obtainable on the Internet; (vi) interviews with over a dozen witnesses; (vii) discussions with Defendants' Counsel

regarding the claims alleged in the Action, as well as some of the facts and documents relevant to the Action; (viii) review of documents Defendants produced to the SEC in an investigation concerning the same facts and matters alleged in the Action; and (ix) research of the applicable law with respect to the claims asserted in the Action and the potential defenses thereto;

H. Lead Plaintiff, through its representative and Lead Counsel, has conducted discussions and arm's-length negotiations with Defendants' Counsel with respect to a compromise and settlement of the Action with a view to settling the issues in dispute and achieving the best relief possible consistent with the interests of the Class;

I. Based upon their investigation, Lead Plaintiff and Lead Counsel have concluded that the terms and conditions of this Stipulation are fair, reasonable and adequate as to all Class Members, and in their best interests, and have agreed to settle the claims raised in the Action pursuant to the terms and provisions of this Stipulation, after considering: (i) the benefits that the Class Members will receive from the settlement of the Action; (ii) the attendant risks of litigation; (iii) the difficulties, expense and delays inherent in such litigation; (iv) the belief of Lead Plaintiff that the Settlement is fair, reasonable, and adequate, and in the best interest of all Class Members; and (v) the desirability of permitting the Settlement to be consummated as provided by the terms of this Stipulation.

NOW THEREFORE, without any admission or concession on the part of Lead Plaintiff of any lack of merit in the Action whatsoever, and without any admission or concession of any liability or wrongdoing or lack of merit in the defenses whatsoever by Defendants, it is hereby STIPULATED AND AGREED, by and among the Parties to this

Stipulation, through their respective counsel of record, subject to approval of the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, in consideration of the benefits flowing to the Parties hereto from the Settlement, that all Released Claims (as defined below) as against the Released Persons (as defined below) shall be compromised, settled, released and dismissed with prejudice, upon and subject to the following terms and conditions:

**CERTAIN DEFINITIONS**

1. As used in this Stipulation, the following terms shall have the following meanings:

(a) “Authorized Claimant” means a Class Member who submits a timely and valid Proof of Claim and Release form (“Proof of Claim”) to the Claims Administrator.

(b) “Claims Administrator” means Strategic Claims Services, which shall administer the Settlement.

(c) “Class” and “Class Members” means all persons or entities who purchased or otherwise acquired GSI common stock between February 27, 2007 and June 30, 2009, inclusive, and who were damaged thereby. Excluded from the Class are the Defendants; any entity deemed to have succeeded GSI in its Chapter 11 Proceedings; the reorganized GSI; any officers or directors of GSI during or after the Class Period; any corporation, trust or other entity in which any Defendant or the reorganized GSI has a controlling interest; and the members of the immediate families of Sergio Edelstein or Robert Bowen and their successors, heirs, assigns and legal representatives. Also excluded from the Class are any putative Class Members who exclude themselves by

filing a request for exclusion in accordance with the requirements set forth in the Notice.

(d) “Class Period” means the period of time between February 27, 2007 and June 30, 2009, inclusive.

(e) “Defendants’ Counsel” means any counsel representing any defendant in the Action.

(f) “Effective Date of Settlement” or “Effective Date” means the date upon which the Settlement contemplated by this Stipulation shall become effective, as set forth in paragraph 34 below.

(h) “Escrow Agent” means EagleBank Corp.

(i) “Lead Counsel” means Cohen Milstein Sellers & Toll PLLC.

(j) “Net Settlement Fund” means the Settlement Amount, together with any interest earned thereon, less (i) any Taxes, (ii) the Notice and Administration Amount, whether already paid or still due to vendors, and (iii) the attorneys’ fees and expenses awarded to Lead Counsel pursuant to any Fee and Expense Application as approved by the Court.

(k) “Notice” means the Notice of Proposed Settlement of Class Action, Motion for Attorneys’ Fees and Reimbursement of Expenses, and Settlement Fairness Hearing, which is to be sent to Class Members substantially in the form attached hereto as Exhibit 1 to Exhibit A.

(l) “Notice and Administration Amount” means all costs incurred for notice and administration of the Settlement, and Taxes due on the Settlement Fund.

(l) “Order and Final Judgment” means the proposed order to be entered by the Court approving the Settlement substantially in the form attached hereto as

Exhibit B.

(m) “Order for Notice and Hearing” means the proposed order preliminarily approving the Settlement and directing notice thereof to the Class substantially in the form attached hereto as Exhibit A.

(n) “Person” means an individual, corporation, partnership, limited partnership, limited liability company or partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

(o) “Plaintiff’s Counsel” means Lead Counsel or Liaison Counsel.

(p) “Plan of Allocation” means a plan or formula of allocation of the Net Settlement Fund to be proposed by Lead Plaintiff and approved by the Court which shall be described in the Notice to be sent to Class Members in connection with the Settlement.

(q) “Related Party” and “Related Parties” means each of Defendants’ past or present subsidiaries, parents, successors and predecessors, officers, directors, shareholders, partners, agents, employees, attorneys, advisors, insurers, investment advisors, and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of such persons, and the legal representatives, heirs, successors-in-interest or assigns of such persons, and all “Released Parties,” as that term is defined in the Final Fourth Modified Joint Plan of Reorganization confirmed in the Chapter 11 Proceedings by order entered on May 27, 2010 (the “Chapter 11 Plan”).

(r) “Released Persons” means each and all of Defendants and their Related Parties.

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

(t) “Settled Defendants’ Claims” means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, including both known claims and Unknown Claims (as defined below), that have been or could have been asserted in the Action or any forum by the Defendants, or the Related Parties of any of them against the Lead Plaintiff, any of the Class Members or their attorneys including Lead Counsel and Liaison Counsel, which arise out of or relate in any way to the institution, prosecution, or settlement of the Action.

(u) “Settlement” means the settlement embodied by this Stipulation.

(v) “Settlement Fund” means the principal amount of Three Million Two-Hundred and Fifty Thousand Dollars (\$3,250,000) in cash (the “Settlement Amount”) plus any interest that may accrue thereon as provided herein.

(w) “Summary Notice” means the Summary Notice of Pendency and Proposed Settlement of Class Action for publication substantially in the form attached as Exhibit 3 to Exhibit A.

(x) “Unknown Claims” means (a) any and all Released Claims which Lead Plaintiff or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons, and (b) any Settled Defendants’ Claims which any Defendant or Related Party does not know or suspect to exist in his, her or its favor, which (as to all of Lead Plaintiff, Class Members and Defendants) if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Settled Defendants’ Claims, the Parties stipulate and agree that upon the Effective Date, Lead Plaintiff and Defendants shall expressly waive, and each Class Member and each Related Party shall be deemed to have waived, and by operation of the Order and Final Judgment shall have expressly waived, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiff and Defendants acknowledge, and the Class Members and Related Parties by operation of law shall be deemed to have acknowledged, that the inclusion of

“Unknown Claims” in the definition of Released Claims and Settled Defendants’ Claims was separately bargained for and is a key element of the Settlement.

**SCOPE AND EFFECT OF SETTLEMENT**

2. The obligations incurred pursuant to this Stipulation shall result in full and final disposition of the Action and any and all Released Claims as against all Released Persons, and any and all Settled Defendants’ Claims.

3. Upon the Effective Date of this Settlement:

(a) Lead Plaintiff and Class Members on behalf of themselves and each of their past or present subsidiaries, affiliates, parents, successors and predecessors, estates, heirs, executors, administrators, and the respective officers, directors, shareholders, agents, legal representatives, spouses and any persons they represent, shall, with respect to each and every Released Claim, release and forever discharge, and shall forever be enjoined from prosecuting, any Released Claims against any of the Released Persons; and

(b) Each of the Defendants and Related Parties, on behalf of themselves and each of their past or present subsidiaries, affiliates, parents, successors and predecessors, estates, heirs, executors, administrators, and the respective officers, directors, shareholders, agents, legal representatives, spouses and any persons they represent, shall, with respect to each and every Settled Defendants’ Claim, release and forever discharge each and every Settled Defendants’ Claim, and shall forever be enjoined from prosecuting the Settled Defendants’ Claims.

**BANKRUPTCY COURT APPROVAL AND PROCEEDINGS**

4. If, at the time this Stipulation is executed by the Parties, the “Effective Date” of the Chapter 11 Plan (as defined in such Chapter 11 Plan) has not yet occurred or Bankruptcy Court Approval (defined below) has not been approved (a) this Stipulation will be subject to the approval (the “Bankruptcy Court Approval”) of the Bankruptcy Court in the Chapter 11 Proceedings solely with respect to the performance hereunder by GSI, the use of insurance proceeds to fund the balance of the Settlement Fund and GSI’s partial release of its insurance policy, and (b) the Company promptly shall seek Bankruptcy Court Approval.

5. Lead Plaintiff, which has voted to accept the Company’s Chapter 11 Plan in the Chapter 11 Proceedings, shall not take any action to oppose consummation of the Plan unless any act or failure to act in connection with the consummation of the Plan (i) has a material adverse effect upon the claims or interests of Lead Plaintiff or the Class, or (ii) is contrary to the material terms of this Stipulation. Lead Plaintiff has formally withdrawn its reservation of rights in respect of the Plan, dated April 8, 2010, without prejudice to its rights to object to any post-confirmation modification (i) that has a material adverse effect upon the claims or interests of Lead Plaintiff or the Class, or (ii) is contrary to the material terms of this Stipulation.

6. Lead Plaintiff’s election not to grant the releases set forth in Article VI and Article XIII of the Third Amended Plan of Reorganization (the “Lead Plaintiff Election”) filed in the Chapter 11 Proceedings is limited to Claims arising out of, relating to, or in connection with the claims that have been or could have been asserted by Lead Plaintiff or any Class Members in the Action, as set forth in Paragraph 13 of the

Disclosure Statement Approval and Solicitation Procedure Order entered by the Bankruptcy Court. The Lead Plaintiff Election and the immediately-preceding sentence do not affect or limit any election filed in the Chapter 11 Proceedings by an individual Class Member except for claims that have been or could have been asserted in the Action, as set forth in Paragraph 13 of the Disclosure Statement Approval and Solicitation Procedure Order entered by the Bankruptcy Court.

7. A Class Member's receipt of proceeds from the Settlement does not waive or affect in any fashion his, her, or its rights to any other distribution under the Plan, including but not limited to a claim as a holder of a Holdings Equity Interest; provided, however, that this Settlement, upon the Effective Date, is intended to and shall constitute a compromise of, and full payment and satisfaction of (i) all claims that have been or could have been brought in the Action or are on account thereof and (ii) all claims scheduled or filed in the Chapter 11 Proceedings based solely upon the allegations set forth in the Action, by all Class Members (except for any Class Member who properly and timely excludes himself/herself/itself from the Class in the Action). The parties acknowledge that it is the position of Defendants that any Class Member that excludes himself/herself/itself from the Class in the Action, but which has not himself/herself/itself timely objected to GSI's Plan in accordance with orders of the Bankruptcy Court (for purposes of this paragraph, the "Opt Outs"), has forever lost and waived any right that he/she/it may have had to exclude himself/herself/itself or otherwise challenge the releases contained in the Plan or to otherwise object to the Plan. Lead Plaintiff takes no position as to GSI's position as set forth above. The Parties agree that nothing herein is intended to augment the rights of the Opt Outs as to the Chapter 11 Proceedings in that

respect.

### **THE SETTLEMENT CONSIDERATION**

8. GSI shall pay or cause to be paid to the Class, via wire and/or check, in settlement of all claims in the Action, the sum of \$3,250,000 (Three Million, Two Hundred and Fifty Thousand Dollars) into an interest-bearing escrow account designated and controlled by Lead Counsel (subject to District Court oversight) (the “Settlement Amount”), by the later of (i) fifteen (15) business days of the entry of a preliminary approval order of the Settlement by the District Court, and (ii) to the extent the Plan’s Effective Date has not yet occurred, and Bankruptcy Court Approval has not been obtained, the date of Bankruptcy Court Approval. Lead Plaintiff may use the Settlement Fund to pay the Notice and Administration Amount. For purposes of this paragraph, payment(s) via check will be deemed to have been made if the check is received by the Escrow Agent within the fifteen (15) business day window set forth herein. None of the amounts paid and deposited directly by GSI into the Settlement Fund will be expended prior to Bankruptcy Court Approval.

9. If the Settlement outlined herein is not approved by the District Court, or Bankruptcy Court Approval (to the extent required by law) is not obtained, or the Settlement is otherwise terminated, the Settlement Fund, together with any interest accrued thereon, less the Notice and Administration Amount, shall be returned to the parties who paid it into the Settlement Fund in accordance with their respective contributions within ten (10) calendar days.

10. The Settlement will be non-recapture, *i.e.*, it is not a claims-made settlement. Defendants have no ability to keep or recover any of the settlement monies

unless the Settlement does not become effective.

11. Any sums required to be held in escrow hereunder prior to the Effective Date shall be deposited by Lead Counsel in an account with the Escrow Agent. All funds held by the Escrow Agent shall be deemed to be in the custody of the Court and shall remain subject to the jurisdiction of the Court until such time as the funds are distributed or returned to the person(s) paying the same pursuant to this Stipulation or further order of the Court. The Escrow Agent shall deposit the Settlement Fund upon instructions from Lead Counsel in an investment that is secured by the full faith and credit of the United States (whether in direct investments or a mutual fund, money market fund, or other fund of such federally-guaranteed investments) or is collateralized by investment securities including United States government securities, United States government agency securities or United States agency mortgage-backed securities, and shall collect and reinvest all interest accrued thereon. Lead Counsel will maintain in liquid investments such amounts of the Settlement Fund as it deems necessary to pay the Notice and Administration Amount. The Defendants will take no position on and will have no rights with regard to or liability for the management, investment or distribution of the Settlement Fund or any losses suffered by, or fluctuations in the value of, the Settlement Fund.

12. (a) The Parties agree that the Settlement Fund is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation § 1.468B-1 and that, upon instructions from Lead Counsel, the Claims Administrator, as administrator of the Settlement Fund within the meaning of Treasury Regulation § 1.468B-2(k)(3), shall be responsible for filing tax returns for the Settlement Fund and paying from the Settlement

Fund any Taxes owed with respect to the Settlement Fund. Defendants agree to reasonably cooperate with the Claims Administrator and Lead Counsel to provide information available to them that is needed for filing tax returns for the Settlement Fund and will give their consent to the Settlement Fund's filing of any relation back election.

(b) All (i) taxes on the income of the Settlement Fund and (ii) expenses and costs incurred in connection with the taxation of the Settlement Fund (including, without limitation, expenses of tax attorneys and accountants) (collectively, "Taxes") shall be paid out of the Settlement Fund, shall be considered to be a cost of administration of the Settlement and shall be timely paid by the Claims Administrator and Lead Counsel without prior order of the Court. The Defendants and Released Persons shall have no liability or responsibility for, and will have no involvement in, the payment or withholding of any Taxes or the filing of any tax returns.

#### **ADMINISTRATION**

13. The Claims Administrator shall administer the Settlement, subject to the jurisdiction of the Court. The Defendants and Released Persons shall have no liability, obligation or responsibility for the administration of the Settlement or disbursement of the Net Settlement Fund, or the acts or omissions of the Claims Administrator or Escrow Agent or Lead Counsel made with regard to the administration of the Settlement, except for the Defendants' obligation to fund the Settlement Amount, as provided herein, and to make GSI's transfer records and shareholder information available to Lead Counsel or their agent to the extent necessary to identify and give notice to the Class within ten (10) business days of the Parties' execution of this Stipulation. Other than the costs of providing the shareholder lists to the Claims Administrator, the costs for providing notice

to the Class shall be paid out of the Settlement Fund subject to the approval of the District Court.

**ATTORNEYS' FEES AND EXPENSES**

14. Lead Counsel will apply to the Court for an award from the Settlement Fund of attorneys' fees and reimbursement of costs and expenses (plus interest earned in the Settlement Fund on these amounts) and a case contribution payment to the Lead Plaintiff (the "Fee and Expense Application"). Defendants do not and will not take any position with respect to any questions concerning the Fee and Expense Application and such matters are not the subject of any agreement between the Parties other than what is already set forth above in this paragraph.

15. The procedure for and the allowance or disallowance of any application for attorneys' fees and expenses are not part of the Settlement and are to be considered by the District Court separate from the District Court's consideration of the fairness, reasonableness, and adequacy of the Settlement. Any order or proceeding relating solely to an award of attorneys' fees and expenses, or any appeal from any order relating thereto, or any reversal or modification thereof, shall have no effect on the Settlement and shall not operate to terminate or cancel this Settlement or to affect or delay the finality of the final judgment approving this Settlement. The Parties agree that the actual fee and expense award to be approved by the District Court is not a settlement term and will not be grounds for terminating the proposed Settlement.

16. Any attorneys' fees and costs awarded to Lead Counsel and all plaintiff's counsel by the District Court shall be paid to Lead Counsel immediately upon award, notwithstanding the existence of any timely-filed objections thereto, or potential for

appeal therefrom, or collateral attack on the Settlement or any part thereof, subject to Lead Counsel's and all plaintiff's counsel's several obligations to make appropriate refunds or repayments to the Settlement Fund plus interest at the same rate earned on the Settlement Fund if, and when, as a result of any appeal and/or further proceedings on remand, or successful collateral attack, the fee or cost award is lowered.

17. Lead Plaintiff and Lead Counsel shall not seek reimbursement from the Company's Chapter 11 estate in the Chapter 11 Proceedings for any expenses and/or professional fees incurred; provided, however, that the Company shall not object to a motion by bankruptcy counsel to the Lead Plaintiff, Lowenstein Sandler, P.C. ("Lowenstein") for compensation for professional services pursuant to 11 U.S.C. § 503(b)(4), in an amount not to exceed the lesser of (a) the total amount of professional fees and expenses incurred by Lowenstein, and (b) \$175,000.

#### **ADMINISTRATION EXPENSES AND DISTRIBUTION ORDER**

18. Lead Counsel will apply to the Court for an order (the "Class Distribution Order") approving the Claims Administrator's administrative determinations concerning the acceptance and rejection of the claims submitted herein and approving any fees and expenses not previously applied for, including the fees and expenses of the Claims Administrator, and, if the Effective Date has occurred, directing payment of the Net Settlement Fund to Authorized Claimants.

#### **DISTRIBUTION TO AUTHORIZED CLAIMANTS**

19. The Net Settlement Fund will be distributed to the Authorized Claimants. Each Authorized Claimant shall be allocated a *pro rata* share of the Net Settlement Fund based on his, her or its Recognized Loss compared to the total Recognized Losses of all

Authorized Claimants. The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's Recognized Loss (as defined in the Plan of Allocation described in the Notice annexed hereto as Exhibit 1 to Exhibit A, or in such other Plan of Allocation as the Court approves). The Plan of Allocation proposed in the Notice is not a necessary term of this Stipulation and it is not a condition of this Stipulation that the Plan of Allocation be approved. Defendants now take and will take no position with respect to such proposed Plan of Allocation or such plan as may be approved by the Court.

20. The Defendants shall not have any involvement in or responsibility for, or any rights or claims whatsoever, with respect to: (i) the review, approval or challenge to any Proofs of Claim, (ii) the Plan of Allocation, or (iii) the determination, administration, calculation, or payment of any claims asserted against the Settlement Fund.

21. Any Class Member who does not exclude himself, herself or itself from the Class and does not submit a valid Proof of Claim will not be entitled to receive any part of the Net Settlement Fund but will otherwise be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Order and Final Judgment to be entered in the Action and the releases provided for herein, and will be barred from bringing any action against the Released Persons concerning the Released Claims.

22. The Claims Administrator and Lead Counsel shall have the right, but not the obligation, to waive what they deem to be formal or technical defects in any Proofs of Claim submitted, in the interests of achieving substantial justice.

23. For purposes of determining the extent, if any, to which a Class Member shall be entitled to be treated as an "Authorized Claimant," the following conditions shall

apply:

(a) Each Class Member shall be required to submit a Proof of Claim (*see* Exhibit 2 to Exhibit A), pursuant to the Instructions contained therein, supported by such documents as are designated therein, including proof of the claimant's loss, or such other documents or proof as the Claims Administrator, in its discretion, may deem acceptable;

(b) All Proofs of Claim must be submitted by the date specified in the Notice unless such period is extended by Order of the Court or unless, by Order of the Court, a later-submitted Proof of Claim by such Class Member is approved. Provided that it is received before the motion for the Class Distribution Order is filed, a Proof of Claim shall be deemed to have been submitted when mailed, if received with a postmark indicated on the envelope and if mailed by first-class mail, or certified or registered mail, and addressed in accordance with the instructions thereon. In all other cases, the Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator;

(c) Each Proof of Claim shall be submitted to and reviewed by the Claims Administrator, who shall determine in accordance with this Stipulation the extent, if any, to which each claim shall be allowed, subject to review by the Court pursuant to subparagraph (e) below;

(d) Proofs of Claim that do not meet the submission requirements may be rejected. Prior to rejection of a Proof of Claim, the Claims Administrator shall communicate with the claimant in order to remedy the curable deficiencies in the Proofs of Claim submitted. The Claims Administrator shall notify, in a timely fashion and in

writing, all claimants whose Proofs of Claim it proposes to reject in whole or in part, setting forth the reasons therefor, and shall indicate in such notice that the claimant whose claim is to be rejected has the right to a review by the Court if the claimant so desires and complies with the requirements of subparagraph (e) below;

(e) If any claimant whose claim has been rejected in whole or in part desires to contest such rejection, the claimant must, within thirty (30) calendar days after the date of mailing of the notice required in subparagraph (d) above, serve upon the Claims Administrator a notice and statement of reasons indicating the claimant's grounds for contesting the rejection along with any supporting documentation, and requesting a review thereof by the Court. If a dispute concerning a claim cannot be otherwise resolved, Lead Counsel shall thereafter present the request for review to the Court; and

(f) Lead Counsel, in the Class Distribution Order, will present to the Court, for its approval, the Claims Administrator's recommendations for acceptance and rejection of claims.

24. Each claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim and to all determinations on the validity and amount of the claimant's claim. All proceedings with respect to the administration, processing and determination of claims and the determination of all controversies relating thereto, including disputed questions of law and fact with respect to the validity of claims, shall be subject to the jurisdiction of the Court.

25. The Net Settlement Fund shall be distributed to Authorized Claimants by the Claims Administrator only after the Effective Date and after: (i) all claims have been processed, and all claimants whose claims have been rejected or disallowed, in whole or

in part, have been notified and provided the opportunity to be heard concerning such rejection or disallowance; (ii) all objections with respect to all rejected or disallowed claims have been resolved by the Court; (iii) all matters with respect to attorneys' fees, costs, and disbursements have been resolved by the Court; and (iv) the Notice and Administration Amount has been paid.

26. Payment pursuant to this Stipulation shall be deemed final and conclusive against all Class Members. All Class Members whose claims are not approved by the Court shall be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Order and Final Judgment to be entered in the Action and the releases provided for herein, and will be barred from bringing any action against the Released Persons concerning the Released Claims.

27. If any funds remain in the Net Settlement Fund by reason of uncashed checks, or otherwise, after the Claims Administrator has made reasonable and diligent efforts to have Authorized Claimants who are entitled to participate in the distribution of the Net Settlement Fund cash their distribution checks, Lead Counsel will file a motion with the Court regarding its distribution.

28. The determinations, rulings and recommendations of the Claims Administrator shall have no effect on the Settlement and shall not operate to terminate or cancel this Settlement and will not provide any basis for any party to terminate or void the Settlement.

**TERMS OF ORDER FOR NOTICE AND HEARING**

29. Concurrently with their application for preliminary Court approval of the Settlement contemplated by this Stipulation, Lead Counsel, Liaison Counsel and Defendants' Counsel jointly shall apply to the Court for entry of an Order for Notice and Hearing, substantially in the form of Exhibit A.

**TERMS OF ORDER AND FINAL JUDGMENT**

30. If the Settlement contemplated by this Stipulation is approved by the Court, counsel for the Parties shall request that the Court enter an Order and Final Judgment substantially in the form of Exhibit B.

**RIGHT OF EXCLUSION AND TO OBJECT**

31. Any Person may seek to be excluded from the Class and the Settlement provided for by this Stipulation by submitting a written request for exclusion ("Request for Exclusion"). Any Request for Exclusion must be received by the Claims Administrator no later than fourteen (14) calendar days before the Final Settlement Hearing date established by the Court. Any Class Member so excluded shall not be bound by the terms of the Stipulation, nor entitled to any of its benefits, and shall not be bound by any Order and Final Judgment and/or other order of the Court entered herein, whether pursuant to this Stipulation or otherwise.

32. Any Class Member who does not exclude himself, herself or itself from the Class and the Settlement shall have the right to submit written objections concerning the Settlement, Plan of Allocation, and/or the Fee and Expense Application, which objections shall state all of the reasons for the objection(s). Any written objection(s), and

any briefs, affidavits or other evidence submitted in support thereof must be filed with the Clerk of the Court fourteen (14) calendar days before the Settlement Fairness Hearing date established by the Court and served upon Lead Counsel and Defendants' Counsel so they are received no later than 14 days before the Settlement Fairness Hearing. All persons and/or entities desiring to attend the Settlement Fairness Hearing and be heard as objectors must have filed and served written objections as provided herein, as a condition of appearing and being heard at such Hearing. Any Class Member who does not timely file written objections to the Settlement pursuant to this paragraph and the Notice shall not be permitted to object to the Settlement at the Settlement Fairness Hearing, and shall be foreclosed from objecting to, challenging or otherwise seeking review of the Settlement by appeal or otherwise, in this Action or in any other action.

33. To retract or withdraw a Request for Exclusion, a Class Member may so inform Lead Counsel or the Claims Administrator stating the person's or entity's desire to retract or withdraw his, her or its Request for Exclusion and that person's or entity's desire to be bound by any judgment or settlement in this Action. Lead Counsel shall promptly notify Defendants' Counsel of any retraction or withdrawal of a Request for Exclusion.

**EFFECTIVE DATE OF SETTLEMENT, WAIVER OR TERMINATION**

34. The Effective Date of Settlement shall be the date when all the following shall have occurred:

- (a) funding of the Settlement Fund in conformity with paragraph 8, above;
- (b) entry of the Order for Notice and Hearing in all material respects in

the form of Exhibit A;

(c) approval by the Court of the Settlement, following notice to the Class and a hearing, as prescribed by Rule 23 of the Federal Rules of Civil Procedure;

(d) Bankruptcy Court Approval, if the Effective Date as to the Plan has not yet occurred; and

(e) entry by the Court of an Order and Final Judgment, in all material respects in the form of Exhibit B, and the expiration of any time for appeal or review of such Order and Final Judgment, or, if any appeal is filed and not dismissed, after such Order and Final Judgment is upheld on appeal in all material respects and is no longer subject to review upon appeal or review by writ of certiorari, or, in the event that the Court enters an order and final judgment in a form other than that provided above (“Alternative Judgment”) and none of the Parties hereto elect to terminate this Settlement, the date that such Alternative Judgment becomes final and no longer subject to appeal or review.

35. Defendants’ Counsel or Lead Counsel shall have the right to terminate the Settlement and this Stipulation by providing written notice of their election to do so (“Termination Notice”) to all other Parties hereto within thirty (30) calendar days of: (a) the Court’s declination to enter the Order for Notice and Hearing in any material respect; (b) the Court’s declination to approve the Settlement or this Stipulation or any material part of the Stipulation; (c) the Court’s declination to enter the Order and Final Judgment in any material respect; (d) the date upon which the Order and Final Judgment is modified or reversed in any material respect by a Court of Appeals or the United States Supreme Court; or (e) the date upon which an Alternative Judgment is modified or

reversed in any material respect by a Court of Appeals or the United States Supreme Court.

36. If, prior to the Settlement Hearing, any Persons who otherwise would be Class Members have timely requested exclusion (“Requests for Exclusion”) from the Settlement Class in accordance with the provisions of the Notice Order and the Notice given pursuant thereto, and such Persons in the aggregate purchased or otherwise acquired a number of shares of GSI common stock during the relevant time periods in an amount equal to or greater than the sum specified in a separate “Supplemental Stipulation” between Lead Plaintiff and GSI, GSI shall have, in its sole and absolute discretion, the option to terminate this Stipulation in accordance with the procedures set forth in the Supplemental Stipulation. The Lead Plaintiff and Lead Counsel shall have the right to seek a retraction of any Request for Exclusion. The Supplemental Stipulation will not be filed with the Court. If required by the Court, the Supplemental Stipulation and/or any of its terms may be disclosed *in camera* to the Court for purposes of approval of the Settlement, but such disclosure shall be carried out to the fullest extent possible in accordance with the practices of the Court so as to preserve the confidentiality of the Supplemental Stipulation, particularly the threshold aggregate number of shares. Copies of all Requests for Exclusion received, together with copies of all written revocations of Requests for Exclusion, shall be delivered to Defendants’ Counsel as soon as possible after receipt by Lead Counsel but in any event no later than five (5) business days before the Settlement Hearing.

37. An order of the Court or modification or reversal on appeal of any order of the Court concerning (a) the Plan of Allocation, or (b) the Fee and Expense Application,

or (c) the determinations of the Claims Administrator shall not constitute grounds for cancellation or termination of this Stipulation or the Settlement.

38. Except as otherwise provided herein, in the event the Settlement is terminated or fails to become effective for any reason; is not approved by the District Court; to the extent required by law, Bankruptcy Court Approval is required and is not timely obtained; or the Settlement is otherwise terminated: (a) the Settlement shall be without prejudice, and none of its terms shall be effective or enforceable, except to the extent any of the Notice and Administration Amount has been incurred or expended; (b) the Parties to this Stipulation shall be deemed to have reverted to their respective litigation positions as of March 16, 2010, and, except as otherwise expressly provided, the Parties shall proceed in all respects as if this Stipulation and any related orders had not been entered; (c) the fact and terms of this Settlement shall not be admissible in any trial of this Action; and (d) any portion of the Settlement Fund previously paid or caused to be paid by Defendants, together with any interest accrued thereon, less the Notice and Administration Amount, shall be returned to the parties who paid it into the Settlement Fund in accordance with their respective contributions within ten (10) calendar days.

**NO ADMISSION OF WRONGDOING**

39. This Stipulation and all negotiations, statements, and proceedings in connection herewith shall not, in any event, be construed or deemed to be evidence of an admission or concession on the part of Lead Plaintiff, the Defendants or any Class Member, of any liability or wrongdoing by them, or any of them, and shall not be offered or received in evidence in any action or proceeding (except an action to enforce this Stipulation and Settlement contemplated hereby), or be used in any way as an admission,

concession, or evidence of any liability or wrongdoing of any nature, and shall not be construed as, or deemed to be evidence of, an admission or concession that Lead Plaintiff, any Class Member or any present or former stockholder of GSI, has or has not suffered any damage. Nothing in this paragraph shall prevent Released Persons from filing this Stipulation and/or the Judgment entered in this Action in any other action that may be brought against them in order to support a defense or counterclaim based on principles of res judicata, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

#### **MISCELLANEOUS PROVISIONS**

40. All of the exhibits attached hereto are material and integral parts hereof and are hereby incorporated by reference as though fully set forth herein.

41. The Parties to this Stipulation intend the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by the Class Members against the Released Persons with respect to the Released Claims. Accordingly, Lead Plaintiff, on behalf of itself and the Class, and Defendants agree not to assert in any forum that the Action was brought by any plaintiff or defended by Defendants in bad faith or without a reasonable basis. The Parties and their Counsel will not make any application for sanctions, pursuant to Rule 11 of the Federal Rules of Civil Procedure or any other court rule or statute, relating to the prosecution, defense, or settlement of any claims or defenses of the Action. The Parties agree that the amount paid and the other terms of the Settlement were negotiated at arm's-length in good faith by the Parties, and reflect a settlement that was reached voluntarily after consultation

with experienced legal counsel.

42. This Stipulation may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by all Parties hereto or their successors-in-interest.

43. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

44. The administration and consummation of the Settlement as embodied in this Stipulation shall be under the authority of the Court, and the Court shall retain jurisdiction for the purpose of entering orders providing for awards of attorneys' fees and expenses to Lead Counsel and enforcing the terms of this Stipulation.

45. The waiver by one party of any breach of this Stipulation by any other party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

46. This Stipulation and its exhibits constitute the entire agreement among the Parties hereto concerning the Settlement of the Action, and no representations, warranties, or inducements have been made by any party hereto concerning this Stipulation and its exhibits other than those contained and memorialized in such documents.

47. This Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument.

48. This Stipulation is binding upon and shall inure to the benefit of the Parties and their respective agents, successors, executors, heirs and assigns.

49. The construction, interpretation, operation, effect and validity of this Stipulation, and all documents necessary to effectuate it, shall be governed by the laws of the Commonwealth of Massachusetts without regard to any choice of law provision, except to the extent that federal law requires that federal law governs.

50. This Stipulation shall not be construed more strictly against one party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Parties, it being recognized that it is the result of arm's-length negotiations between the Parties, and all Parties have contributed substantially and materially to the preparation of this Stipulation.

51. All counsel and any other person executing this Stipulation and any of the exhibits hereto, or any related settlement documents, warrant and represent that they have the full authority to do so and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms.

52. Lead Counsel and Defendants' Counsel agree to cooperate fully with one another in seeking Court approval of the Order for Notice and Hearing, the Stipulation and the Settlement, and to promptly agree upon and execute all such other documentation as may be reasonably required to obtain final approval by the Court of the Settlement.

53. The Parties agree that the mediator for the Action, David Geronemus, Esq., shall continue to assist them with any disputes on the terms of the Settlement until such time as the Court grants preliminary approval of the Settlement.

Dated: July 29, 2010

**WILSON SONSINI GOODRICH  
& ROSATI, P.C.**

---


Nina F. Locker (*pro hac vice*)  
Caz Hashemi (*pro hac vice*)  
650 Page Mill Road  
Palo Alto, CA 94304-1050  
Telephone: (650) 493-9300

*Attorneys for Defendants GSI  
Group Inc., Sergio Edelstein, and  
Robert Bowen*

Dated: July 29, 2010

**COHEN MILSTEIN SELLERS &  
TOLL PLLC**

---



Lisa M. Mezzetti (*pro hac vice*)  
S. Douglas Bunch (*pro hac vice*)  
1100 New York Avenue, N.W.  
Suite 500, West Tower  
Washington, DC 20005  
Telephone: (202) 408-4600

*Lead Counsel for Lead Plaintiff  
Mason Tenders' District Council  
Trust Funds*

53. The Parties agree that the mediator for the Action, David Geronemus, Esq., shall continue to assist them with any disputes on the terms of the Settlement until such time as the Court grants preliminary approval of the Settlement.

Dated: July 29, 2010

**WILSON SONSINI GOODRICH  
& ROSATI, P.C.**



Nina F. Locker (*pro hac vice*)  
Caz Hashemi (*pro hac vice*)  
650 Page Mill Road  
Palo Alto, CA 94304-1050  
Telephone: (650) 493-9300

*Attorneys for Defendants GSI  
Group Inc., Sergio Edelstein, and  
Robert Bowen*

Dated: July 29, 2010

**COHEN MILSTEIN SELLERS &  
TOLL PLLC**

---

Lisa M. Mezzetti (*pro hac vice*)  
S. Douglas Bunch (*pro hac vice*)  
1100 New York Avenue, N.W.  
Suite 500, West Tower  
Washington, DC 20005  
Telephone: (202) 408-4600

*Lead Counsel for Lead Plaintiff  
Mason Tenders' District Council  
Trust Funds*