ENTEGRIS INC
Form S-4/A
June 13, 2005
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As filed with the Securities and Exchange Commission on June 13, 2005

Registration No. 333-124719

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

to

FORM S-4

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

ENTEGRIS, INC.[1]

EAGLE DE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Minnesota	**2033**	**41-1941551**
Delaware	**2033**	**41-1941551[2]**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

3500 Lyman Boulevard

Chaska, Minnesota 55318

(952) 556-3131

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

John D. Villas

Chief Financial Officer

Entegris, Inc.

3500 Lyman Boulevard

Chaska, Minnesota 55318

(952) 556-3131

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Douglas P. Long	**David B. Walek**
Faegre & Benson LLP	**Ropes & Gray LLP**
90 South Seventh Street	**One International Place**
2200 Wells Fargo Center	**Boston, MA 02110**
Minneapolis, MN 55402	

Approximate date of commencement of proposed sale to public: As soon as practicable following the effective date of this registration statement and the date on which all other conditions to the merger of Mykrolis Corporation with and into Eagle DE, Inc. pursuant to the merger agreement described in the enclosed joint proxy statement/prospectus have been satisfied or waived. Eagle DE, Inc. is the successor issuer, within the meaning of Rule 12g-3 under the Securities Exchange Act of 1934, to Entegris, Inc. in connection with the reincorporation merger of Entegris, Inc. with and into Eagle DE, Inc. The Registrant hereunder shall be Entegris, Inc. and its successor issuer, Eagle DE, Inc., a Delaware corporation.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

(1) Entegris, Inc., a Minnesota corporation, will reincorporate in Delaware in connection with this offering by way of a merger with and into its wholly owned subsidiary, Eagle DE, Inc., a Delaware corporation, which will change its name to Entegris, Inc. in such reincorporation merger and which expressly adopts this Registration Statement for all purposes under the Securities Act. Eagle DE, Inc. is referred to as Entegris Delaware in this joint proxy statement/prospectus.

(2) Upon completion of the reincorporation merger referred to above, Entegris Delaware will retain the I.R.S. employer identification number currently assigned to Entegris.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY COPY

SUBJECT TO COMPLETION, DATED JUNE 13, 2005

MERGER PROPOSED   YOUR VOTE IS IMPORTANT

The boards of directors of Entegris, Inc. and Mykrolis Corporation have each unanimously approved a strategic merger of equals of the two companies. The combined company, which will be headquartered in Chaska, Minnesota immediately after the merger, will have approximately 2,700 full-time employees worldwide, excluding temporary workers. We believe that the merger will benefit the stockholders of both companies, and we ask for your support in voting for the merger proposals at our respective stockholder meetings.

Immediately prior to the merger, Entegris will reincorporate in the State of Delaware. Mykrolis will then merge with and into Entegris. In the merger, each share of Mykrolis common stock will be converted into the right to receive 1.39 shares of Entegris common stock and cash in lieu of fractional shares. After completion of the merger, the current stockholders of Entegris are expected to own approximately 56% of the combined company and the current stockholders of Mykrolis are expected to own approximately 44% of the combined company. The merger will be tax-free to Entegris stockholders and Mykrolis stockholders, except Mykrolis stockholders may recognize gain on any cash received in lieu of fractional shares of Entegris. No stockholders of Entegris or Mykrolis will have dissenters appraisal rights in the reincorporation or the merger.

The combined company will be a Delaware corporation named Entegris, Inc. Entegris common stock is currently traded on The NASDAQ National Market under the symbol ENTG, and we intend to apply to have the combined company s shares listed on The NASDAQ National Market at the time of the merger. The listing of Entegris shares of common stock on The NASDAQ National Market at that time is a condition to the closing of the merger. Upon completion of the merger, Mykrolis common stock, which is listed on the New York Stock Exchange under the symbol MYK, will be delisted.

We are asking stockholders of Entegris to consider and vote upon proposals to:

- approve and adopt the merger agreement providing for the merger and the merger (including the issuance of Entegris common stock in connection with the merger);
- reincorporate Entegris under the Delaware General Corporation Law and approve and adopt the agreement and plan of merger providing for the reincorporation; and
- approve a classified board of directors for Entegris.

Entegris special meeting will be held on **[** **]**, 2005, at **[** **]** a.m., local time, at **[**the Oak Ridge Conference Center, 1 Oak Ridge Drive, Chaska, Minnesota**]**. Entegris board of directors unanimously recommends that Entegris stockholders vote **FOR** each of the foregoing proposals.

We are asking stockholders of Mykrolis to:

- consider and vote upon a proposal to approve and adopt the merger agreement providing for the merger and the merger; and
- vote on the election of Mykrolis directors as described in the attached notice and joint proxy statement/prospectus. If the merger is completed, the terms of the Mykrolis directors, including those elected at the meeting, will expire upon such completion.

Mykrolis special meeting in lieu of annual meeting will be held on **[ ]**, 2005, at 10:00 a.m., local time, at 129 Concord Road, Billerica, Massachusetts. Mykrolis board of directors unanimously recommends that Mykrolis stockholders vote **FOR** the merger and the adoption of the merger agreement, and **FOR** the election of the nominated directors.

In considering the recommendations of Entegris and Mykrolis boards of directors with respect to the merger, you should be aware that certain directors and officers of Entegris and Mykrolis may have interests in the merger that are different from, or in addition to, their interests as Entegris or Mykrolis stockholders generally, as described in more detail in this joint proxy statement/prospectus.

We cannot complete the merger unless stockholders of both companies approve it and Entegris stockholders approve the proposed reincorporation of Entegris in Delaware. Approvals of the classified board of directors of Entegris and the election of Mykrolis directors are not conditions of the merger.

This joint proxy statement/prospectus provides you with detailed information about the stockholder meetings and the proposed merger and the other proposals to be voted on. We urge you to read this material, including the section describing certain risk factors beginning on page 17, carefully and in its entirety.

We enthusiastically support this combination of our two outstanding companies and join with all the other members of our respective boards of directors in recommending that you vote **FOR** the proposals described herein.

JAMES E. DAUWALTER Chief Executive Officer *Entegris, Inc.*	GIDEON ARGOV Chief Executive Officer *Mykrolis Corporation*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated **[ ]**, 2005,

and is first being mailed to Entegris and Mykrolis stockholders on or about **[ ]**, 2005.

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REFERENCES TO ADDITIONAL INFORMATION

Except where we indicate otherwise, as used in this joint proxy statement/prospectus, Entegris refers to Entegris, Inc. and its consolidated subsidiaries prior to Entegris, Inc. s reincorporation merger with and into its wholly owned subsidiary, Eagle DE, Inc. Mykrolis refers to Mykrolis Corporation and its consolidated subsidiaries, and Entegris Delaware refers to Eagle DE, Inc. and, after the reincorporation merger, Eagle DE, Inc. (which is a Delaware corporation that will be renamed Entegris, Inc. in the reincorporation merger) and its consolidated subsidiaries. This joint proxy statement/prospectus incorporates important business and financial information about Entegris and Mykrolis from documents that each company has filed with the Securities and Exchange Commission but that have not been included in or delivered with this joint proxy statement/prospectus. For a list of documents incorporated by reference into this joint proxy statement/prospectus, see Where You Can Find More Information beginning on page [ ].

This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference into this joint proxy statement/prospectus by accessing the Securities and Exchange Commission s website maintained at *www.sec.gov*.

In addition, Entegris Securities and Exchange Commission filings are available to the public on Entegris website, *www.entegris.com*, and Mykrolis filings with the Securities and Exchange Commission are available to the public on Mykrolis website, *www.mykrolis.com*. Information contained on Entegris website and Mykrolis website is not incorporated by reference into this joint proxy statement/prospectus, and you should not consider information contained on those websites as part of this joint proxy statement/prospectus.

Entegris will provide you with copies of this information relating to Entegris, without charge, if you request it in writing from Entegris, Inc., 3500 Lyman Boulevard, Chaska, Minnesota 55318.

If you would like to request documents from Entegris, please do so by [ ] [ ], 2005, in order to receive them before the Entegris special meeting.

Mykrolis will provide you with copies of this information relating to Mykrolis, without charge, if you request it in writing from Mykrolis Corporation, 129 Concord Road, Billerica, Massachusetts 01821.

If you would like to request documents from Mykrolis, please do so by [ ] [ ], 2005, in order to receive them before the Mykrolis special meeting in lieu of annual meeting.

Entegris has supplied all information contained in or incorporated by reference in this joint proxy statement/prospectus relating to Entegris and Entegris Delaware, and Mykrolis has supplied all information contained in or incorporated by reference in this joint proxy statement/prospectus relating to Mykrolis. Entegris and Mykrolis have both contributed to the information contained in this joint proxy statement/prospectus relating to the merger.

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ENTEGRIS, INC.

3500 Lyman Boulevard

Chaska, Minnesota 55318

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

to be held on [ ], 2005

NOTICE IS HEREBY GIVEN that the Special Meeting of Stockholders of Entegris, Inc., a Minnesota corporation, will be held on [ ],[ ], 2005, at [ ] a.m., local time, at [the Oak Ridge Conference Center, 1 Oak Ridge Drive, Chaska, Minnesota], for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger (the merger agreement), dated as of March 21, 2005, by and among Entegris, Inc., a Minnesota corporation, Eagle DE, Inc., a Delaware corporation and a wholly owned subsidiary of Entegris (referred to as Entegris Delaware), and Mykrolis Corporation, a Delaware corporation, including the merger of Mykrolis with and into Entegris Delaware (immediately following the reincorporation merger described in proposal 2 below) as contemplated thereby and the issuance of new shares of common stock of Entegris Delaware to the stockholders of Mykrolis in the merger. In the merger, each outstanding share of Mykrolis common stock will be automatically converted into the right to receive 1.39 shares of Entegris Delaware common stock;

2. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger (the reincorporation merger agreement) dated as of March 21, 2005, by and between Entegris and Entegris Delaware and the reincorporation merger contemplated thereby (the reincorporation merger), whereby Entegris would reincorporate from a Minnesota corporation to a Delaware corporation, including approval of the proposed certificate of incorporation and bylaws of Entegris Delaware attached as *Annex C-1* and *Annex D*, respectively, to this joint proxy statement/prospectus, provided that if proposal 3 set forth below is not approved, the certificate of incorporation of Entegris Delaware will read as set forth on *Annex C-2* hereto and the bylaws of Entegris Delaware set forth on *Annex D* hereto will be revised by the board of directors of Entegris Delaware to remove the classified board provisions and include provisions substantially similar to Article IX set forth in *Annex C-2* hereto but will otherwise read as set forth on *Annex D*. In the reincorporation merger, each outstanding share of Entegris common stock will be automatically converted into one share of Entegris Delaware common stock and the name of Entegris Delaware will be changed to Entegris, Inc.;

3. To consider and vote upon a proposal to approve a classified board for Entegris Delaware as provided in Article IX of the proposed certificate of incorporation of Entegris Delaware set forth in *Annex C-1* hereto; and

4. To consider and vote upon a proposal to approve adjournments or postponements of the Entegris special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Entegris special meeting to approve the above proposals.

Each of the proposals is more fully described in this joint proxy statement/prospectus.

June 17, 2005 has been fixed as the record date for the meeting. Only stockholders of record at the close of business on that date are entitled to receive notice of and vote at the meeting and any adjournment or postponement of the meeting.

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Neither the merger nor the reincorporation merger will occur unless both proposal 1 and proposal 2 are approved. Approval of proposals 3 and 4, however, is not a condition to either the merger or the reincorporation merger. If either proposal 1 or proposal 2 (or both) is not approved, then proposal 3 will be null and have no effect.

By Order of the Board of Directors,
John D. Villas
Secretary

Chaska, Minnesota

[ ], 2005,

Entegris board of directors unanimously recommends that Entegris stockholders vote FOR each of the proposals.

Your proxy is important to ensure a quorum at the meeting. Even if you own only a few shares, and whether or not you plan to attend the Entegris special meeting in person, please complete, date, sign and return the enclosed proxy card or voting instruction card in the enclosed envelope promptly or submit your proxy or voting instructions by calling [ ] or using the Internet [( )] by following the instructions included with your proxy card. Please note that if your shares are not registered in your own name, your bank, broker or other institution holding your shares may not offer telephone or Internet voting. The enclosed envelope requires no postage if mailed in the United States. If you attend the Entegris special meeting, you may revoke your proxy, if any, and vote in person if you wish, even if you have previously returned your proxy card or submitted your proxy instructions by telephone or the Internet. However, if you hold shares through a bank or broker and wish to vote in person at the meeting, you may not do so unless you receive a valid proxy from your bank or broker.

Please vote your shares promptly. You can find instructions for voting on the enclosed proxy card(s).

If you have questions, contact

MacKenzie Partners, Inc.

Call Toll-Free: (800) 332-2885

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MYKROLIS CORPORATION

129 Concord Road

Billerica, Massachusetts 01821

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS IN LIEU OF ANNUAL MEETING

to be held on [ ], 2005,

NOTICE IS HEREBY GIVEN that the Special Meeting of Stockholders of Mykrolis Corporation, a Delaware corporation, in Lieu of Annual Meeting will be held on [ ], [ ], 2005, at 10:00 a.m., local time, at 129 Concord Road, Billerica, Massachusetts, for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger (the merger agreement), dated as of March 21, 2005, by and among Entegris, Inc., a Minnesota corporation, Eagle DE, Inc., a Delaware corporation and a wholly owned subsidiary of Entegris (referred to as Entegris Delaware), and Mykrolis Corporation, a Delaware corporation, including the merger of Mykrolis with and into Entegris Delaware as contemplated thereby. Pursuant and subject to the terms of the merger agreement (and the related reincorporation merger agreement), Entegris will reincorporate in Delaware by merging with and into Entegris Delaware, immediately following which Mykrolis will merge with and into Entegris Delaware. In the merger, each outstanding share of Mykrolis common stock will be automatically converted into the right to receive 1.39 shares of Entegris Delaware common stock. In connection with the reincorporation merger, the name of Entegris Delaware will be changed to Entegris, Inc.;

2. To consider and vote upon a proposal to elect two Class II Directors to the Mykrolis board of directors with terms expiring at the 2008 annual meeting of stockholders or upon completion of the merger, if earlier; and

3. To consider and vote upon a proposal to approve adjournments or postponements of the Mykrolis special meeting in lieu of annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Mykrolis special meeting in lieu of annual meeting to approve the above proposals.

Each of the proposals is more fully described in this joint proxy statement/prospectus.

June 17, 2005 has been fixed as the record date for the meeting. Only stockholders of record at the close of business on that date are entitled to receive notice of and vote at the meeting and any adjournment or postponement of the meeting.

Approval of proposals 2 and 3 is not a condition to the merger.

By Order of the Board of Directors,
Peter W. Walcott
Secretary

Billerica, Massachusetts

[ ], 2005

Mykrolis board of directors unanimously recommends that Mykrolis stockholders vote FOR each of the proposals.

Your proxy is important to ensure a quorum at the meeting. Even if you own only a few shares, and whether or not you plan to attend the Mykrolis special meeting in lieu of annual meeting in person, please complete, date, sign and return the enclosed proxy card or voting instruction card in the enclosed envelope promptly or submit your proxy or voting instructions by calling [ ] or using the Internet [( )]

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by following the instructions included with your proxy card. Please note that if your shares are not registered in your own name, your bank, broker or other institution holding your shares may not offer telephone or Internet voting. The enclosed envelope requires no postage if mailed in the United States. If you attend the Mykrolis special meeting in lieu of annual meeting, you may vote in person if you wish, even if you have previously returned your proxy card or submitted your proxy instructions by telephone or the Internet. However, if you hold shares through a bank or broker and wish to vote in person at the meeting, you may not do so unless you receive a valid proxy from your bank or broker.

Please vote your shares promptly. You can find instructions for voting on the enclosed proxy card(s).

If you have questions, contact

MacKenzie Partners, Inc.

Call Toll-Free: (800) 322-2885

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following questions and answers briefly address some commonly asked questions about the merger, the stockholders meetings, the effect of the merger on the holders of common stock of Entegris and Mykrolis, and Entegris reincorporation from a Minnesota corporation to a Delaware corporation. They may not include all the information that is important to you. We urge you to read carefully this entire document, including the annexes and the other documents to which we have referred you. We have included page references in this summary to direct you to a more detailed description of each topic presented elsewhere in this joint proxy statement/prospectus.

Q: What will happen in the merger?

A: We are proposing to combine our companies in a merger of equals transaction. In the transaction, Entegris will effect a reincorporation from a Minnesota corporation to a Delaware corporation (the reincorporation). Mykrolis will then merge with and into Entegris Delaware, the corporation resulting from the reincorporation, and the combined company will be named Entegris, Inc. As a result of the merger of Mykrolis with and into Entegris Delaware, Mykrolis will cease to exist and Entegris Delaware will continue as a public company that holds and conducts the combined business of Mykrolis and Entegris.

In the transaction, Entegris Delaware s certificate of incorporation will be amended and restated as provided in *Annex C-1* hereto, and its bylaws will be amended and restated as provided in *Annex D* hereto. *Annex C-1* includes provisions relating to a so-called classified board, and the stockholders of Entegris will be asked to separately approve a proposal for the classified board. Approval of the classified board proposal, however, is not required to consummate the transaction. If the classified board proposal is not approved, Entegris Delaware s certificate of incorporation will read as set forth in *Annex C-2* and the bylaws set forth in *Annex D* will be revised by the Entegris Delaware board of directors to remove the classified board provisions and include provisions substantially similar to Article IX set forth in *Annex C-2*. See page [ ].

Q: When is the Entegris special meeting?

A: The Entegris special meeting will be held on [ ], 2005, at the location and time indicated on the cover of this joint proxy statement/prospectus. See page [ ].

Q: When is the Mykrolis special meeting in lieu of annual meeting?

A: The Mykrolis special meeting in lieu of annual meeting will be held on [ ], 2005, at the location and time indicated on the cover of this joint proxy statement/prospectus. See page [ ].

Q: On what are Entegris stockholders being asked to vote?

A: Entegris board is asking Entegris stockholders to vote upon the following:

1. A proposal to approve and adopt the merger agreement and the merger of Mykrolis with and into Entegris Delaware, including the issuance of new shares of Entegris Delaware to Mykrolis stockholders in connection with the merger (see page [ ]);

2. A proposal to approve and adopt the reincorporation merger agreement and the reincorporation merger, including the proposed certificate of incorporation and bylaws of Entegris Delaware attached as *Annex C-1* and *Annex D*, respectively, to this joint proxy

statement/prospectus, provided that if proposal 3 set forth below is not approved, the certificate of incorporation of Entegris Delaware will read as set forth on *Annex C-2* hereto and the bylaws of Entegris Delaware set forth on *Annex D* hereto will be revised by the Entegris Delaware board of directors to remove the classified board provisions and include provisions substantially similar to Article IX set forth in *Annex C-2* hereto but will otherwise read as set forth on *Annex D* (see page [ ]);

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3. A proposal to approve a classified board for Entegris Delaware as provided in Article IX of the proposed certificate of incorporation of Entegris Delaware attached as *Annex C-1* to this joint proxy statement/prospectus (see page **[ ]**); and

4. A proposal to approve adjournments or postponements of the Entegris special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Entegris special meeting to approve the above proposals (see page **[ ]**).

Neither the merger nor the reincorporation merger will occur unless both proposal 1 and proposal 2 are approved. Approval of proposals 3 and 4 is not a condition to either the merger or the reincorporation merger. If either proposal 1 or proposal 2 (or both) is not approved, then proposal 3 will be null and have no effect.

Q: Are the reincorporation and the merger each conditioned upon the other?

A: The consummation of the reincorporation is conditioned on approval of the merger, and the consummation of the merger is conditioned on completion of the reincorporation. The reincorporation will not be effected unless all conditions to the merger have been satisfied or waived and Entegris Delaware and Mykrolis are prepared to consummate the merger immediately after the effective time of the reincorporation merger, and the merger will not occur if the reincorporation is not effected. See page **[ ]**.

The approval of the classified board provisions of Entegris Delaware s certificate of incorporation is not required to consummate either the proposal relating to the merger or the proposal relating to the reincorporation. It is a condition to the classified board proposal, however, that proposals 1 and 2 be approved and that the reincorporation merger and the merger occur. See page **[ ]**.

Q: What is Entegris proposed reincorporation from a Minnesota corporation to a Delaware corporation?

A: The proposed reincorporation involves changing Entegris state of incorporation from Minnesota to Delaware. The reincorporation will be effected by merging Entegris into a wholly owned subsidiary, named Eagle DE, Inc., which is incorporated in Delaware and which was formed for this purpose. Throughout this joint proxy statement/prospectus, the term Entegris refers to Entegris, Inc., the existing Minnesota corporation, and the term Entegris Delaware refers to Eagle DE, Inc., which is the proposed successor to Entegris in the proposed reincorporation.

Upon the consummation of the reincorporation, Entegris will cease to exist as a corporate entity and Entegris Delaware will continue to operate Entegris business under the name Entegris, Inc. Each outstanding share of Entegris common stock will be automatically converted into one share of Entegris Delaware common stock at the effective time of the reincorporation. Each stock certificate representing issued and outstanding shares of Entegris common stock will represent the same number of shares of common stock of Entegris Delaware and need not be surrendered. Entegris expects to consummate the reincorporation immediately prior to the consummation of the merger. See page **[ ]**.

Q: Why is Entegris reincorporating as a Delaware corporation?

A: During the negotiation of the merger agreement, Mykrolis asked Entegris to agree to reincorporate in Delaware and that the reincorporation be made a condition to completion of the merger. Mykrolis is a Delaware corporation and desires that the combined company be a Delaware corporation. As part of the negotiations, the Entegris board of directors agreed to Mykrolis request. As a result, the merger agreement provides that completion of the merger is conditioned on approval by Entegris stockholders of the reincorporation proposal and completion of the reincorporation.

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Many major corporations have chosen Delaware for their domicile or have subsequently reincorporated in Delaware. Because of Delaware s significance as the state of incorporation for many major corporations, the Delaware judiciary has become particularly familiar with matters of corporate law, and a substantial body of court decisions has developed construing Delaware s corporation laws. Consequently, Delaware corporate law has been, and is likely to continue to be, interpreted and explained in a number of significant court decisions, a circumstance which may provide greater predictability with respect to the combined company s legal affairs.

Q: What is the proposal to approve a classified board for Entegris Delaware?

A: The proposal to approve a classified board for Entegris Delaware would result in Entegris Delaware s board of directors being divided into three classes of directors serving staggered terms. Staggering the terms of directors means that at the annual meeting in any given year, only a fraction (roughly one-third) of the directors are up for re-election. A classified board can increase the likelihood of continuity and stability in the policies formulated by the board of directors and increase a corporation s ability to attract and retain desirable directors. A classified board may also prevent potential unsolicited acquirors from quickly obtaining control of the company in certain circumstances and thereby discourage attempts to acquire the company or remove management. The classification of directors would also have the effect of making it more difficult for stockholders to change the composition of Entegris Delaware s board of directors in a relatively short period of time. See page **[ ]**.

Q: On what are Mykrolis stockholders being asked to vote?

A: Mykrolis board is asking Mykrolis stockholders to vote upon the following:

1. A proposal to approve and adopt the merger agreement and the merger (see page **[ ]**);

2. A proposal to elect two Class II Directors to the Mykrolis board of directors with terms expiring at the Mykrolis 2008 annual meeting of stockholders or upon completion of the merger, if earlier (see page **[ ]**); and

3. A proposal to approve adjournments or postponements of the Mykrolis special meeting in lieu of annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Mykrolis special meeting in lieu of annual meeting to approve the above proposals (see page **[ ]**).

Approval of proposals 2 and 3 is not a condition to the merger.

Q: Who is eligible to vote at the Entegris stockholder meeting?

A: Entegris stockholders are eligible to vote at the Entegris stockholder meeting if they were stockholders of record at the close of business on June 17, 2005. See page **[ ]**.

Q: Who is eligible to vote at the Mykrolis stockholder meeting?

A: Mykrolis stockholders are eligible to vote at the Mykrolis stockholder meeting if they were stockholders of record at the close of business on June 17, 2005. See page **[ ]**.

Q: What vote is needed by Entegris stockholders to approve the proposals described above relating to the merger, the reincorporation merger and the classified board?

A: Each proposal requires the approval of the holders of a majority of the outstanding shares of Entegris common stock as of the record date, except that the proposal to approve the classified board requires the

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approval of the holders of at least 51% of the outstanding shares of Entegris common stock as of the record date. If an Entegris stockholder does not vote, it will have the same effect as a vote against each proposal. See page [ ].

Q: What vote is needed by Mykrolis stockholders to approve the merger agreement and the merger?

A: The proposal to approve and adopt the merger agreement and the merger requires the approval of the holders of a majority of the outstanding shares of Mykrolis common stock as of the record date. If a Mykrolis stockholder does not vote, it will have the same effect as a vote against the proposal to approve and adopt the merger agreement and the merger. See page [ ].

Q: How many votes does each share of Entegris common stock have?

A: Each share of Entegris common stock has one vote per share under the Entegris articles of incorporation and bylaws. See page [ ]. For a copy of Entegris articles of incorporation and bylaws, see Where You Can Find More Information beginning on page [ ]. Entegris articles of incorporation and bylaws are attached as Exhibits 3.3 and 3.4, respectively, to the Form S-4 registration statement of which this joint proxy statement/prospectus is a part.

Q: How many votes does each share of Mykrolis common stock have?

A: Each share of Mykrolis common stock has one vote per share under the Mykrolis certificate of incorporation. See page [ ]. For a copy of Mykrolis certificate of incorporation, see Where You Can Find More Information beginning on page [ ].

Q: How do Entegris directors and executive officers intend to vote?

A: Entegris directors and executive officers have indicated that they intend to vote their shares of Entegris common stock **FOR** all the proposals to be voted on by Entegris stockholders. At the close of business on June 17, 2005, the record date for the Entegris special meeting, directors and executive officers of Entegris and their affiliates were entitled to vote, or shared the right to vote, approximately [ ]% of the shares of Entegris common stock outstanding on that date. See page [ ].

Q: How do Mykrolis directors and executive officers intend to vote?

A: Mykrolis directors and executive officers have indicated that they intend to vote their shares of Mykrolis common stock **FOR** the proposal to approve and adopt the merger agreement and the merger. At the close of business on June 17, 2005, the record date for the Mykrolis special meeting in lieu of annual meeting, directors and executive officers of Mykrolis and their affiliates were entitled to vote less than 1% of the shares of Mykrolis common stock outstanding on that date. See page [ ].

Q: Do Entegris stockholders have dissenters appraisal rights?

A: No. Entegris stockholders do not have dissenters appraisal rights relating to the reincorporation merger under Minnesota law or, upon becoming stockholders of Entegris Delaware as a result of the reincorporation merger, relating to the merger under Delaware law. See page [ ].

Q: Do Mykrolis stockholders have dissenters appraisal rights?

A: No. Mykrolis stockholders do not have dissenters appraisal rights relating to the merger under Delaware law. See page **[ ]**.

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Q: Will the rights of Entegris stockholders change as a result of the merger?

A: Yes. Entegris stockholders will become Entegris Delaware stockholders, and their rights will be governed by Delaware law and Entegris Delaware s certificate of incorporation and bylaws. A description of those rights begins on page [ ].

If the proposal relating to a classified board is approved by Entegris stockholders, the certificate of incorporation and bylaws of Entegris Delaware will read as set forth on *Annex C-1* and *Annex D* hereto, respectively. Further, the merger agreement requires the board of directors of Entegris Delaware to adopt a stockholder rights plan comparable to the Mykrolis stockholder rights plan currently in effect. Both a classified board and a stockholder rights plan, together with other provisions of the proposed certificate of incorporation of Entegris Delaware, may have the effect of hindering or discouraging attempts to acquire the company or remove management even if some or a majority of Entegris Delaware s stockholders believe this action to be in their best interest, including attempts that might result in the stockholders receiving a premium over the market price of their shares of common stock. See page [ ].

Q: Will the rights of Mykrolis stockholders change as a result of the merger?

A: The answer depends on how Entegris stockholders vote on Entegris proposal 3 (the classified board proposal). Mykrolis certificate of incorporation and bylaws currently contain classified board provisions. If Entegris stockholders approve proposals 1, 2 and 3, Entegris Delaware stockholders rights will be governed by the certificate of incorporation attached as *Annex C-1* and the bylaws attached as *Annex D* to this joint proxy statement/prospectus, each of which is substantially similar to Mykrolis current certificate of incorporation and bylaws, except that the number of authorized shares of common stock will increase from 250,000,000 to 400,000,000 to reflect the combination of Entegris and Mykrolis. See Comparison of Rights of Stockholders beginning on page [ ] for a summary of the differences between the current Mykrolis certificate of incorporation and bylaws and the proposed Entegris Delaware certificate of incorporation and bylaws. If Entegris stockholders approve proposals 1 and 2 but not proposal 3, Entegris Delaware stockholders rights will be governed by the certificate of incorporation attached as *Annex C-2* and the bylaws attached as *Annex D* to this joint proxy statement/prospectus (except that the bylaws attached as *Annex D* will be amended by the Entegris Delaware board of directors to remove the classified board provisions). See page [ ].

To obtain a copy of Mykrolis current certificate of incorporation and bylaws, see Where You Can Find More Information on page [ ].

Q: Is Entegris common stock listed on The NASDAQ National Market?

A: Yes. Entegris common stock trades on The NASDAQ National Market under the symbol ENTG. The merger agreement requires Entegris to use its best efforts to cause shares of Entegris Delaware to trade on The NASDAQ National Market at the time of the reincorporation merger and the merger and to do so under the symbol ENTG. See page [ ]. The listing of Entegris Delaware s common stock on The NASDAQ National Market is a condition to the obligation of each of Entegris and Mykrolis to complete the merger.

Q: Are there risks associated with the merger that I should consider in deciding how to vote?

A: Yes. Among other things, the combined company may not achieve the expected benefits of the merger because of the risks and uncertainties discussed in the sections entitled Risk Factors beginning on page [ ] and Cautionary Statement Concerning Forward-Looking Statements beginning on page [ ]. Those risks include risks relating to the uncertainty that Entegris and Mykrolis will be able to integrate their businesses successfully, uncertainties as to whether the combined company will achieve synergies expected to result from the merger, and uncertainties relating to the performance of the combined company following the merger. See page [ ].

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Q: Are any governmental approvals conditions to the closing of the merger?

A: Yes. The merger was subject to review by the U.S. Department of Justice and the U.S. Federal Trade Commission to determine whether it complies with the applicable antitrust laws. Under the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the merger may not be consummated until the specified waiting period requirements of that Act have been satisfied. On April 21, 2005, the Federal Trade Commission granted early termination of the waiting period.

Q: When do you expect to complete the merger?

A: If the applicable proposals are approved at the stockholder meetings, we expect to complete the merger as soon as possible after the satisfaction of the conditions to the merger. We currently anticipate that the merger will be completed in **[ ]** 2005 and not more than three business days after the stockholder meetings. See page **[ ]**.

Q: What should I do now?

A: You should read this joint proxy statement/prospectus carefully and return your completed, signed and dated proxy card(s) by mail in the enclosed postage-paid envelope as soon as possible so that your shares will be represented and voted at your meeting. You may vote your shares by proxy by signing, dating and mailing the enclosed proxy card(s). In addition, stockholders may vote by proxy by calling the toll-free telephone number or by using the Internet as described in the instructions included with either the Entegris or Mykrolis stockholders proxy card(s). A number of banks and brokerage firms participate in a program that also permits stockholders whose shares are held in street name to direct their vote by the Internet or telephone. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this joint proxy statement/prospectus. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by the Internet or telephone by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. See page **[ ]**.

Q: If I am not going to attend my stockholder meeting, should I return my proxy card(s)?

A: Yes. Returning your signed and dated proxy card(s) ensures that your shares will be represented and voted at your stockholder meeting, even if you are unable to or do not attend. Instead of returning their proxy card(s), Entegris and Mykrolis stockholders may vote by proxy by calling the toll-free telephone number or by using the Internet as described in the instructions included with the Entegris or Mykrolis stockholders proxy card(s), as the case may be. See page **[ ]**.

Q: How will my proxy be voted?

A: If you complete, sign and date your proxy card(s), or, if available, grant your proxy by telephone or the Internet, your shares will be voted in accordance with your instructions. If you sign and date your proxy card(s) but do not indicate how you want to vote, your shares will be voted **FOR** the proposals at your meeting. See page **[ ]**.

Q: What if my shares are held in street name by my broker?

A: **Your broker will vote your shares with respect to the proposals at your meeting only if you provide written instructions to your broker on how to vote.** You should instruct your broker using the instruction form and envelope provided by your broker. If you do not provide your broker with instructions, your broker will not be authorized to vote with respect to the applicable proposals at your meeting (other than the

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Mykrolis director proposal and the proposals regarding adjournments). If you hold your shares in your broker s name and wish to vote in person at the meeting, you must contact your broker and request a document called a broker s proxy. You must bring this broker s proxy to your meeting in order to vote in person. See page [ ].

Q: What if Entegris stockholders abstain from voting or do not instruct their brokers to vote their shares?

A: If an Entegris stockholder does not vote or does not instruct a broker how to vote shares of Entegris common stock held in street name, i.e., broker non-votes, it will have the same effect as a vote against the proposals to approve and adopt the merger agreement and the merger and the reincorporation merger agreement and the reincorporation merger and to approve the classified board. See page [ ].

Q: What if Mykrolis stockholders abstain from voting or do not instruct their brokers to vote their shares?

A: If a Mykrolis stockholder does not vote or does not instruct a broker how to vote shares of Mykrolis common stock held in street name, i.e., broker non-votes, it will have the same effect as a vote against the proposal to approve and adopt the merger agreement and the merger but will not affect the election of directors. See page [ ].

Q: Can I change my vote after I mail my proxy card(s) or, if available, vote by telephone or the Internet?

A: Yes. If you are a record holder of Entegris common stock or Mykrolis common stock, you can change your vote by:

- sending a written notice to the corporate secretary of Entegris or Mykrolis, respectively, that is received prior to the vote at the meeting and states that you revoke your proxy; or

- signing and dating a new proxy card(s) and submitting it so that it is received prior to the vote at the meeting or, if available, granting a new proxy by telephone or on the Internet.

Mykrolis stockholders may also revoke their proxy by attending the Mykrolis special meeting in lieu of annual meeting and voting in person. Entegris stockholders may also revoke their proxy by attending the Entegris special meeting and voting in person after having delivered to Entegris a written notice revoking their proxy.

If your shares are held in street name by your broker, you will need to contact your broker to revoke your proxy. See page [ ].

Q: Should stockholders send in their stock certificates now?

A: No. If the merger is completed, Mykrolis stockholders will be sent written instructions for sending in their stock certificates. Entegris stockholders will not need to send in their stock certificates, even if the merger is completed. See page [ ].

Q: What does it mean if I receive multiple proxy cards?

A: Your shares may be registered in more than one account, such as brokerage accounts and employee stock ownership plan accounts. It is important that you complete, sign, date and return each proxy card you receive, or, if available, vote by proxy using the telephone or the Internet as described in the instructions included with each proxy card you receive. See page [ ].

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Q: Who can answer my questions?

A: If you have any questions about the merger, the reincorporation or the stockholder meetings, need assistance in voting your shares, or need additional copies of this joint proxy statement/prospectus or the enclosed proxy card(s) or voting instructions, you should contact:

If you are an Entegris stockholder:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Telephone: (800) 322-2885

E-mail: *proxy@mackenziepartners.com*

or

Entegris, Inc.

3500 Lyman Boulevard

Chaska, Minnesota 55318

Attention: Director of Investor Relations

Telephone: (952) 556-8051

If you are a Mykrolis stockholder:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Telephone: (800) 322-2885

E-mail: *proxy@mackenziepartners.com*

or

Mykrolis Corporation

129 Concord Road

Billerica, Massachusetts 01821

Attention: Director of Investor Relations

Telephone: (978) 436-6750

Q: Where can I find more information about Entegris and Mykrolis?

A: You can find more information about Entegris and Mykrolis from various sources described under Where You Can Find More Information beginning on page [ ].

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SUMMARY

This summary of the material information contained in this joint proxy statement/prospectus may not include all the information that is important to you. To understand fully the proposed merger, and for a more detailed description of the terms and conditions of the merger, you should read this entire document and the documents to which we have referred you. See Where You Can Find More Information beginning on page **[ ]**. *We have included page references parenthetically in this summary to direct you to a more detailed description of each topic located elsewhere in this joint proxy statement/prospectus.*

Information about Entegris (beginning on page [ ])

Entegris, Inc., a Minnesota corporation, is a provider of materials integrity management products and services that protect and transport the critical materials used in key technology-driven industries. Entegris derives most of its revenue from the sale of products and services to the semiconductor and data storage industries. Entegris customers consist primarily of semiconductor manufacturers, semiconductor equipment and materials suppliers, and hard disk manufacturers which are served through direct sales efforts, as well as sales and distribution relationships, in the United States, Asia and Europe.

Entegris was incorporated in June 1999 to effect the business combination of Fluoroware, Inc., which began operating in 1966, and EMPAK, Inc., which began operating in 1980. Entegris currently has approximately 1,800 full-time employees worldwide, excluding temporary workers. Entegris executive offices are located at 3500 Lyman Boulevard, Chaska, Minnesota 55318, and can be reached at (952) 556-3131. Entegris also maintains a website at *www.entegris.com.*

Information about Mykrolis (beginning on page [ ])

Mykrolis Corporation, a Delaware corporation, is a worldwide developer, manufacturer and supplier of liquid and gas delivery systems, components and consumables used to precisely measure, deliver, control and purify the liquids, gases and chemicals that are used in the semiconductor manufacturing process. Mykrolis products are also used to manufacture a range of other products, such as flat panel displays, high purity chemicals, photoresists, solar cells, gas lasers, optical and magnetic storage devices and fiber optic cables. Mykrolis offers a diverse product line, grouped in 450 product categories, including both consumable products and equipment products. Mykrolis sells its products worldwide through a direct sales force and through distributors in selected regions.

Mykrolis was formed in 2000 in connection with the spin-off by Millipore Corporation of its microelectronics business unit (the spin-off was completed in February 2002). Mykrolis has approximately 926 full-time employees worldwide, excluding temporary workers. Mykrolis executive offices are located at 129 Concord Road, Billerica, Massachusetts 01821, and can be reached at (978) 436-6500. Mykrolis also maintains a website at *www.mykrolis.com*.

Information about Eagle DE, Inc. (beginning on page [ ])

Eagle DE, Inc. (referred to in this joint proxy statement/prospectus as Entegris Delaware) is a Delaware corporation and wholly owned subsidiary of Entegris recently formed for the purpose of effecting the reincorporation of Entegris in Delaware. At the effective time of the reincorporation merger, Entegris will merge with and into Entegris Delaware, with Entegris Delaware as the surviving corporation. Following the reincorporation merger, Entegris Delaware will change its name to Entegris, Inc.

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The Merger (beginning on page [ ])

General

On March 20, 2005, the boards of directors of each of Entegris and Mykrolis approved the combination of the two companies in a merger of equals transaction. In the transaction, Entegris will reincorporate from a Minnesota corporation to a Delaware corporation. Mykrolis will then merge with and into Entegris Delaware, the corporation resulting from the reincorporation, and the combined company will be renamed Entegris, Inc. As a result of the merger of Mykrolis with and into Entegris Delaware, Mykrolis will cease to exist and Entegris Delaware will continue as a public company that holds and conducts the combined businesses of Mykrolis and Entegris. The shares of Mykrolis common stock held by Mykrolis stockholders will be converted without any action by those stockholders into the right to receive newly issued shares of Entegris Delaware common stock upon completion of the merger. The shares of Entegris held by Entegris stockholders will be automatically converted without any action by those stockholders into shares of Entegris Delaware upon the completion of the reincorporation.

The stockholders of Entegris immediately prior to the reincorporation merger will hold approximately 56% of the outstanding capital stock of the combined company immediately following the merger. The stockholders of Mykrolis immediately prior to the merger will hold approximately 44% of the outstanding capital stock of the combined company immediately following the merger.

We encourage you to carefully read the merger agreement attached as *Annex A* to this joint proxy statement/prospectus and the reincorporation merger agreement attached as *Annex B* to this joint proxy statement/prospectus, which set forth the terms of the merger of Mykrolis with and into Entegris Delaware and the reincorporation of Entegris as a Delaware corporation.

Recommendations of Entegris and Mykrolis Boards of Directors; Entegris and Mykrolis Reasons for the Merger

The boards of directors of Entegris and Mykrolis are recommending that stockholders vote in favor of the merger because they believe, among other reasons, that the merger of Entegris and Mykrolis will create a combined company focused on materials integrity management for the microelectronics industry that has a stronger strategic and market position and an increased scale, scope and diversity of operations, product lines, served markets and customer base than could be achieved by either company on its own. The companies boards of directors also believe that the companies manufacture and sell complementary products and have complementary technologies, which they believe will enable the combined company to produce a more extensive set of materials integrity management solutions for their customers. Because Entegris and Mykrolis have different geographic strengths, the companies boards of directors believe that the combined company will have a stronger foundation for competing globally than either company would have on a stand-alone basis. The companies boards of directors believe that the merger will give stockholders of both companies the opportunity to participate in a larger company with a more diversified product line and enhanced technological capabilities and to benefit from future growth of the combined company.

The parties currently expect an estimated $15 million of annual cost savings to the combined operations of Entegris and Mykrolis as a result of the merger.

Merger Consideration

In the merger, Mykrolis stockholders will have the right to receive 1.39 shares of Entegris Delaware common stock for each outstanding share of Mykrolis common stock. Instead of fractional shares of Entegris Delaware common stock, Mykrolis stockholders will receive cash in an amount equal to the fractional interest they would otherwise receive multiplied by the per-share closing sale price of Entegris common stock on The NASDAQ National Market on the trading day immediately preceding the date of the merger. Mykrolis stockholders who hold a number of shares of Mykrolis common stock that, when multiplied by 1.39, does not

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equal an even number of shares of Entegris Delaware common stock, will receive the highest whole number of shares of Entegris Delaware common stock that results from such multiplication and cash for the remaining fractional share. For example, a Mykrolis stockholder who holds 99 shares of Mykrolis common stock will receive 137 shares of Entegris Delaware common stock (99 multiplied by 1.39 equals 137.61) and cash representing 0.61 share of Entegris Delaware common stock.

Mykrolis stockholders will not know at the time they vote on the merger the market value of the Entegris Delaware common stock that they will receive in the merger because the exchange ratio is fixed at 1.39 shares of Entegris Delaware common stock for each outstanding share of Mykrolis common stock. It is currently estimated that approximately 58.3 million shares of Entegris Delaware common stock will be issued in the merger to Mykrolis stockholders (based on approximately 41.94 million shares of Mykrolis common stock currently outstanding multiplied by the exchange ratio of 1.39).

The following table presents the high and low sales prices per share of shares of Entegris common stock as reported by The NASDAQ National Market during Entegris third fiscal quarter of 2005 through June 8, 2005 (i.e., from February 27, 2005 through June 8, 2005) and the closing price per share of Entegris common stock on June 8, 2005, and the value of the Entegris Delaware common stock Mykrolis stockholders would receive for each share of Mykrolis common stock assuming those sales prices of Entegris common stock.

Sales Price of Entegris Share	Implied Value Per Mykrolis Share
$10.22 (high)	$14.21
$8.22 (low)	$11.43
$9.74 (June 8, 2005)	$13.54

Because the exchange ratio is fixed, the market value of Entegris Delaware common stock that Mykrolis stockholders receive in the merger could be more or less than the market value of Entegris common stock at the time of the vote on the merger, depending on whether the market price of Entegris common stock decreases or increases from the time of the vote until Mykrolis stockholders receive their Entegris Delaware stock.

At the effective time of the merger, each outstanding option to purchase shares of Mykrolis common stock under Mykrolis stock option plans, whether vested or unvested, and each such Mykrolis stock option plan will be assumed by Entegris Delaware and thereafter each Mykrolis stock option will constitute an option to acquire shares of Entegris Delaware common stock, with appropriate adjustments in exercise prices and the number of shares subject to each option.

Entegris stockholders will not receive consideration directly from the merger. Each share of Entegris common stock outstanding immediately prior to the reincorporation of Entegris will be automatically converted into one share of common stock of Entegris Delaware, which will be the surviving company in the merger with Mykrolis and will ultimately be renamed Entegris, Inc. Entegris Delaware will hold and conduct the combined businesses of Entegris and Mykrolis, and these shares of common stock of Entegris Delaware will remain outstanding after the merger.

At the effective time of the reincorporation merger, each outstanding option to purchase shares of Entegris common stock and each restricted stock unit that may be surrendered for Entegris common stock that has been granted under any employee stock option or compensation plan of, or other arrangement with, Entegris shall become an option or restricted stock unit, as the case may be, for the same number of shares of Entegris Delaware common stock.

Recommendation of Entegris Board of Directors to Entegris Stockholders (beginning on page [ ])

Entegris board of directors has unanimously approved the reincorporation merger agreement and the merger agreement and the transactions contemplated by each of them and determined that the merger agreement, including the merger and the issuance of shares of Entegris Delaware common stock in the merger, and the

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reincorporation merger agreement and the transactions contemplated by each such agreement are advisable, fair to, and in the best interests of Entegris and its stockholders. Entegris board of directors unanimously recommends that Entegris stockholders vote **FOR** the proposals to approve and adopt the merger agreement and the merger, including the issuance of Entegris Delaware common stock in connection with the merger and to approve and adopt the reincorporation merger agreement and the reincorporation merger. The Entegris board of directors also unanimously recommends that Entegris stockholders vote **FOR** the proposal to create a classified board of directors of Entegris Delaware.

In considering the recommendation of Entegris board of directors with respect to these proposals, stockholders should be aware that certain directors and officers of Entegris may have interests in the merger that are different from, or in addition to, their interests as Entegris stockholders generally. See page [ ].

Recommendation of Mykrolis Board of Directors to Mykrolis Stockholders (beginning on page [ ])

Mykrolis board of directors has unanimously approved the merger agreement and the transactions contemplated thereby and determined that the merger and the transactions contemplated by the merger agreement are advisable, fair to, and in the best interests of Mykrolis and its stockholders. Mykrolis board of directors unanimously recommends that Mykrolis stockholders vote **FOR** the proposal to approve and adopt the merger agreement and the merger. The Mykrolis board of directors also unanimously recommends that Mykrolis stockholders vote **FOR** the proposal to elect the nominees named herein as Class II Directors.

In considering the recommendation of Mykrolis board of directors with respect to these proposals, stockholders should be aware that certain directors and officers of Mykrolis may have interests in the merger that are different from, or in addition to, their interests as Mykrolis stockholders generally. See page [ ].

Opinion of Entegris Financial Advisor (beginning on page [ ])

On March 20, 2005, Goldman, Sachs & Co. rendered its oral opinion, subsequently confirmed by delivery of its written opinion dated March 21, 2005, to Entegris board of directors that, as of such date and based upon and subject to the factors and assumptions set forth therein, the exchange ratio of 1.39 shares of common stock of Entegris Delaware to be issued in exchange for each outstanding share of common stock of Mykrolis pursuant to the merger agreement is fair from a financial point of view to Entegris. Entegris does not expect to obtain an updated opinion from Goldman Sachs.

The full text of the written opinion of Goldman Sachs, dated March 21, 2005, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as *Annex E* to this joint proxy statement/prospectus. Goldman Sachs provided its opinion for the information and assistance of Entegris board of directors in connection with its consideration of the transaction contemplated by the merger agreement. The Goldman Sachs opinion is not a recommendation as to how any holder of Entegris common stock should vote with respect to the transaction. We encourage you to read the opinion in its entirety.

Opinion of Mykrolis Financial Advisor (beginning on page [ ])

In its decision to approve the merger agreement and the merger, Mykrolis board of directors considered an opinion from its financial advisor, Citigroup Global Markets Inc., as to the fairness, from a financial point of view, to the holders of Mykrolis common stock of the exchange ratio in the merger. The opinion, which sets forth the matters considered and the assumptions and limitations involved in Citigroup s analysis, is attached as *Annex F* to this joint proxy statement/prospectus. Citigroup provided its opinion for the information and assistance of Mykrolis board of directors in connection with the board s consideration of the merger. The Citigroup opinion is not a recommendation as to how any stockholder should vote with respect to the merger. Mykrolis does not expect to obtain an updated opinion from Citigroup. We encourage you to read the opinion in its entirety.

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Share Ownership of Directors and Executive Officers of Entegris and Mykrolis (pages [ ] and [ ])

At the close of business on June 17, 2005, the record date for the Entegris special meeting, directors and executive officers of Entegris and their affiliates were entitled to vote, or shared the right to vote, approximately **[ ]**% of the shares of Entegris common stock outstanding on that date.

At the close of business on June 17, 2005, the record date for the Mykrolis special meeting in lieu of annual meeting, directors and executive officers of Mykrolis and their affiliates were entitled to vote less than 1% of the shares of Mykrolis common stock outstanding on that date.

Interests of Entegris and Mykrolis Directors and Executive Officers in the Merger (beginning on page [ ])

In considering the recommendation of Entegris and Mykrolis board of directors with respect to the merger, stockholders of Entegris and Mykrolis should be aware that certain directors and executive officers of Entegris and Mykrolis may have interests in the merger that are different from, or in addition to, their interests as Entegris stockholders or Mykrolis stockholders generally.

For example, certain executive officers and directors of each of Entegris and Mykrolis will serve as executive officers or directors of the combined company following the merger, although no directors of Entegris will become executive officers of the combined company following the merger. Certain executive officers of Mykrolis have executive termination agreements with Mykrolis, some of which were amended in connection with the execution of the merger agreement, which guarantee such officers minimum levels of compensation following a triggering transaction, including the execution of the merger agreement, and which afford such officers certain payments and benefits in the event such officers are terminated or resign under certain circumstances, in each case within certain time periods following the execution of the merger agreement, subject to certain conditions. In addition, in connection with the execution of the merger agreement, Mykrolis entered into employment letter agreements with certain of its executives which specify material terms of the employment of such executives following the merger and will be assumed by Entegris Delaware by operation of law upon consummation of the merger. Such employment letter agreements contemplate that Entegris Delaware and such executives would enter into new change of control agreements upon consummation of the merger that would contain terms similar to the executive termination agreements referred to above and would also include a non-competition provision.

It is expected that Entegris Delaware will enter into change of control agreements with certain of Entegris current executives who will be employed by Entegris Delaware to replace such executives existing executive termination agreements with Entegris, some or all of the terms of which would be substantially the same as the new change of control agreements to be executed by Entegris Delaware and individuals who are currently Mykrolis officers upon consummation of the merger. It is also expected that upon consummation of the merger, these same current executives of Entegris will enter into employment letter agreements with Entegris Delaware, some or all of the terms of which would be substantially the same as the employment letter agreements between Mykrolis and current Mykrolis officers.

Subsequent to the execution of the merger agreement, Entegris has agreed to provide certain integration-planning bonuses to a number of its employees, including its executive officers. In addition, two of the directors of Entegris, the current chairman and the current chief executive officer, will cease to be executive officers of Entegris following the merger. The compensation committee has recommended, and the board of directors of Entegris has approved, severance pay and other continuing benefits to those directors, together with pro-rated bonuses for fiscal 2005 and acceleration of vesting of their stock options and restricted stock, subject to entering into mutually satisfactory agreements with those directors.

Each of Entegris and Mykrolis board of directors was aware of these officer and director interests during its respective deliberations on the merits of the merger and in deciding to recommend that you vote for the approval of the proposals presented at the stockholder meetings.

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Board of Directors and Officers of the Surviving Corporation (beginning on page [ ])

Upon completion of the proposed merger, pursuant to the terms of the merger agreement, the board of directors of Entegris Delaware will consist of five directors designated by Entegris (initially expected to be James E. Dauwalter, Roger D. McDaniel, Gary F. Klingl, Paul L.H. Olson and Brian F. Sullivan) and five directors designated by Mykrolis (initially expected to be Gideon Argov, Thomas O. Pyle, Michael P.C. Carns, Michael A. Bradley and Daniel W. Christman). The merger agreement also provides that the new board may approve an eleventh member after the effective time of the merger who is recommended by the chief executive officer and the chairman of the board of Entegris Delaware and nominated by the nominating and governance committee of the board of Entegris Delaware. Mykrolis and Entegris expect the eleventh director to be appointed shortly after the completion of the merger. As of the effective time of the merger, James E. Dauwalter will serve as the non-executive chairman of the Entegris Delaware board of directors. The board of directors of Entegris Delaware will have standing audit, nominating and governance and compensation committees, each comprised of an equal number of directors designated by Entegris and directors designated by Mykrolis.

If Entegris stockholders approve the classified board of directors of Entegris Delaware, as of the effective time of the merger, the board of directors of Entegris Delaware will be divided into three classes, the first class to be comprised of Gideon Argov, James E. Dauwalter and Brian F. Sullivan, the second class to be comprised of Michael A. Bradley, Daniel W. Christman, Gary F. Klingl and Thomas O. Pyle, and the third class to be comprised of Paul L.H. Olson, Roger D. McDaniel and Michael P.C. Carns. The term of the directors in the first class will expire at the first annual meeting of Entegris Delaware; the term of the directors in the second class will expire at the second annual meeting of Entegris Delaware; and the term of the directors in the third class will expire at the third annual meeting of Entegris Delaware. Following election at an annual meeting, a director s term will be three years. If an eleventh director is appointed as expected, the nominating and governance committee of the Entegris Delaware board will recommend to the board of directors the class to which such eleventh director should be assigned. If Entegris stockholders do not approve a classified board, each of the aforementioned directors will stand for re-election at the first annual meeting of Entegris Delaware.

At the closing of the merger, Gideon Argov will be appointed chief executive officer of Entegris Delaware. The senior management team of Entegris Delaware at the closing of the merger will also include certain officers currently employed by each of Entegris and Mykrolis and a current consultant to Entegris.

Conditions to Completion of the Merger (page [ ])

As more fully described in this joint proxy statement/prospectus and the merger agreement, the completion of the merger depends on a number of conditions being satisfied or waived, including receipt of stockholder approvals, regulatory approvals and tax opinions. Entegris and Mykrolis will revise and recirculate this joint proxy statement/prospectus and resolicit proxies if the conditions requiring delivery of tax opinions are waived and there is any material change in the tax consequences of the transaction to stockholders.

Although we currently expect to complete the transaction in [ ] 2005, we cannot be certain when, or if, the conditions to the transaction will be satisfied or waived, or that the transaction will be completed.

Termination of the Merger Agreement (beginning on page [ ])

We may mutually agree to terminate the merger agreement before completing the merger, even after the approval of the merger agreement and the merger by the Entegris stockholders and the Mykrolis stockholders. Mykrolis may also terminate the merger agreement if Entegris or Mykrolis stockholders do not approve the merger agreement and the merger or Entegris stockholders do not approve the reincorporation merger or if certain other conditions to Mykrolis obligation to effect the merger are not satisfied or waived. Entegris may also terminate the merger agreement if Mykrolis or Entegris stockholders do not approve the merger agreement and the merger or if certain other conditions to Entegris obligation to effect the merger are not satisfied or waived.

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In addition, either of Entegris or Mykrolis may terminate the merger agreement, even after the requisite stockholder approvals have been received, if the merger has not been completed by December 31, 2005, or if the other party has materially breached certain obligations in the merger agreement concerning the solicitation of third party acquisition proposals or holding a stockholder meeting to seek stockholder approval for the merger, or if the board of directors of the other party has failed to make, has withdrawn, or has modified in a manner adverse to the terminating party, its recommendation to stockholders with respect to the merger and the related proposals.

Termination Fees and Expenses (beginning on page [   ])

Each of Entegris and Mykrolis has agreed to pay the other party a fee of $23.5 million in cash plus transaction expenses of the other party up to $1.5 million in any of the following circumstances:

- if the merger agreement is terminated because the paying party fails to recommend the merger or effects a change of recommendation or fails to comply in all material respects with the non-solicitation provisions in the merger agreement;

- if the merger agreement is terminated because the paying party s board of directors or any committee thereof recommends or approves a third party acquisition proposal or fails to hold its stockholder meeting in accordance with the merger agreement; or

- if the merger agreement is terminated pursuant to certain provisions of the merger agreement, including the failure of the paying party s stockholders to approve the merger, and (1) prior to the paying party s stockholder meeting, a third party acquisition proposal relating to the paying party shall have been made and become known publicly or been made directly to the paying party s stockholders generally and (2) within 12 months after such termination of the merger agreement, the paying party or any of its subsidiaries (a) enters into a definitive agreement with respect to any third party acquisition proposal and such third party acquisition proposal is subsequently consummated within or after such 12-month period, or (b) consummates any third party acquisition proposal.

No Solicitation (beginning on page [   ])

The merger agreement generally restricts the ability of each of Entegris and Mykrolis to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire significant stock or assets of, or to merge with, that party. However, if either Entegris or Mykrolis receives an unsolicited acquisition proposal from a third party that such party s board of directors determines in good faith (after consultation with its outside counsel and its financial advisor) would reasonably be likely to result in a superior proposal and the party complies with specified procedures and satisfies specified conditions contained in the merger agreement, the party may furnish non-public information to that third party and engage in discussions or negotiations regarding an acquisition proposal with that third party.

Accounting Treatment (page [   ])

The merger will be accounted for as a business combination using the purchase method of accounting. Entegris will be the acquirer for financial accounting purposes.

Material U.S. Federal Income Tax Consequences (beginning on page [   ])

The reincorporation merger and the merger have been structured to qualify as reorganizations for U.S. federal income tax purposes. Accordingly, holders of Entegris common stock will not recognize any gain or loss for federal income tax purposes upon the receipt of Entegris Delaware common stock in the reincorporation merger, and holders of Mykrolis common stock will not recognize any gain or loss for federal income tax

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purposes upon the receipt of Entegris Delaware common stock in exchange for Mykrolis common stock in the merger, but will recognize gain or loss to the extent of cash received in lieu of fractional shares. Also, none of Entegris, Entegris Delaware or Mykrolis will recognize gain or loss as a result of the merger or the reincorporation merger. Faegre & Benson LLP, counsel to Entegris, has delivered to Entegris an opinion that the reincorporation merger and the merger constitute reorganizations for U.S. federal income tax purposes. Ropes & Gray LLP, counsel to Mykrolis, has delivered to Mykrolis an opinion that the merger will constitute a reorganization for U.S. federal income tax purposes. In addition it is a condition to our respective obligations to complete the reincorporation merger and the merger that Entegris receive at the closing a similar opinion of Faegre & Benson LLP that the reincorporation merger and the merger constitute reorganizations for U.S. federal income tax purposes, and that Mykrolis receive at the closing a similar opinion of Ropes & Gray LLP that the merger constitutes a reorganization for U.S. federal income tax purposes.

The federal tax consequences to you will depend upon your own situation. You should consult your tax advisors for a full understanding of these tax consequences.

Comparison of Rights of Stockholders (beginning on page [ ])

As a result of the merger, the holders of Mykrolis common stock and the holders of Entegris common stock will become holders of Entegris Delaware common stock. The rights of Mykrolis stockholders are currently governed by its certificate of incorporation and bylaws and the laws of Delaware, and the rights of Entegris stockholders are currently governed by its articles of incorporation and bylaws and the laws of Minnesota. The rights of Entegris Delaware s stockholders will be governed by the laws of Delaware and Entegris Delaware s certificate of incorporation and bylaws.

For a summary of material differences between the rights of Entegris stockholders and Entegris Delaware stockholders and between the rights of Mykrolis stockholders and Entegris Delaware stockholders, see Comparison of Rights of Stockholders beginning on page [].

Regulatory Matters (beginning on page [ ])

The merger is subject to antitrust laws. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which we refer to throughout this joint proxy statement/prospectus as the HSR Act, the parties cannot complete the merger until they have notified and furnished information to the Federal Trade Commission and the Antitrust Division of the United States Department of Justice and the specified waiting period expires or is terminated. Entegris and Mykrolis filed the information required under the HSR Act on April 7, 2005. On April 21, 2005, the Federal Trade Commission granted early termination of the HSR Act waiting period.

Each state and other foreign country in which Entegris or Mykrolis has operations also may review the merger under state or foreign antitrust laws.

Comparative Market Value Information (page [ ])

Shares of Entegris common stock are traded on The NASDAQ National Market under the ticker symbol ENTG. Shares of Mykrolis common stock are traded on the New York Stock Exchange under the ticker symbol MYK. On March 18, 2005, the last full trading day prior to public announcement of the merger agreement, shares of Entegris common stock closed at $9.93 per share and shares of Mykrolis common stock closed at $13.15 per share. On [ ], 2005, the last practicable trading day prior to the distribution of this joint proxy statement/prospectus, the closing prices of shares of Entegris common stock and of shares of Mykrolis common stock were $[ ] and $[ ], respectively. We urge you to obtain current market quotations prior to making any decision with respect to the merger.

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote for, in the case of Entegris, approval of the merger agreement and the merger, the reincorporation merger agreement and the reincorporation merger, and the classified board provisions of the certificate of incorporation of Entegris Delaware, and, in the case of Mykrolis, approval of the merger agreement and the merger. Other risk factors with respect to Entegris can be found in Entegris Annual Report on Form 10-K for the fiscal year ended August 28, 2004, which is incorporated herein by reference. Other risk factors with respect to Mykrolis can be found in Mykrolis Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004, which is incorporated herein by reference.

The market value of the Entegris Delaware common stock that Mykrolis stockholders will receive in the merger may be lower than expected.

In the merger, Mykrolis stockholders will have the right to receive 1.39 shares of Entegris Delaware common stock in exchange for each outstanding share of Mykrolis common stock held by them. This is a fixed exchange ratio. The merger agreement does not contain any provision to adjust this ratio for changes in the market price of Entegris common stock or Mykrolis common stock, and neither party is permitted to terminate the merger agreement solely because of such changes. The market value of Entegris Delaware common stock when the merger is completed may vary from the market value of Entegris common stock as of the date of this joint proxy statement/prospectus or as of the date of the special meeting meeting of Mykrolis stockholders in lieu of annual meeting and the special meeting of Entegris stockholders. This variation may result from ordinary trading fluctuations as well as changes in the business, operations or prospects of Entegris, general market and economic conditions, and other factors that may affect Entegris common stock differently from Mykrolis common stock. If the market value of Entegris common stock declines prior to the effective time of the merger, the market value of the stock issued to Mykrolis stockholders in the merger could be lower than expected. Note that the historical prices of Entegris and Mykrolis common stock included in this joint proxy statement/prospectus may not be indicative of their respective prices on the date the merger is effective. See Financial Summary Entegris Market Price Data and Dividends and Financial Summary Mykrolis Market Price Data and Dividends. You are urged to obtain recent market quotations for Entegris common stock and Mykrolis common stock. Future market prices of Entegris common stock, Entegris Delaware common stock and Mykrolis common stock cannot be guaranteed or predicted.

We may be unable to successfully integrate our operations and realize the full cost savings we anticipate.

The merger involves the integration of two companies that have previously operated independently. The difficulties of combining the operations of the companies include:

- the challenge of effecting integration while carrying on an ongoing business;
- the necessity of coordinating geographically separate organizations;
- retaining and integrating personnel with diverse business backgrounds and cultures;
- retaining existing customers and strategic partners of each company; and

implementing and maintaining consistent standards, controls, procedures, policies and information systems.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company s businesses and the loss of key personnel. The diversion of management s attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies operations could have an adverse effect on the business, results of operations or financial condition of the combined company.

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Among the factors considered by the Entegris and Mykrolis boards of directors in connection with their respective approvals of the merger agreement and the merger were the benefits of the more diversified product line, the broader customer base and the enhanced technology capabilities, as well as the potential cost savings, that are expected to result from the merger. We may not, however, realize these cost savings or any other anticipated benefit of the merger within the time periods contemplated or at all.

Officers and directors of Entegris and Mykrolis may have interests in the merger that are different from, or in addition to, the interests of Entegris and Mykrolis stockholders.

Some of the directors and officers of Entegris and Mykrolis who recommend that stockholders vote in favor of the merger agreement and the merger or otherwise support the merger have, or are likely to have, employment, change in control or severance agreements or benefits arrangements that provide them with interests in the merger that differ from or are in addition to those of the stockholders. The receipt of compensation or other benefits in the merger, including change in control or severance benefits, the vesting of stock options or restricted stock, or the continuation of indemnification arrangements for current directors and officers of Entegris and Mykrolis following completion of the merger may influence officers and directors in supporting the merger or in making their recommendation that you vote in favor of the merger agreement. For more information about these interests, please see Interests of Certain Persons in the Merger beginning on page [].

Entegris and Mykrolis will incur substantial expenses whether or not the merger is completed.

Entegris and Mykrolis will incur substantial expenses related to the merger whether or not the merger is completed. These costs include fees for financial advisors, attorneys and accountants, filing fees and financial printing costs. Entegris currently expects to incur approximately $7.3 million in transactional expenses, approximately $1.75 million of which are not contingent on the completion of the merger. Mykrolis currently expects to incur approximately $8.1 million in transactional expenses, approximately $2.9 million of which are not contingent on the completion of the merger. Each of Entegris and Mykrolis have also incurred approximately $300,000 and $102,000 in integration expenses as of the date hereof, respectively, and expect to incur approximately $800,000 of integration expenses in the aggregate by the completion date of the merger. Moreover, in the event the merger is terminated under certain circumstances, the terminating party may be subject to payment of a $23.5 million termination fee and expense reimbursement of up to $1.5 million.

In addition, in the event the merger is completed, Entegris Delaware may incur significant additional expenses in connection with the integration of the two businesses, including integrating personnel, customers, and strategic partners of each company and implementing consistent standards, policies, and procedures.

Failure to complete the merger could negatively affect Entegris and Mykrolis stock prices and each company s future business and operations.

If the merger is not completed for any reason, the price of Entegris common stock and Mykrolis common stock may decline to the extent that the current market prices of Entegris common stock and Mykrolis common stock reflect a positive market assumption that the merger will be completed or to the extent that the failure to complete the merger results in a negative market reaction. In addition, if the merger is not completed, each company may be subject to payment of expenses that are either not contingent on the completion of the merger or are due upon termination of the merger. See Entegris and Mykrolis will incur substantial expenses whether or not the merger is completed.

Moreover, if the merger agreement is terminated, either company may be unable to find a partner willing to engage in a similar transaction on terms as favorable as those set forth in the merger agreement, or at all. This could limit each company s ability to pursue its strategic goals.

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The market price of Entegris Delaware common stock may decline as a result of the merger.

The market price of Entegris Delaware common stock may decline as a result of the merger for a number of reasons, including if:

- the integration of Entegris and Mykrolis is not completed in a timely and efficient manner;
- the combined company does not achieve the expected benefits of the merger as rapidly or to the extent anticipated by financial or industry analysts;
- the effect of the merger on the combined company s financial results is not consistent with the expectations of financial or industry analysts; or
- significant stockholders of Entegris and Mykrolis decide to dispose of their shares of Entegris Delaware common stock following completion of the merger.

Uncertainty regarding the merger and the effects of the merger could adversely affect each company s relationships with its customers, suppliers, and strategic partners.

In response to the announcement of the merger, customers, suppliers, and strategic partners of Entegris or Mykrolis may delay or defer decisions, or otherwise alter their relationships with each company, which could have a material adverse effect on the business of each company, whether or not the merger is completed. Entegris and Mykrolis depend, and it is expected that the combined company will depend, on a limited number of customers and suppliers for a large portion of their business, and the loss of, or delays or declines in, the orders from key customers or shipments from key suppliers could materially affect the combined company s net sales.

Entegris and Mykrolis both depend on key personnel, and the loss of any of these key personnel due to uncertainty regarding the merger could hurt the business of the combined company because of their experience in the microelectronics, technology, and semi-conductor industries.

Entegris and Mykrolis depend on the services of their key senior executives and other technological experts because of their experience in the microelectronics, technology, and semiconductor industries. Current and prospective employees of Entegris and Mykrolis may experience uncertainty about their future roles with the combined company, which may adversely affect the ability of each company to retain current and attract prospective key management, technical and other personnel. The loss of the services of one or several of these key employees or the inability of the combined company to attract, train, and retain qualified employees could result in the loss of customers or otherwise inhibit the ability of the combined company to integrate and grow its business effectively.

The deal-protection provisions of the merger agreement may deter alternative business combinations and could negatively impact the stock prices of Entegris and Mykrolis if the merger agreement is terminated in certain circumstances.

As a result of certain provisions of the merger agreement, it is possible that a third party who might be interested in pursuing a business combination proposal with Entegris or Mykrolis would be discouraged from doing so. In addition, restrictions in the merger agreement on solicitation prohibit Entegris and Mykrolis from soliciting any acquisition proposal or offer for a merger or business combination with any other party. Any such proposal might be advantageous to the stockholders of Entegris and Mykrolis when compared to the terms and conditions of the transaction described in this joint proxy statement/prospectus. In particular, the termination fee provision of the merger agreement may deter third parties from proposing alternative business combinations that might result in greater value to Entegris and Mykrolis stockholders than the merger. In addition, in the event the merger agreement is terminated by Entegris or Mykrolis in circumstances that obligate either party to pay a termination fee to the other party, including where either party terminates the merger agreement because the other party s board of directors withdraws its support of the merger, Entegris or Mykrolis stock price may decline as a result of its payment of the termination fee. See The Merger Agreement No Solicitation; Termination Fees and Expenses.

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Entegris and Mykrolis may waive one or more of the conditions to the merger without resoliciting stockholder approval for the merger.

Each of the conditions to Entegris and Mykrolis obligations to complete the merger may be waived, in whole or in part, to the extent legally allowed, either unilaterally or by agreement of Entegris and Mykrolis. The boards of directors of Entegris and Mykrolis will evaluate the materiality of any such waiver to determine whether amendment of this joint proxy statement/prospectus and resolicitation of proxies is necessary. In the event that the board of directors of Entegris or Mykrolis determines any such waiver is not significant enough to require resolicitation of stockholders, it will have the discretion to complete the merger without seeking further stockholder approval.

Following completion of the merger, the combined company will continue to face a number of risks related to its business that are currently faced by Entegris and Mykrolis.

Entegris and Mykrolis currently face significant risks with respect to their respective businesses, the occurrence of which would materially adversely affect their operating results or financial condition. These matters include risks related to the following:

- the microelectronics, technology, and semiconductor industries, including cyclicality, technological change, and competition;
- the business and operations of each of Entegris and Mykrolis, including research and development, manufacturing, and product development;
- concentration of customers and suppliers;
- protection of intellectual property;
- international sales; and
- legal and regulatory matters.

In the event the merger is completed, we expect that the combined company will continue to face these or similar risks in the operation of the combined business. A more complete discussion of each of these risks individually (a) with respect to Entegris is set forth in Entegris Annual Report on Form 10-K for the fiscal year ended August 28, 2004, and (b) with respect to Mykrolis is set forth in Mykrolis Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004, each of which is incorporated herein by reference.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company s future prospects and make informed investment decisions. This joint proxy statement/prospectus, including information included or incorporated herein by reference (see Where You Can Find More Information), contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements based on current projections about operations, industry, financial condition and liquidity. Words such as anticipate, estimate, expect, project, intend, plan, believe and words and terms of similar substa in connection with any discussion of future operating or financial performance, the merger or the businesses of Entegris or Mykrolis identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Those statements are not guarantees and are subject to risks, uncertainties and assumptions that are difficult to predict, and as a result, actual results could differ materially and adversely from these forward-looking statements. These risks and uncertainties include (but are not limited to), in addition to the risks discussed under Risk Factors, the following:

- the cyclical nature of the semiconductor industry and the markets addressed by each company s products and its customers products;
- demand for and market acceptance of new and existing products and services;
- successful development of new products and services;
- the timing of new product and service introductions;
- pricing pressures and other competitive factors;
- changes in product mix;
- product obsolescence;
- the ability to develop and implement new technologies and to obtain protection for the related intellectual property;
- the uncertainties of litigation;
- costs related to the proposed merger;
- failure to obtain the required approvals of Entegris and Mykrolis stockholders;
- risks that the closing of the transaction is substantially delayed or that the merger does not close; and

- the risk that Entegris and Mykrolis businesses will not be integrated successfully.

You are cautioned not to place undue reliance on the forward-looking statements contained herein, which either speak only as of the date of this joint proxy statement/prospectus or, if applicable, speak only as of the earlier date indicated in this joint proxy statement/prospectus. Entegris and Mykrolis undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise. The cautionary statements contained in this section should be read as being applicable to all related forward-looking statements wherever they appear in this joint proxy statement/prospectus and the documents incorporated by reference into this joint proxy statement/prospectus.

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FINANCIAL SUMMARY

Entegris Market Price Data and Dividends

Entegris common stock is traded on The NASDAQ National Market under the ticker symbol ENTG. The following table sets forth the high and low sales prices of shares of Entegris common stock as reported by The NASDAQ National Market for the periods referenced below.

Year Ending	Common Shares High	Common Shares Low
August 30, 2003		
First Quarter	$ 11.03	$ 4.26
Second Quarter	$ 12.90	$ 8.51
Third Quarter	$ 12.61	$ 8.79
Fourth Quarter	$ 15.59	$ 12.38
August 28, 2004		
First Quarter	$ 15.66	$ 11.15
Second Quarter	$ 14.95	$ 11.30
Third Quarter	$ 13.59	$ 9.97
Fourth Quarter	$ 12.42	$ 7.72
August 27, 2005		
First Quarter	$ 9.99	$ 7.63
Second Quarter	$ 10.83	$ 8.28
Third Quarter	$ 10.22	$ 8.22
Fourth Quarter (through June 8, 2005)	$ 9.85	$ 9.39

The last reported sales prices of shares of Entegris common stock as reported by The NASDAQ National Market on March 18, 2005, and [ ], 2005, were $9.93 and $[ ], respectively. March 18, 2005, was the last full trading day prior to the public announcement of the merger agreement. [ ], 2005, was the last practicable trading day prior to the distribution of this joint proxy statement/prospectus.

Entegris Dividend Policy

Entegris has never declared or paid any cash dividends on its capital stock. In addition, Entegris loan agreements restrict its ability to pay dividends without the consent of its lenders. Entegris does not anticipate paying any cash dividends in the foreseeable future.

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Mykrolis Market Price Data and Dividends

Mykrolis common stock is traded on the New York Stock Exchange under the symbol MYK. The following table sets forth the high and low sales prices of shares of Mykrolis common stock as reported by the New York Stock Exchange Composite Tape for the periods referenced below.

	Common Shares	
Year Ending	**High**	**Low**
December 31, 2003		
First Quarter	$ 9.31	$ 6.25
Second Quarter	$ 11.47	$ 7.25
Third Quarter	$ 14.45	$ 9.80
Fourth Quarter	$ 16.83	$ 12.00
December 31, 2004		
First Quarter	$ 17.98	$ 12.85
Second Quarter	$ 17.50	$ 12.89
Third Quarter	$ 16.20	$ 8.09
Fourth Quarter	$ 14.40	$ 9.31
December 31, 2005		
First Quarter	$ 15.20	$ 10.86
Second Quarter (through June 8, 2005)	$ 14.38	$ 12.06

The last reported sales prices of shares of Mykrolis common stock as reported by the New York Stock Exchange Composite Tape on March 18, 2005, and **[ ]**, 2005, were $13.15 and $**[ ]**, respectively. March 18, 2005, was the last full trading day prior to the public announcement of the merger agreement. **[ ]**, 2005 was the last practicable trading day prior to the distribution of this joint proxy statement/prospectus.

Mykrolis Dividend Policy

Mykrolis has never declared or paid any cash dividends on its capital stock. On November 29, 2001, pursuant to the Mykrolis stockholder rights plan, the Mykrolis board of directors declared a dividend of one common stock purchase right for each share of Mykrolis common stock outstanding to stockholders of record on December 31, 2001, payable on January 4, 2002. Each right initially entitles the holder to purchase one share of Mykrolis common stock at a price of $130 (though the rights are not exercisable until after a triggering event) and, following a triggering event, allows the holder to purchase $260 in market value of shares of common stock of Mykrolis or, under certain circumstances, of an acquiring company, for $130. If the merger is not completed, any future payment of dividends on Mykrolis common stock will depend upon its financial condition, capital requirements and its earnings as well as other factors that Mykrolis board of directors deems relevant.

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Selected Consolidated Historical Financial Data of Entegris

The following table sets forth selected historical financial information derived from Entegris audited consolidated financial statements as of and for the years ended August 28, 2004, August 30, 2003, August 31, 2002, August 25, 2001 and August 26, 2000, and the unaudited consolidated financial statements as of and for the six months ended February 26, 2005 and February 28, 2004. In the table, per share figures have been adjusted to reflect the reclassification of redeemable common stock no longer redeemable upon completion of Entegris initial public offering in July 2000.

You should also read the sections of Entegris annual and quarterly reports entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and Entegris consolidated financial statements and related notes incorporated by reference into this joint proxy statement/prospectus for a further explanation of the financial data summarized here. This information should also be read in conjunction with the Unaudited Pro Forma Condensed Combined Financial Information and the unaudited pro forma condensed combined financial statements and notes related thereto, which you can find beginning on page [ ].

	Six months ended		Fiscal year ended				
	February 26, 2005	February 28, 2004	August 28, 2004	August 30, 2003	August 31, 2002	August 25, 2001	August 26, 2000
	(In thousands, except per share data)						
Statement of Operations Data:							
Net sales	$ 175,678	$ 148,646	$ 346,764	$ 251,104	$ 222,997	$ 343,624	$ 344,569
Cost of goods sold	103,884	86,485	195,861	152,551	134,291	180,954	184,127
Gross profit	71,794	62,161	150,903	98,553	88,706	162,670	160,442
Selling, general and administrative expenses	48,977	44,389	96,176	80,307	73,569	78,510	73,293
Engineering, research and development expenses	9,089	9,424	20,128	17,803	17,408	16,517	15,041
Restructuring and other charges				1,598	1,563	13,144	
Operating profit (loss)	13,728	8,348	34,599	(1,155)	(3,834)	54,499	72,108
Interest (income) expense, net	(636)	(106)	(283)	(579)	(1,466)	(4,477)	2,422
Other expense (income), net	366	(1,213)	(1,035)	4,253	(973)	(1,134)	(4,945)
Income (loss) before income taxes and other items	13,998	9,667	35,917	(4,829)	(1,395)	60,110	74,631
Income tax expense (benefit)	3,699	3,011	11,134	(6,248)	(3,373)	21,339	26,754
Equity in net loss (income) of affiliates	85	(4)	13	144		(1,488)	(1,694)
Minority interest in subsidiaries net (loss) income					(798)	1,643	489
Net income before extraordinary item	10,214	6,660	24,770	1,275	2,776	38,616	49,082
Extraordinary loss, net of taxes							(1,149)
Net income	$ 10,214	$ 6,660	$ 24,770	$ 1,275	$ 2,776	$ 38,616	$ 47,933
Earnings per share basic	$ 0.14	$ 0.09	$ 0.34	$ 0.02	$ 0.04	$ 0.56	$ 0.79
Weighted shares outstanding basic	73,304	72,710	72,957	71,636	70,358	68,747	60,354
Earnings per share diluted	$ 0.14	$ 0.09	$ 0.32	$ 0.02	$ 0.04	$ 0.54	$ 0.75
Weighted shares outstanding diluted	75,247	76,248	76,220	74,475	73,305	71,774	63,770

	February 26, 2005	February 28, 2004	August 28, 2004	August 30, 2003	August 31, 2002	August 25, 2001	August 26, 2000
Balance Sheet Data:							
Working capital	$ 222,694	$ 176,940	$ 199,696	$ 156,839	$ 177,114	$ 158,784	$ 158,870
Total assets	468,538	436,257	467,046	414,739	390,260	405,815	353,368
Long-term debt	20,246	11,643	18,898	10,070	12,691	13,101	10,822
Shareholders equity	384,861	348,391	372,185	337,665	322,114	312,307	266,844

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Selected Consolidated Historical Financial Data of Mykrolis

The following table sets forth selected historical financial information derived from Mykrolis audited consolidated and combined balance sheets and statements of operations as of and for the years ended December 31, 2004, 2003, 2002, 2001 and 2000 and the unaudited consolidated financial statements as of and for the three months ended April 2, 2005 and April 3, 2004.

Mykrolis combined financial statements for periods prior to March 31, 2001 include amounts that have been derived from the consolidated financial statements and accounting records of Millipore Corporation using the historical results of operations and historical basis of assets and liabilities of Mykrolis business. The selected historical financial information for the years ended December 31, 2001 and 2000 includes allocations of Millipore Corporation corporate expenses related to Mykrolis business, including centralized research and development, legal, accounting, employee benefits, officers salaries, real estate, insurance, information technology services, distribution, treasury and other Millipore Corporation corporate and infrastructure costs. These expense allocations were determined on a basis that Millipore Corporation and Mykrolis considered to be a reasonable reflection of the utilization of services provided or the benefit received by Mykrolis. However, the consolidated and combined financial information included herein may not necessarily reflect Mykrolis operating results, financial position and cash flows in the future or what they would have been had Mykrolis been a separate, stand-alone entity during all periods presented.

You should also read the sections of Mykrolis annual and quarterly reports entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and Mykrolis consolidated and combined financial statements and related notes incorporated by reference into this joint proxy statement/prospectus for a further explanation of the financial data summarized here. This information should also be read in conjunction with the Unaudited Pro Forma Condensed Combined Financial Information and the unaudited pro forma condensed combined financial statements and notes related thereto, which you can find beginning on page [ ].

	Three months ended						
	April 2, 2005	April 3, 2004	2004	2003	2002	2001	2000
	(In thousands, except per share data)						
Statement of Operations Data:							
Net sales	$ 73,594	$ 70,515	$ 289,230	$ 185,898	$ 178,449	$ 215,274	$ 355,540
Cost of sales	38,833	36,446	151,321	105,269	118,783	137,621	174,545
Gross profit	34,761	34,069	137,909	80,629	59,666	77,653	180,995
Selling, general and administrative expenses	21,869	19,669	75,737	64,795	67,809	80,724	96,469
Research and development expenses	7,066	6,297	25,739	19,110	19,685	19,837	23,175
Restructuring and other charges (credits)			(213)	2,111	5,182	17,478	(320)
Operating income (loss)	5,826	8,103	36,646	(5,387)	(33,010)	(40,386)	61,671
Other income (expense), net	1,451	474	2,289	2,260	3,367	(1,096)	(1,395)
Income (loss) before income taxes	7,277	8,577	38,935	(3,127)	(29,643)	(41,482)	60,276
Income tax expense	1,746	1,590	9,338	4,977	2,118	26,145	22,905
Net income (loss)	$ 5,531	$ 6,987	$ 29,597	$ (8,104)	$ (31,761)	$ (67,627)	$ 37,371
Basic income (loss) per share	$ 0.13	$ 0.17	$ 0.71	$ (0.20)	$ (0.80)	$ (1.92)	$ 1.15
Shares used in computing basic income (loss) per share	41,969	41,001	41,491	39,939	39,628	35,262	32,500(1)
Diluted income (loss) per share	$ 0.13	$ 0.16	$ 0.68	$ (0.20)	$ (0.80)	$ (1.92)	$ 1.15

Shares used in computing diluted income (loss) per share	43,610	43,430	43,240	39,939	39,628	35,262	32,500(1)

	April 2, 2005	April 3, 2004	December 31, 2004	2003	2002	2001	2000
	(In thousands)						
Balance Sheet Data:							
Working capital (2)	$ 153,132	$ 136,804	$ 171,266	$ 113,663	$ 116,285	$ 153,526	$ 130,037
Total assets	339,088	299,067	350,968	283,755	267,189	289,490	299,031
Millipore s invested equity							246,489
Shareholders equity	273,572	238,117	271,515	223,028	212,644	243,547	

(1) Shares were authorized, issued and outstanding and were owned by Millipore.
(2) Working capital is total current assets less total current liabilities.

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Summary Unaudited Pro Forma Condensed Combined Financial Data

We derived the following unaudited pro forma condensed combined financial data from Entegris audited consolidated financial statements for the year ended August 28, 2004, Mykrolis unaudited consolidated financial results for the twelve months ended July 3, 2004, Entegris unaudited consolidated financial statements for the six months ended February 26, 2005, and Mykrolis unaudited consolidated financial results for the six months ended December 31, 2004. The financial data have been prepared as if the proposed merger and the reincorporation had occurred on August 31, 2003 for the statements of operations and as of February 26, 2005 for the balance sheet data. **The unaudited pro forma statements of operations and balance sheet data set forth below are not necessarily indicative of the results that actually would have been achieved had the proposed merger been consummated on August 31, 2003 for the statement of operations and as of February 26, 2005 for the balance sheet data, or that may be achieved in the future.** The unaudited pro forma condensed combined financial data do not reflect any benefits from potential cost savings or revenue changes resulting from the proposed merger. You should read this information in conjunction with Entegris Management s Discussion and Analysis of Financial Condition and Results of Operations, Entegris consolidated financial statements and the notes thereto, Mykrolis Management s Discussion and Analysis of Financial Condition and Results of Operations, Mykrolis consolidated financial statements and notes thereto, and the Unaudited Condensed Combined Pro Forma Financial Information and the unaudited pro forma condensed combined financial statements and notes related thereto included in this joint proxy statement/prospectus or included in Entegris and Mykrolis Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q incorporated by reference into this joint proxy statement/prospectus.

The pro forma adjustments are based upon certain assumptions and preliminary available information that Entegris believes are reasonable under the circumstances. A final determination of fair values relating to the merger, which cannot be made prior to the completion of the merger, may differ materially from the preliminary estimates and will include management s final valuation of the fair value of assets acquired and liabilities assumed. This final valuation will be based on the actual net tangible and identifiable intangible assets of Mykrolis that exist as of the date of the completion of the merger. The final valuation may change the allocations of the purchase price, which could affect the fair value assigned to the assets and liabilities and could result in a change to the unaudited pro forma condensed combined financial statements data. The pro forma adjustments are more fully described in the notes to the unaudited pro forma condensed combined financial statements found elsewhere in this joint proxy statement/prospectus.

	For the six months ended February 26, 2005	For the year ended August 28, 2004
	(In thousands, except per share data)	
Statement of Operations Data:		
Net sales	$ 318,559	$ 588,126
Operating income	25,029	37,043
Net income	17,919	27,668
Earnings per share:		
Basic	0.14	0.21
Diluted	0.13	0.20

	As of February 26, 2005
	(In thousands)
Balance Sheet Data:	
Working capital	$ 416,500
Total assets	1,202,374
Total capital leases and debt, including current portion	27,159
Total shareholders equity	1,016,501

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COMPARATIVE PER SHARE INFORMATION

The following table presents historical per share information and book value per common share data separately for Entegris and Mykrolis on a historical basis, and Entegris and Mykrolis on an unaudited pro forma combined basis per share of Entegris common stock and on an unaudited pro forma combined basis per Mykrolis equivalent share. The unaudited pro forma earnings per share data reflect the assumption that the merger was effective as of August 31, 2003. The unaudited pro forma book value per share data assumes the merger was effective February 26, 2005. The unaudited pro forma per share data gives effect to the proposed merger as a purchase by Entegris under generally accepted accounting principles in the United States.

You should read the information below together with the historical financial statements and related notes of Entegris and Mykrolis contained in each company s periodic filings with the Securities and Exchange Commission and incorporated into this joint proxy statement/prospectus by reference. See Where You Can Find More Information beginning on page [ ]. The unaudited pro forma combined per share data below is presented for illustrative purposes only. The companies may have performed differently had they actually been combined during the periods presented below. **You should not rely on this information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience after the proposed merger.**

	Historical Entegris	Historical Mykrolis	Pro Forma Combined (1)	Pro Forma Equivalent of One Mykrolis Share (2)
Year ended August 28, 2004 (Entegris and pro forma) and December 31, 2004 (Mykrolis):				
Earnings per share basic:	$ 0.34	$ 0.71	$ 0.21	$ 0.29
Earnings share diluted:	$ 0.32	$ 0.68	$ 0.20	$ 0.28
Six months ended February 26, 2005 (Entegris and pro forma) and three months ended April 2, 2005 (Mykrolis):				
Earnings per share basic:	$ 0.14	$ 0.13	$ 0.14	$ 0.19
Earnings share diluted:	$ 0.14	$ 0.13	$ 0.13	$ 0.18
Book value per share: February 26, 2005 (Entegris and pro forma) and April 2, 2005 (Mykrolis)	$ 5.20	$ 6.52	$ 7.69	$ 10.68

(1) Includes the effect of the merger on the basis as described in the notes to the unaudited pro forma condensed combined financial information included elsewhere in this joint proxy statement/prospectus.
(2) Calculated by applying the exchange ratio of 1.39 to the pro forma combined net earnings and book value per share.

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COMPARATIVE MARKET VALUE INFORMATION

The following table presents the closing prices per share and aggregate market value of Entegris common stock and Mykrolis common stock, in each case based on closing prices for those shares on The NASDAQ National Market and the New York Stock Exchange, respectively, on March 18, 2005, the last trading day prior to the public announcement of the proposed merger, and on [ ], 2005, the last practicable trading day for which this information could be calculated prior to the distribution of this joint proxy statement/prospectus; and the equivalent per share price reflects the value of the Entegris common stock Mykrolis stockholders would receive for each share of Mykrolis common stock if the merger was completed on March 18, 2005, and [ ], 2005.

	Entegris Historical	Mykrolis Historical	Mykrolis Equivalent
March 18, 2005:			
Closing price per share	$ 9.93	$ 13.15	$ 13.80
Market value of shares (in thousands) (1)	$ 735,021	$ 551,795	$ 579,070
[ ], 2005:			
Closing price per share	$ [ ]	$ [ ]	$ [ ]
Market value of shares (in thousands) (2)	$ [ ]	$ [ ]	$ [ ]

(1) Based on 74,020,304 shares of Entegris common stock and 41,961,602 shares of Mykrolis common stock outstanding as of March 18, 2005.

(2) Based on [ ] shares of Entegris common stock and [ ] shares of Mykrolis common stock outstanding as of [ ], 2005.

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THE ENTEGRIS SPECIAL MEETING

General

This joint proxy statement/prospectus is first being mailed by Entegris to the holders of Entegris common stock on or about **[ ]**, 2005, and is accompanied by the notice of the Entegris special meeting and a form of proxy that is solicited by the board of directors of Entegris for use at the special meeting of Entegris stockholders, to be held on **[ ]**, **[ ]**, 2005, at [**]** a.m., local time, at **[**the Oak Ridge Conference Center, 1 Oak Ridge Drive, Chaska, Minnesota**]**, and at any adjournments or postponements of the meeting.

Matters to Be Considered

The purpose of the meeting is:

1. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger (the merger agreement), dated as of March 21, 2005, by and among Entegris, Inc., a Minnesota corporation, Eagle DE, Inc., a Delaware corporation and a wholly owned subsidiary of Entegris (referred to as Entegris Delaware), and Mykrolis Corporation, a Delaware corporation, including the merger of Mykrolis with and into Entegris Delaware (immediately following the reincorporation merger described in proposal 2 below) as contemplated thereby and the issuance of new shares of common stock of Entegris Delaware to the stockholders of Mykrolis in the merger. In the merger, each outstanding share of Mykrolis common stock will be automatically converted into the right to receive 1.39 shares of Entegris Delaware common stock;

2. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger (the reincorporation merger agreement) dated as of March 21, 2005, by and between Entegris and Entegris Delaware and the reincorporation merger contemplated thereby (the reincorporation merger), whereby Entegris would reincorporate from a Minnesota corporation to a Delaware corporation, including approval of the proposed certificate of incorporation and bylaws of Entegris Delaware attached as *Annex C-1* and *Annex D*, respectively, to this joint proxy statement/prospectus, provided that if proposal 3 set forth below is not approved, the certificate of incorporation of Entegris Delaware will read as set forth on *Annex C-2* hereto and the bylaws of Entegris Delaware set forth on *Annex D* hereto will be revised by the board of directors of Entegris Delaware to remove the classified board provisions and include provisions substantially similar to Article IX set forth in *Annex C-2* hereto but will otherwise read as set forth on *Annex D*. In the reincorporation merger, each outstanding share of Entegris common stock will be automatically converted into one share of Entegris Delaware common stock and the name of Entegris Delaware will be changed to Entegris, Inc.;

3. To consider and vote upon a proposal to approve a classified board for Entegris Delaware as provided in Article IX of the proposed certificate of incorporation of Entegris Delaware set forth in *Annex C-1* hereto; and

4. To consider and vote upon a proposal to approve adjournments or postponements of the Entegris special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Entegris special meeting to approve the above proposals.

The Entegris board of directors unanimously recommends that Entegris stockholders vote FOR each of the proposals. Neither the merger nor the reincorporation merger will occur unless both proposal 1 and proposal 2 are approved. Approval of proposals 3 and 4, however, is not a condition to either the merger or the reincorporation merger. If either proposal 1 or proposal 2 (or both) is not

approved, then proposal 3 will be null and have no effect.

In considering the recommendation of Entegris board of directors with respect to the proposals, stockholders should be aware that certain directors and officers of Entegris may have interests in the merger that are different from, or in addition to, their interests as Entegris stockholders generally. See Interests of Certain Persons in the Merger beginning on page [ ].

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Proxies

The Entegris board of directors is soliciting your proxy to give you the opportunity to vote at the Entegris special meeting. When you deliver a valid proxy, the shares represented by that proxy will be voted in accordance with your instructions.

Please complete, sign, date and return the accompanying proxy card promptly in the enclosed addressed envelope, even if you plan to attend the special meeting. Postage need not be affixed to the envelope if mailed in the United States. The immediate return of your proxy card will be of great assistance in preparing for the special meeting and is, therefore, urgently requested. If you attend the special meeting, revoke your proxy and vote in person, your proxy card will not be used. Instead of submitting your proxy vote with the accompanying paper proxy card, you may grant your proxy via the Internet or by telephone by following the procedures set forth on the proxy card. Your telephone or Internet proxy authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. If you grant your proxy by Internet or by telephone, you do NOT need to mail back your proxy card. To view the proxy materials online, go to *www.entegris.com*. If you plan to attend the special meeting to be held on **[**], 2005, at **[**] a.m., local time, at **[**the Oak Ridge Conference Center, 1 Oak Ridge Drive, Chaska, Minnesota**]**, please be sure to check the box on your proxy card indicating your desire to attend, or indicate your desire to attend through Entegris telephone or Internet voting procedures.

If your shares are not registered in your own name and you plan to attend the special meeting and vote your shares in person, you should contact your broker or agent in whose name your shares are registered to obtain a broker s proxy and bring it to the special meeting in order to vote.

A stockholder giving a proxy may revoke it at any time before it is voted by executing and delivering to Entegris another proxy bearing a later date and submitting it so that it is received prior to the vote at the meeting or, if available, granting a new proxy by telephone or on the Internet, by delivering a written notice prior to the vote at the meeting to the secretary of Entegris stating that the proxy is revoked, or by voting in person at the special meeting after having delivered to Entegris a written notice revoking your proxy. Any properly executed proxy returned to Entegris will be voted at the special meeting in accordance with the instructions indicated thereon. If no instructions are indicated on the proxy, the proxy will be voted **FOR** the approval of proposals 1, 2, 3 and 4. The proxies will be entitled to vote in their discretion on any other matters that may properly come before the meeting.

Solicitation of Proxies

Each of Entegris and Mykrolis will bear its own cost of soliciting proxies from its stockholders, except that each of Mykrolis and Entegris has agreed to pay one-half of the costs of printing, filing and mailing this joint proxy statement/prospectus and related proxy and proxy materials.

In addition to solicitations by mail, Entegris directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone, personal interviews and the Internet. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and Entegris will reimburse them for their reasonable out-of-pocket expenses incurred in connection with the distribution of proxy materials. Entegris and Mykrolis have also made arrangements with MacKenzie Partners, Inc. to assist them in soliciting proxies, and have each agreed to pay one-half of MacKenzie Partners fee, currently estimated to be approximately $12,500 in the aggregate, plus expenses for those services.

Record Date

The record date for the determination of stockholders entitled to notice of and to vote at the Entegris special meeting was June 17, 2005. On the record date, there were **[ ]** shares of Entegris common stock, $.01 par value per share (Entegris only voting securities), outstanding and entitled to vote, which were held by approximately **[ ]** holders of record. Each share of Entegris common stock is entitled to one vote.

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Quorum

Under Entegris bylaws, the holders of a majority of the outstanding shares of Entegris common stock entitled to vote at the meeting will constitute a quorum for the purpose of taking any action other than adjourning the meeting. Shares of common stock represented in person or by proxy (including shares which abstain or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum is present. Brokers who hold shares of Entegris common stock in nominee or street name for customers who are the beneficial owners of those shares are prohibited from giving a proxy to vote shares held for those customers on proposals 1, 2 and 3 at the meeting without specific instructions from those customers. These broker non-votes will, however, be counted as present for purposes of determining whether a quorum exists.

Vote Required

The affirmative vote of the holders of a majority of the outstanding shares of Entegris common stock as of the record date is required to approve proposals 1 and 2. The affirmative vote of the holders of at least 51% of the outstanding shares of Entegris common stock as of the record date is required to approve proposal 3. The affirmative vote of the holders of the greater of (1) a majority of the shares of common stock present in person or by proxy at the meeting and entitled to vote or (2) a majority of the minimum number of shares entitled to vote that would constitute a quorum for the transaction of business at the meeting is required for approval of proposal 4.

Neither the merger nor the reincorporation merger will occur unless both proposal 1 and proposal 2 are approved. Approval of proposals 3 and 4, however, is not a condition to either the merger or the reincorporation merger. If Entegris stockholders do not approve both proposals 1 and 2, then proposal 3 will be null and have no effect.

Because approval of each of the merger, the reincorporation merger and the classified board proposal requires the affirmative vote of at least a majority (or 51%, in the case of the classified board proposal) of the outstanding shares of common stock of Entegris as of the record date, abstentions, failures to grant a proxy or vote at the meeting and broker non-votes will have the effect of a vote against proposals 1, 2 and 3. Accordingly, the Entegris board urges Entegris stockholders to complete, date and sign the accompanying proxy and return it promptly in the enclosed, postage-paid envelope or to authorize the individuals named on your proxy card to vote your shares by telephone or on the Internet.

Share Ownership as of the Record Date

As of the Entegris record date, directors and executive officers of Entegris beneficially owned and were entitled to vote, or shared the right to vote, [ ] shares of Entegris common stock. Those shares represent approximately [ ]% of the outstanding shares of Entegris common stock entitled to vote at the Entegris special meeting.

Additional information with respect to beneficial ownership of Entegris common stock by directors and executive officers of Entegris is incorporated by reference to Entegris proxy statement filed with the Securities and Exchange Commission on December 15, 2004. See Where You Can Find More Information.

Treatment of Abstentions and Broker Non-Votes

If you submit a proxy that indicates an abstention from voting, your shares will be counted as present for purposes of determining the existence of a quorum and they will have the effect of votes against each of proposals 1, 2, 3 and 4.

If you hold your shares in street name, your bank or broker cannot vote your shares of Entegris common stock on proposals 1, 2 and 3 without specific instructions from you. If you do not provide instructions with your

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proxy, your bank or broker may deliver a proxy card expressly indicating that it is NOT voting your shares; this indication that a bank or broker is not voting your shares is referred to as a broker non-vote. Broker non-votes will be counted for the purpose of determining the existence of a quorum, and they will have the effect of votes against each of proposals 1, 2 and 3.

No Other Business; Adjournments

Under Minnesota law and Entegris bylaws, the business to be conducted at the meeting will be limited to considering and voting on the proposals.

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. Any adjournment of up to 120 days in the aggregate may be made from time to time by the chairman or otherwise with the approval of the holders of shares representing the greater of (a) a majority of the votes present in person or by proxy at the time of the vote, or (b) a majority of the minimum number of votes that would constitute a quorum, without further notice other than by an announcement made at the original meeting of the date, time and place of the adjourned meeting.

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MYKROLIS SPECIAL MEETING IN LIEU OF ANNUAL MEETING

General

This joint proxy statement/prospectus is first being mailed by Mykrolis to the holders of Mykrolis common stock on or about **[ ]**, 2005, and is accompanied by the notice of the Mykrolis special meeting in lieu of annual meeting and a form of proxy that is solicited by the board of directors of Mykrolis for use at the Mykrolis special meeting in lieu of annual meeting, to be held on [ ], **[ ]**, 2005, at 10:00 a.m., local time, at 129 Concord Road, Billerica, Massachusetts, and at any adjournments or postponements of the meeting. The Mykrolis 2004 Annual Report to Stockholders was mailed to stockholders on or about April 26, 2005.

Matters to be Considered

The purpose of the Mykrolis special meeting in lieu of annual meeting is:

1. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger (the merger agreement), dated as of March 21, 2005, by and among Entegris, Inc., a Minnesota corporation, Eagle DE, Inc., a Delaware corporation and a wholly owned subsidiary of Entegris (referred to as Entegris Delaware), and Mykrolis Corporation, a Delaware corporation, including the merger of Mykrolis with and into Entegris Delaware as contemplated thereby. Pursuant and subject to the terms of the merger agreement (and the related reincorporation merger agreement), Entegris will reincorporate in Delaware by merging with and into Entegris Delaware, immediately following which Mykrolis will merge with and into Entegris Delaware. In the merger, each outstanding share of Mykrolis common stock will be automatically converted into the right to receive 1.39 shares of Entegris Delaware common stock. In connection with the reincorporation merger, the name of Entegris Delaware will be changed to Entegris, Inc.;

2. To consider and vote upon a proposal to elect two Class II Directors to the Mykrolis board of directors with terms expiring at the 2008 annual meeting of stockholders or upon completion of the merger, if earlier; and

3. To consider and vote upon a proposal to approve adjournments or postponements of the Mykrolis special meeting in lieu of annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Mykrolis special meeting in lieu of annual meeting to approve the above proposals.

The Mykrolis board of directors unanimously recommends that Mykrolis stockholders vote FOR each of the proposals.

In considering the recommendation of Mykrolis board of directors with respect to the proposals, stockholders should be aware that certain directors and officers of Mykrolis may have interests in the merger that are different from, or in addition to, their interests as Mykrolis stockholders generally. See Interests of Certain Persons in the Merger beginning on page [ ].

Proxies

The Mykrolis board of directors is soliciting your proxy to give you the opportunity to vote at the Mykrolis special meeting in lieu of annual meeting. When you deliver a valid proxy, the shares represented by that proxy will be voted in accordance with your instructions.

Please complete, sign, date and return the accompanying proxy card promptly in the enclosed addressed envelope, even if you plan to attend the special meeting in lieu of annual meeting. Postage need not be affixed to the envelope if mailed in the United States. The immediate return of your proxy card will be of great assistance in preparing for the special meeting in lieu of annual meeting and is, therefore, urgently requested. If you attend the special meeting in lieu of annual meeting and vote in person, your proxy card will not be used. Instead of submitting your proxy vote with the accompanying paper proxy card, you may grant your proxy via the Internet or by telephone by following the procedures set forth on the proxy card. Your telephone or Internet proxy authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. If you grant your proxy by Internet or by telephone, you do NOT need to mail back your proxy card. To view the proxy materials online, go to *www.mykrolis.com*. If you plan to attend the special meeting in lieu of annual meeting to be held on [ ], 2005, at 10:00 a.m., local time, at 129 Concord Road, Billerica, Massachusetts, please be sure to check the box on your proxy card indicating your desire to attend, or indicate your desire to attend through Mykrolis telephone or Internet voting procedures.

If your shares are not registered in your own name and you plan to attend the special meeting in lieu of annual meeting and vote your shares in person, you should contact your broker or agent in whose name your shares are registered to obtain a broker s proxy and bring it to the special meeting in lieu of annual meeting in order to vote.

A stockholder giving a proxy may revoke it at any time before it is voted by executing and delivering to Mykrolis another proxy bearing a later date and submitting it so that it is received prior to the vote at the meeting or, if available, granting a new proxy by telephone or on the Internet, by delivering a written notice prior to the vote at the meeting to the secretary of Mykrolis stating that the proxy is revoked, or by voting in person at the special meeting in lieu of annual meeting. Any properly executed proxy returned to Mykrolis will be voted at the special meeting in lieu of annual meeting in accordance with the instructions indicated thereon. If no instructions are indicated on the proxy, the proxy will be voted **FOR** the approval of proposals 1, 2 and 3. The proxies will be entitled to vote in their discretion on any other matters that may properly come before the meeting.

Solicitation of Proxies

Each of Entegris and Mykrolis will bear its own cost of soliciting proxies from its stockholders, except that each of Mykrolis and Entegris has agreed to pay one-half of the costs of printing, filing and mailing this joint proxy statement/prospectus and related proxy and proxy materials.

In addition to solicitations by mail, Mykrolis directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone, personal interviews and the Internet. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and Mykrolis will reimburse them for their reasonable out-of-pocket expenses incurred in connection with the distribution of proxy materials. Mykrolis and Entegris have also made arrangements with MacKenzie Partners, Inc. to assist them in soliciting proxies, and have each agreed to pay one-half of MacKenzie Partners fee, currently estimated to be approximately $12,500 in the aggregate, plus expenses for those services.

Record Date

The record date for the determination of stockholders entitled to notice of and to vote at the Mykrolis special meeting in lieu of annual meeting was the close of business on June 17, 2005. On the record date, there were [ ] shares of Mykrolis common stock, $0.01 par value per share (Mykrolis only voting securities), outstanding and entitled to vote, which were held by approximately [ ] holders of record. Each share of common stock is entitled to one vote.

Quorum

Under Mykrolis bylaws, the holders of a majority of the shares of common stock outstanding and entitled to vote at the meeting will constitute a quorum for the transaction of business at the meeting. Shares of common stock represented in person or by proxy (including shares which abstain or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum is present. Under the rules of the New York Stock Exchange, brokers who hold shares of Mykrolis common stock in nominee or street name for customers who are the beneficial owners of those shares are

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prohibited from giving a proxy to vote shares held for those customers on the approval and adoption of the merger agreement and the merger at the Mykrolis special meeting in lieu of annual meeting without specific instructions from those customers. These broker non-votes will, however, be counted as present for purposes of determining whether a quorum exists.

Vote Required

The affirmative vote of the holders of a majority of the outstanding shares of common stock of Mykrolis as of the record date is required for the approval and adoption of the merger agreement and approval of the merger. If a quorum is present, the two nominees for election as directors of Mykrolis who receive the highest number of votes at the special meeting in lieu of annual meeting will be elected.

Because approval of the merger requires the affirmative vote of at least a majority of the outstanding shares of common stock of Mykrolis as of the record date, abstentions, failures to grant a proxy or vote at the meeting and broker non-votes will have the effect of a vote against proposal 1. Accordingly, the Mykrolis board urges Mykrolis stockholders to complete, date and sign the accompanying proxy and return it promptly in the enclosed, postage-paid envelope or to authorize the individual named on your proxy card to vote your shares by telephone or on the Internet.

Share Ownership as of the Record Date

As of the Mykrolis record date, directors and executive officers of Mykrolis beneficially owned and were entitled to vote **[ ]** shares of Mykrolis common stock. Those shares represent less than 1% of the outstanding shares of Mykrolis common stock entitled to vote at the Mykrolis special meeting in lieu of annual meeting.

Additional information with respect to beneficial ownership of Mykrolis common stock by directors and executive officers of Mykrolis is set forth under Other Matters to be Considered at the Mykrolis Special Meeting in Lieu of Annual Meeting Ownership of Mykrolis Common Stock.

Treatment of Abstentions and Broker Non-Votes

If you submit a proxy that indicates an abstention from voting, your shares will be counted as present for purposes of determining the existence of a quorum and they will have the effect of votes against proposals 1 and 3 but will not affect proposal 2.

If you hold your shares in street name, your bank or broker cannot vote your shares of Mykrolis common stock on proposal 1 without specific instructions from you. If you do not provide instructions with your proxy, your bank or broker may deliver a proxy card expressly indicating that it is NOT voting your shares; this indication that a bank or broker is not voting your shares is referred to as a broker non-vote. Broker non-votes will be counted for the purpose of determining the existence of a quorum, and they will have the effect of votes against proposal 1 but will not affect proposal 2 or 3.

No Other Business; Adjournments

Under Delaware law and Mykrolis bylaws, the business to be conducted at the meeting will be limited to considering and voting on the proposals.

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under Mykrolis bylaws by a majority of the stockholders present or represented at the meeting and entitled to vote, although less than a quorum, or, if no stockholder is present, by any officer entitled to preside at or to act as secretary of such meeting. No notice to any stockholder of any adjournment of less than 30 days is required if the time and place of the adjourned meeting are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting.

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THE MERGER

Background of the Merger

Mykrolis and Entegris have been familiar with each other s businesses for many years, and Entegris has been a supplier of molded plastic components to Mykrolis (and prior to Mykrolis spin-off from Millipore Corporation in 2001, to Millipore) for over ten years. As a result of this commercial relationship, representatives of Mykrolis and Entegris have historically met and consulted with each other concerning matters relating to their supply relationship as well as their respective views as to trends in the materials integrity management and semiconductor industries.

Each of Mykrolis and Entegris continually evaluates strategic opportunities as a part of their ongoing evaluation of the market and opportunities to strengthen their respective businesses in light of the changing competitive environment. Both Mykrolis and Entegris senior management regularly review, evaluate and discuss various strategic opportunities. While both companies believe they have positive future prospects on a stand-alone basis, the management of Entegris, in recent years, has had conversations with or regarding a number of other companies about a range of options to improve its competitive position, including acquisitions, mergers of equals or other significant transactions, and for the past year Mykrolis has been looking for acquisition and merger opportunities that would permit it to rapidly expand its critical mass and increase the size and scope of its product offering to microelectronics (including semiconductor) industry customers.

In late June 2004, James Dauwalter, Entegris chief executive officer, informed the Entegris board of directors that Mykrolis had recently announced that C. William Zadel, the then chairman and chief executive officer of Mykrolis, intended to retire and that Mykrolis would begin an internal and external search for a new chief executive officer. Mr. Dauwalter advised the board of directors that he was attempting to arrange a meeting with Mr. Zadel to discuss a possible transaction between Entegris and Mykrolis.

On June 29, 2004, at a regularly scheduled meeting of the Entegris board of directors, Greg Graves, Entegris chief business development officer, gave a presentation concerning Mykrolis and discussed the potential benefits to Entegris and its stockholders of a combination between Entegris and Mykrolis. The Entegris board of directors indicated its support of initiatives designed to enhance stockholder value and authorized Entegris management to continue to pursue preliminary discussions with Mykrolis regarding a possible business combination.

In mid-July 2004, Mr. Dauwalter and Mr. Zadel both attended the Semiconductor Equipment and Materials Institute s SEMICON West conference in San Francisco. While there, Mr. Dauwalter and Mr. Zadel met over dinner on July 13 and had preliminary discussions about the merits of a possible business combination between Entegris and Mykrolis. A representative of Citigroup Global Markets Inc. arranged and attended the dinner meeting. While at the time of the meeting, Citigroup had not been engaged to represent either party in connection with a possible strategic transaction, it had maintained an informal relationship with both Entegris and Mykrolis since the time of their respective initial public offerings. Based on its knowledge of each company, Citigroup believed that a strategic transaction between Entegris and Mykrolis would provide significant value to the stockholders of each company. For this reason, Citigroup, on its own initiative, contacted Messrs. Zadel and Dauwalter to arrange the dinner meeting. Mr. Zadel and Mr. Dauwalter discussed what each company could contribute to a combined company and the potential to enhance stockholder value through such a combination. Mr. Zadel agreed to discuss the idea of a possible business combination between Entegris and Mykrolis with Mykrolis management and with the Mykrolis board of directors in the next few months. Mr. Zadel and Mr. Dauwalter also agreed to further consider individually the possibility of such a combination.

During August and September 2004, Mr. Dauwalter talked with Mr. Zadel a number of times by telephone to follow up on their July 13 meeting and to try to gauge the level of Mykrolis interest in a possible transaction with Entegris. In one conversation, Mr. Zadel informed Mr. Dauwalter that Mykrolis had a regularly scheduled meeting of its board of directors on October 27, 2004, and that Mr. Zadel intended to discuss a possible combination with Entegris at that meeting.

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In October 2004, Entegris retained Goldman, Sachs & Co. as its financial advisor. Entegris and Goldman Sachs agreed that Goldman Sachs would assist Entegris in evaluating, and receive a fee with respect to, three possible business combinations, including the one between Entegris and Mykrolis that Mr. Dauwalter and Mr. Zadel were discussing and potential combinations with two other companies in related industries, as well as other possible strategic alternatives. While management made preliminary contacts with the other two companies, one indicated that it was not interested in pursuing discussions and, after determining that it did not present a significant strategic fit, Entegris did not pursue discussions with the other company.

On October 12, 2004, at a regularly scheduled meeting of the Entegris board of directors, representatives of Goldman Sachs made a presentation on industry trends and discussed its preliminary analysis of various strategic alternatives being explored by Entegris, one of which was the possible combination with Mykrolis. Entegris management, after consultation with Goldman Sachs, continued to support exploring the possible transaction with Mykrolis and concluded that it represented the most attractive strategic alternative for Entegris and its stockholders. The Entegris board of directors indicated its support for Entegris management s efforts to enhance stockholder value and encouraged them to continue to explore the possibility of a transaction that would achieve this objective.

On October 19, 2004, Mr. Dauwalter sent a letter to Mr. Zadel stating that he wanted to formally express Entegris interest in moving forward with more specific discussions regarding a potential combination between Entegris and Mykrolis. Mr. Dauwalter noted that Entegris board of directors was in unanimous support of engaging in further discussions with Mykrolis and informed Mr. Zadel that Entegris had engaged Goldman Sachs as its financial advisor. Mr. Dauwalter stated that Entegris believed that a combination could create significant value for both companies stockholders and customers and significant growth opportunities for employees. The letter proposed a merger, with both companies contributing to the combined company s management team and board of directors. Mr. Dauwalter indicated that Entegris was prepared to enter into discussions and commence a due diligence process immediately. The letter concluded by asking Mr. Zadel to discuss the possible transaction with the Mykrolis board of directors at its October 27 meeting.

On October 27, 2004, at a regularly scheduled meeting of the Mykrolis board of directors, Mr. Zadel outlined for the board four potential strategic transactions, including a review of each company s business, product lines, mission, vision, strategic intent, core competencies, competition, manufacturing capabilities and strategic benefits and synergies from IGN="bottom" COLSPAN="2" NOWRAP ALIGN="center" STYLE="border-bottom:1px solid #000000">**2015-2016 2017-2018 Thereafter (In thousands)**

Senior Credit Facilities (1)

$71,500 $7,500 $15,000 $49,000 $

Interest on Senior Credit Facilities (2)

5,911 1,810 3,002 1,099

Capital leases

838 838

Operating leases (3)

27,098 4,716 7,507 6,564 8,311

Purchase commitments (4)

46,598 42,570 4,028

U.K. pension plan (5)

7,775	1,005	2,098	2,221	2,451

Total contractual cash obligations

$159,720	$58,439	$31,635	$58,884	$10,762

(1) On December 27, 2012, we entered into an amended and restated credit agreement. As of December 31, 2013, a total of $42.5 million of term loan debt and $29.0 million of revolving credit facility were outstanding under the Senior Credit Facilities. The term loan is payable in 16 quarterly installments of $1.875 million with the remaining amount due upon maturity in December 2017. The revolving credit facility is due at maturity in 2017.
(2) For the purpose of this calculation, interest rates on floating rate obligations, LIBOR plus applicable margin, as defined in the Amended and Restated Credit Agreement, were used throughout the contractual life of the term loan.
(3) These amounts primarily represent the gross amounts due for facilities that are leased. The amounts include payments due with respect to both continuing operating facilities and facilities that have been vacated as a result of our restructuring actions.
(4) Purchase commitments represent unconditional purchase obligations as of December 31, 2013.
(5) Assumes funding obligations equivalent to $1.0 million per year through January 2021 based on annual funding contributions in effect as of December 31, 2013. Future funding requirements will be affected by various actuarial assumptions and actual experience of the pension plan.

Off-Balance Sheet Arrangements

The Company has an equity method investment in a privately held company located in the United Kingdom, Laser Quantum Ltd. Group (Laser Quantum). As a result of a share buy-back program initiated by Laser Quantum during the second quarter of 2013, our ownership percentage in the equity increased from 25.1% to 41.2%. We continue to recognize the earnings of the equity under the equity method.

Through December 31, 2013, we have not entered into any off-balance sheet arrangements or material transactions with unconsolidated entities or other persons.

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Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates, assumptions and judgments, including those related to revenue recognition, inventory valuation, the assessment of the valuation of goodwill, intangible assets and tangible long-lived assets, employee benefit plans, restructuring charges, accounting for income taxes, and accounting for loss contingencies. Actual results could differ significantly from our estimates in the future.

We believe that the following critical accounting policies and estimates most significantly affect the portrayal of our financial condition and results of operations and require the most difficult and subjective judgments.

Revenue Recognition. Revenue from the sale of products is recognized when we meet all four of the criteria for revenue recognition within the fiscal period. These criteria are: evidence of an arrangement exists; delivery has occurred; the price is fixed or determinable; and collection of the resulting receivable is reasonably assured. Revenue recognition requires judgment and estimates, which may affect the amount and timing of revenue recognized in any given period.

On January 1, 2011, we adopted the provisions of Accounting Standards Update (ASU) 2009-13, Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements (ASU 2009-13) using the modified prospective approach. All multiple-element revenue arrangements entered into after January 1, 2011 have been accounted for under the ASU 2009-13 guidance. ASU 2009-13 addresses the accounting for multiple-element arrangements by providing two significant changes. First, this guidance removes the requirement to have objective and reliable evidence of fair value for undelivered elements in an arrangement, which generally results in more elements being treated as separate units of accounting. Specifically, this guidance amends the criteria in Subtopic 605-25, Revenue Recognition-Multiple-Element Arrangements (ASC 605-25), for separating consideration in multiple-element arrangements. This guidance establishes a selling price hierarchy for determining the selling price of an element, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) management s best estimate. Our best estimates are based on factors such as gross margin, volume discounts, new strategic customers, geography, customer class and competitive pressures. The second change modifies the manner in which the transaction consideration is allocated across the separately identified elements. Entities are no longer able to apply the residual method of allocation. Instead, the arrangement consideration is required to be allocated at the inception of the arrangement to all elements using the relative selling price method. The relative selling price method uses the weighted average of the selling price and applies that to the contract value to establish the consideration for each element.

For transactions entered into prior to the adoption of ASU 2009-13, we followed the provisions of ASC 605-25 for all multiple-element arrangements. Under the guidance prior to ASU 2009-13, we assessed whether the elements specified in a multiple-element arrangement should be treated as separate units of accounting for revenue recognition purposes and whether objective and reliable evidence of fair value existed for these separate units of accounting. We applied the residual method when objective and reliable evidence of fair value existed for all of the undelivered elements in a multiple-element arrangement. When objective and reliable evidence of fair value did not exist for all of the undelivered elements in a multiple-element arrangement, we recognized revenue under the multiple units shipped methodology, whereby revenue was recognized in each period based upon the lowest common percentage of the products shipped in the period. This approximated a proportional performance model (the Proportional Performance Model) of revenue recognition. This generally resulted in a partial deferral of revenue to a later reporting period. No revenue was recognized unless one or more units of each product had been delivered.

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The Laser Products, Medical Technologies, and Precision Motion segments have revenue transactions that are comprised of both single-element and multiple-element transactions. Multiple-element transactions may include two or more products and occasionally also contain installation, training, non-standard/extended warranties, or preventative maintenance plans. For multiple-element transactions entered into or materially modified after January 1, 2011, revenue is recognized under ASU 2009-13, generally upon shipment using the relative selling price method. For multiple-element transactions entered into prior to January 1, 2011, revenue was generally recognized under the Proportional Performance Model described above. Single-element transactions are generally recognized upon shipment. Installation and training is generally a routine process that occurs within a short period of time from delivery and we have concluded that this obligation is inconsequential and perfunctory.

The Company generally provides warranties for its products. The standard warranty period is typically 12 to 24 months for the Laser Products and Precision Motion segments. The Medical Technologies segment contains standard warranties that range from 12 months to 60 months. The initial standard warranty for product sales is accounted for under the provisions of ASC 450, Contingencies, as the Company has the ability to ascertain the likelihood of the liability and can estimate the amount of the liability. A provision for the estimated cost related to warranty is recorded to cost of goods sold at the time revenue is recognized. The Company s estimate of costs to service the warranty obligations is based on historical experience and expectations of future conditions. To the extent the Company experiences warranty claims or costs associated with servicing those claims that differ from the original estimates, revisions to the estimated warranty liability are recorded at that time, with an offsetting entry recorded to cost of goods sold. On occasion, the Company sells separately priced non-standard/extended warranty services or preventative maintenance plans, which are accounted for in accordance with provisions of ASC 605-20-25-3 Separately Priced Extended Warranty and Product Maintenance Contracts . Under this guidance we recognize the separately priced extended/non-standard warranty and preventative maintenance fees ratably over the associated period.

At the request of our customers, we may at times perform professional services for our customers, generally for the maintenance and repairs of products previously sold to those customers. These services are usually in the form of time and materials based contracts which are short in duration. Revenue for time and materials services is recorded at the completion of services requested under a customer s purchase order. Customers may, at times subsequent to the initial product sale, purchase a service contract whereby services, including preventative maintenance plans, are provided over a defined period, generally one year. Revenue for such service contracts are recorded ratably over the period of the contract while related costs of such services are recorded when incurred.

We typically negotiate trade discounts and agreed terms in advance of order acceptance and record any such items as a reduction of revenue. Our revenue recognition policy allows for revenue to be recognized under arrangements where the payment terms are 180 days or less, presuming all other revenue recognition criteria have been met. From time to time, based on our review of customer creditworthiness and other factors, we may provide our customers with payment terms that exceed 180 days. To the extent all other revenue recognition criteria have been met, we recognize revenue for these extended payment arrangements as the payments become due. We currently have no payment terms with customers that exceed 180 days.

Inventories. Inventories, which include materials and conversion costs, are stated at the lower of cost or market, using a first-in, first-out method. We periodically review these values to ascertain that market value of the inventory continues to exceed its recorded cost. Generally, reductions in value of inventory below cost are caused by technological obsolescence of the inventory.

We regularly review inventory quantities on hand and, when necessary, record provisions for excess and obsolete inventory based on either our forecasted product demand and production requirements or historical trailing usage of the product. If our sales do not materialize as planned or at historical levels, we may have to increase our reserve for excess and obsolete inventory, which would reduce our earnings. If actual market conditions are more favorable than anticipated, inventory previously written down may be sold, resulting in lower costs of sales and higher income from operations than expected in that period.

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Valuation of Long-lived Assets. The purchase price we pay for acquired companies is allocated first to the identifiable assets acquired and liabilities assumed at their fair value. Any excess purchase price is then allocated to goodwill. We make various assumptions and estimates in order to assign fair value to acquired tangible and intangible assets and liabilities, including those associated with cash flow forecasts, as well as discount rates and terminal values, among others. Actual cash flows may vary from forecasts used to value the intangible assets at the time of the business combination.

Our most significant intangible assets are customer relationships, acquired technologies, trademarks and trade names. In addition to our review of the carrying values of each asset, the useful life assumptions for each asset, including the classification of certain intangible assets as indefinite lived , are reviewed on a periodic basis to determine if changes in circumstances warrant revisions to them. All definite-lived intangible assets are amortized over the periods in which their economic benefits are expected to be realized.

Impairment analyses of goodwill and indefinite-lived intangible assets are conducted in accordance with ASC 350, Intangibles Goodwill and Other. We test our goodwill balances annually as of the beginning of the second quarter or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. In performing the test, we utilize the two-step approach which requires a comparison of the carrying value of each of our reporting units to the fair value of these reporting units. The Company s product lines generally correspond with its reporting units which is the level at which the Company evaluates its goodwill, intangible assets and other long-lived assets for impairment. If the carrying value of a reporting unit exceeds its fair value, we calculate the implied fair value of the reporting unit s goodwill and compare it to the goodwill s carrying value. If the carrying value of goodwill exceeds its implied fair value, an impairment charge is recorded for the difference. The fair value of a reporting unit is primarily based on a discounted cash flow (DCF) method. The DCF approach requires that we forecast future cash flows for each of the reporting units and discount the cash flow streams based on a weighted average cost of capital (WACC) that is derived, in part, from comparable companies within similar industries. The DCF calculations also include a terminal value calculation that is based upon an expected long-term growth rate for the applicable reporting unit. The carrying values of each reporting unit include assets and liabilities which relate to the reporting unit s operations. Additionally, reporting units that benefit from corporate assets or liabilities are allocated a portion of those corporate assets and liabilities on a proportional basis.

Our indefinite-lived intangible assets represent trade names that were acquired as part of our acquisition of Excel Technologies Inc. in 2008. We assess these indefinite-lived intangible assets for impairment on an annual basis, and more frequently if impairment indicators are identified. We also periodically reassess their continuing classification as indefinite-lived intangible assets. Impairment exists if the fair value of the intangible asset is less than its carrying value. An impairment charge equal to the difference is recorded to reduce the carrying value to its fair value.

We evaluate amortizable intangible assets and other long-lived assets for impairment in accordance with ASC 360-10-35-15, Impairment or Disposal of Long-Lived Assets , whenever changes in events or circumstances indicate carrying values may exceed their undiscounted cash flow forecasts. If undiscounted cash flow forecasts indicate the carrying value of a definite-lived intangible asset or other long-lived asset may not be recoverable, a fair value assessment is performed. For intangible assets, fair value estimates are derived from discounted cash flow forecasts. For other long-lived assets (primarily property, plant and equipment), fair value estimates are derived from the sources most appropriate for the particular asset and have historically included such approaches as: sales comparison approach and replacement cost approach. If fair value is less than carrying value, an impairment charge equal to the difference is recorded. We also review the useful life and residual value assumptions for definite-lived intangible assets and other long-lived assets on a periodic basis to determine if changes in circumstances warrant revisions to them.

Factors which may trigger an impairment of our goodwill, intangible assets and other long-lived assets include the following:

- underperformance relative to historical or projected future operating results;

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changes in our use of the acquired assets or the strategy for our overall business;

negative industry or economic trends;

interest rate changes;

technological changes or developments;

changes in competition;

loss of key customers or personnel;

adverse judicial or legislative outcomes or political developments;

significant declines in our stock price for a sustained period of time; and

the decline of our market capitalization below net book value as of the end of any reporting period.

The occurrence of any of these events or any other unforeseeable event or circumstance that materially affects future results or cash flows may cause an impairment that is material to our results of operations or financial position in the reporting period in which it occurs or is identified.

The most recent annual goodwill and indefinite-lived intangible asset impairment test was performed as of the beginning of the second quarter of 2013, noting no impairment. As of December 31, 2013 there were no indicators of impairment of our long lived assets.

We maintain a significant balance in our goodwill, intangible assets and other long-lived assets. The following table shows the December 31, 2013 breakdown of goodwill, intangibles and property, plant and equipment by reportable segment (in thousands):

	Goodwill	Intangible Assets	Property, Plant & Equipment
Laser Products	$ 30,493	$ 29,995	$ 10,036
Medical Technologies	31,418	32,846	3,015
Precision Motion	9,245	2,452	4,619
Corporate, shared services and unallocated			14,820
Total	$ 71,156	$ 65,293	$ 32,490

Pension Plans. Two of our subsidiaries, located in the U.K. and Japan, maintain defined benefit pension plans.

Our pension plan in the U.K (the U.K. Plan) was closed to new membership in 1997 and we stopped accruing for additional pension benefits for existing members in 2003, limiting our obligation to benefits earned through that date. Benefits under this plan were based on the employees years of service and compensation as of the date the plan was frozen, adjusted for inflation. At December 31, 2013, the market value of the plan assets was $1.7 million less than the projected benefit obligation.

The cost and obligations of our U.K. Plan are calculated using many assumptions to estimate the benefits, the amount of which cannot be completely determined until the benefit payments cease. Major assumptions used in the accounting for this pension plan include the discount rate, rate of inflation, and expected return on plan assets. Assumptions are determined each year based on data and appropriate market indicators in consultation with a third-party actuary. Should any of these assumptions change, they would have an effect on net periodic pension cost and the unfunded benefit obligation at year end. A 50 basis point change in the discount rate as of December 31, 2013 would change the pension obligation by $3.3 million.

Our Japanese pension plan is a tax qualified plan that covers substantially all Japanese employees. Benefits are based on years of service and the employee s compensation at retirement. We fund the plan periodically to

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meet requirements for current benefit payments as well as a portion of future benefits as permitted by local regulations. Since this is an active plan, a significant portion of the pension benefit obligation is determined based on the rate of future compensation increases. We purchase annuities under group insurance contracts. At December 31, 2013, the market value of the plan assets was $0.8 million less than the projected benefit obligation. Changes in assumptions are not material to the plan.

Restructuring Charges. In accounting for our restructuring activities, we follow the provisions of ASC 420, Exit or Disposal Cost Obligations . In accounting for these obligations, we make assumptions related to the amounts of employee severance and benefits related costs, the time period over which facilities will remain vacant, sublease terms, sublease rates, and discount rates. Additionally, we make assumptions on the estimated remaining useful lives of assets being restructured and the residual value of the assets. Estimates and assumptions are based on the best information available at the time the obligation has arisen. These estimates are reviewed and revised as facts and circumstances dictate. Changes in these estimates could have a material effect on the amount previously expensed against our earnings and currently accrued on our consolidated balance sheet.

Accounting for Income Taxes. As part of the process of preparing our consolidated financial statements, we are required to calculate our income tax provision (benefit) in each of the jurisdictions in which we operate. This process involves estimating our current income tax provision (benefit) together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are reported on our consolidated balance sheet.

Judgment is required in determining our worldwide income tax provision. In the ordinary course of a global business, there are many transactions and calculations where the ultimate outcome is uncertain. Although we believe our estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. Such differences could have a material impact on our income tax provision and net income in the period in which such determination is made.

We record a valuation allowance on our deferred tax assets when it is more likely than not that they will not be realized. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the event we determine that we are able to realize our deferred tax assets in the future in excess of their net recorded amount, an adjustment to the valuation allowance for the deferred tax assets would increase our net income in the period such determination is made. Likewise, should we determine that we will not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the valuation allowance for the deferred tax assets will reduce our net income in the period such determination is made.

In conjunction with our ongoing review of our actual results and anticipated future earnings, we continuously reassess the possibility of releasing the valuation allowance currently in place on our deferred tax assets. We adjusted a portion of our Canadian loss carryforward and the related valuation allowance of $4.8 million and released $0.3 million valuation allowance on certain U.S. state tax credits during the year ended December 31, 2013. The partial release of our valuation allowance was determined in accordance with the provisions of ASC 740, Income Taxes, which requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. Such assessment is required on a jurisdiction by jurisdiction basis. Based on historical operating income and continuing projected income, future reversals of temporary differences and tax planning strategies, we have concluded that sufficient positive evidence indicates that it is more likely than not that deferred tax assets will be realized. Accordingly, the partial release of our valuation allowance was recorded in the fourth quarter of 2013 with no impact on cash flows in the quarter in which it was released.

The amount of income taxes we pay is subject to audits by federal, state and foreign tax authorities, which may result in proposed assessments. We believe that we have adequately provided for any reasonably foreseeable outcome related to these matters. However, our future results may include favorable or unfavorable adjustments to our tax liabilities in the period that the assessments are made or resolved, or when the statute of limitations for certain periods expires. As of December 31, 2013, the total amount of gross unrecognized tax benefits was $7.1 million, of which $4.9 million would favorably affect our effective tax rate, if recognized. As of December 31, 2012, the amount of gross unrecognized tax benefits totaled approximately $7.6, of which $4.3 million would favorably affect our effective tax rate, if recognized. Over the next twelve months, the Company may need to record up to $2.1 million of previously unrecognized tax benefits in the event of statute of limitations closures. We believe that there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to our results of operations, financial position or cash flows. Furthermore, we believe that we have adequately provided for all income tax uncertainties.

Income and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting purposes over the tax basis of investments in foreign subsidiaries that are essentially permanent in nature. This amount becomes taxable upon a repatriation of assets from a subsidiary or a sale or liquidation of a subsidiary. The amount of undistributed earnings of foreign subsidiaries totaled $13.9 million as of December 31, 2013. Determination of the amount of any unrecognized deferred income tax liabilities on this temporary difference is not practicable because of the complexities of the hypothetical calculation.

Loss Contingencies. We are subject to legal proceedings, lawsuits and other claims relating to labor, service and other matters arising in the ordinary course of business. Quarterly, we review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position. We expense legal fees as incurred.

Recent Accounting Pronouncements

See Note 3 to Consolidated Financial Statements for recent accounting pronouncements that could have an effect on us.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

We are exposed to market risk from changes in foreign currency exchange rates and interest rates, which could affect our operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities. We generally do not enter into derivative financial instruments to manage foreign currency exposure.

Foreign Currency Exchange Rate Risk and Sensitivity

We are exposed to changes in foreign currency exchange rates which could affect operating results as well as our financial position and cash flows. The primary foreign currency denominated transactions include revenue and expenses and the resulting accounts receivable and accounts payable balances reflected on our balance sheet. Therefore, the change in the value of the U.S. dollar compared to foreign currencies will have either a positive or negative effect on our financial position and results of operations. Historically, our primary exposure has related to transactions denominated in the Japanese Yen, Euro and British Pound.

A hypothetical depreciation of 10% in foreign currency exchange rate, primarily cumulative translation adjustments from the quoted foreign currency exchange rates as of December 31, 2013 would impact shareholder equity by $ 8.0 million or 3%. We did not hold foreign currency rate derivative contracts as of December 31, 2013.

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Interest Rates

Our exposure to market risk associated with changes in interest rates relates primarily to our cash and cash equivalents and debt obligations. At December 31, 2013, we had $61.0 million in cash and cash equivalents, as compared to $65.8 million at December 31, 2012. Due to the average maturities and the nature of the cash portfolio at December 31, 2013, a 100 basis point increase in interest rates could have a $0.6 million impact on interest income on an annual basis. In addition, we have $71.5 million of outstanding variable rate debt as of December 31, 2013. A 100 basis point increase in interest rates at December 31, 2013 would increase our annual pre-tax interest expense by approximately $0.7 million. We do not actively trade derivative financial instruments, but may use them in the future to manage interest rate positions associated with our debt instruments. We did not hold interest rate derivative contracts as of December 31, 2013.

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Item 8. ***Financial Statements and Supplementary Data***

GSI GROUP INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of GSI Group Inc.

In our opinion, the accompanying consolidated balance sheet as of December 31, 2013 and the related consolidated statements of operations, comprehensive income (loss), stockholders equity, and cash flows for the year then ended present fairly, in all material respects, the financial position of GSI Group Inc. and its subsidiaries at December 31, 2013 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

March 13, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of GSI Group Inc.

We have audited the accompanying consolidated balance sheet of GSI Group Inc. as of December 31, 2012, and the related consolidated statements of operations, comprehensive income (loss), stockholders equity, and cash flows for each of the two years in the period ended December 31, 2012. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of GSI Group Inc. at December 31, 2012, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, the Company adopted the guidance of Accounting Standards Update (ASU) No. 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements effective January 1, 2011.

/s/ Ernst & Young LLP

Boston, Massachusetts

March 18, 2013, except for Notes 7, 15 and 17, as to which the date is

March 13, 2014

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GSI GROUP INC.

CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. dollars or shares)

	December 31, 2013	December 31, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 60,980	$ 65,788
Accounts receivable, net of allowance of $651 and $374, respectively	53,913	42,652
Inventories	66,744	52,801
Deferred tax assets	7,016	7,583
Income taxes receivable	5,769	16,540
Prepaid expenses and other current assets	5,380	5,486
Assets of discontinued operations		17,618
Total current assets	199,802	208,468
Property, plant and equipment, net	32,490	32,338
Deferred tax assets	564	3,884
Other assets	9,502	8,172
Intangible assets, net	65,293	40,020
Goodwill	71,156	44,578
Total assets	$ 378,807	$ 337,460
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Current portion of long-term debt	$ 7,500	$ 7,500
Accounts payable	26,745	18,824
Income taxes payable	1,018	3,317
Deferred tax liabilities	177	402
Accrued expenses and other current liabilities	24,576	19,278
Liabilities of discontinued operations	54	5,605
Total current liabilities	60,070	54,926
Long-term debt	64,000	42,500
Deferred tax liabilities	1,474	255
Income taxes payable	5,596	1,764
Other liabilities	5,264	9,809
Total liabilities	136,404	109,254
Commitments and Contingencies (Note 16)		
Stockholders Equity:		
Common shares, no par value; Authorized shares: unlimited; Issued and outstanding: 33,991 and 33,796, respectively	423,856	423,856
Additional paid-in capital	25,383	21,924
Accumulated deficit	(200,913)	(208,222)
Accumulated other comprehensive loss	(6,342)	(9,749)
Total GSI Group Inc. stockholders equity	241,984	227,809
Noncontrolling interest	419	397

Total stockholders equity		242,403		228,206
Total liabilities and stockholders equity	$	378,807	$	337,460

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

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GSI GROUP INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of U.S. dollars or shares, except per share amounts)

	Year Ended December 31,		
	2013	2012	2011
Sales	$ 341,612	$ 271,498	$ 304,296
Cost of goods sold	202,163	157,022	171,196
Gross profit	139,449	114,476	133,100
Operating expenses:			
Research and development and engineering	26,352	22,393	23,454
Selling, general and administrative	81,449	65,584	67,877
Amortization of purchased intangible assets	7,270	2,650	3,515
Restructuring, restatement related costs, post-emergence fees and other	6,687	8,842	2,406
Total operating expenses	121,758	99,469	97,252
Income from operations	17,691	15,007	35,848
Interest expense, net	(3,455)	(2,788)	(12,977)
Foreign exchange transaction gains (losses), net	(1,208)	(1,267)	172
Other income (expense), net	1,502	582	1,177
Income from continuing operations before income taxes	14,530	11,534	24,220
Income tax provision (benefit)	5,680	(10,940)	2,544
Income from continuing operations	8,850	22,474	21,676
Income (loss) from discontinued operations, net of tax	(927)	(5,151)	7,325
Gain (loss) on disposal of discontinued operations, net of tax	(592)	2,255	
Consolidated net income	7,331	19,578	29,001
Less: Net income attributable to noncontrolling interest	(22)	(40)	(28)
Net income attributable to GSI Group Inc.	$ 7,309	$ 19,538	$ 28,973
Earnings per common share from continuing operations:			
Basic	$ 0.26	$ 0.66	$ 0.65
Diluted	$ 0.26	$ 0.66	$ 0.64
Earnings (Loss) per common share from discontinued operations:			
Basic	$ (0.05)	$ (0.08)	$ 0.22
Diluted	$ (0.05)	$ (0.08)	$ 0.22
Earnings per common share attributable to GSI Group Inc.:			
Basic	$ 0.21	$ 0.58	$ 0.87
Diluted	$ 0.21	$ 0.58	$ 0.86
Weighted average common shares outstanding basic	34,073	33,775	33,481
Weighted average common shares outstanding diluted	34,396	33,936	33,589
Amounts attributable to GSI Group Inc.:			
Income from continuing operations	$ 8,828	$ 22,434	$ 21,648
Income (loss) from discontinued operations	(1,519)	(2,896)	7,325

Net income	$ 7,309	$ 19,538	$ 28,973

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

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GSI GROUP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of U.S. dollars)

	Year Ended December 31,		
	2013	**2012**	**2011**
Consolidated net income	$ 7,331	$ 19,578	$ 29,001
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of tax (1)	54	(1,510)	241
Pension liability adjustments, net of tax (2)	3,353	(3,215)	(1,836)
Total other comprehensive income (loss)	3,407	(4,725)	(1,595)
Total consolidated comprehensive income	10,738	14,853	27,406
Less: Comprehensive income attributable to noncontrolling interest	(22)	(40)	(28)
Comprehensive income attributable to GSI Group Inc.	$ 10,716	$ 14,813	$ 27,378

(1) The tax effect on the component of comprehensive income was $477 and $1,942 in 2013 and 2012, respectively, and was nominal for the year ended 2011.

(2) The tax effect on the component of comprehensive income was $900 and $829 in 2013 and 2012, respectively, and was nominal for the year ended 2011.

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

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GSI GROUP INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands of U.S. dollars or shares)

	GSI Group Inc. Stockholders						
	Capital Stock						
	# of Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Noncontrolling Interest	Total
Balance at December 31, 2010	33,342	$ 423,856	$ 14,655	$ (3,429)	$ (256,733)	$ 329	$ 178,678
Net income					28,973	28	29,001
Issuance of common stock upon vesting of non-vested stock awards	136						
Share-based compensation			3,276				3,276
Other comprehensive loss, net of tax				(1,595)			(1,595)
Balance at December 31, 2011	33,478	423,856	17,931	(5,024)	(227,760)	357	209,360
Net income					19,538	40	19,578
Issuance of common stock upon vesting of non-vested stock awards	383						
Share-based compensation			4,631				4,631
Net settlement of vested stock awards	(65)		(543)				(543)
Tax benefit (shortfalls) of vested stock awards			(95)				(95)
Other comprehensive loss, net of tax				(4,725)			(4,725)
Balance at December 31, 2012	33,796	423,856	21,924	(9,749)	(208,222)	397	228,206
Net income					7,309	22	7,331
Issuance of common stock upon vesting of non-vested stock awards	395						
Repurchase of common stock	(50)		(526)				(526)
Share-based compensation			5,624				5,624
Net settlement of vested stock awards	(150)		(1,495)				(1,495)
Tax benefit (shortfalls) of vested stock awards			(144)				(144)
Other comprehensive income, net of tax				3,407			3,407
Balance at December 31, 2013	33,991	$ 423,856	$ 25,383	$ (6,342)	$ (200,913)	$ 419	$ 242,403

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

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GSI GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. dollars)

	Year Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Consolidated net income	$ 7,331	$ 19,578	$ 29,001
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,207	13,676	15,267
Provision for inventory	2,153	4,472	6,646
Share-based compensation	5,499	4,580	3,276
Deferred income taxes	3,045	(14,979)	78
Earnings from equity investment	(1,469)	(556)	(1,171)
Loss (gain) on disposal of business	592	(2,255)	
Business acquisition inventory fair value adjustment	690		
Non-cash interest expense	965	1,049	1,881
Non-cash restructuring charges	432	3,825	1,163
Other	453	(50)	199
Changes in operating assets and liabilities:			
Accounts receivable	(1,886)	2,261	4,822
Inventories	(3,220)	(4,361)	(6,062)
Deferred cost of goods sold	105	1,522	5,791
Income taxes receivable, prepaid expenses, and other current assets	12,031	6,545	(837)
Deferred revenue	(1,004)	(4,133)	(9,343)
Long-term income taxes payable	532	(6,293)	1,413
Accounts payable, short-term income taxes payable, accrued expenses, and other current liabilities	2,874	3,783	(5,898)
Other non-current assets and liabilities	(130)	(234)	(1,053)
Cash provided by operating activities	49,200	28,430	45,173
Cash flows from investing activities:			
Purchases of property, plant and equipment	(4,988)	(4,308)	(4,217)
Acquisition of business	(80,773)		
Proceeds from sale of business, net of transaction costs	8,190	7,000	
Proceeds from the sale of property, plant and equipment	4,615	283	
Cash provided by (used in) investing activities	(72,956)	2,975	(4,217)
Cash flows from financing activities:			
Repayments of long-term debt and revolving credit facility	(38,500)	(23,000)	(113,214)
Proceeds from term loan and revolving credit facility	60,000	5,000	73,107
Payments for debt issuance costs	(145)	(1,826)	(2,988)
Payments of withholding taxes from stock-based awards	(1,495)	(543)	
Repurchase of common stock	(526)		
Excess tax benefits from stock-based awards	35	36	
Capital lease payments	(795)	(779)	
Cash provided by (used in) financing activities	18,574	(21,112)	(43,095)
Effect of exchange rates on cash and cash equivalents	374	660	193
Increase (decrease) in cash and cash equivalents	(4,808)	10,953	(1,946)
Cash and cash equivalents, beginning of year	65,788	54,835	56,781
Cash and cash equivalents, end of year	$ 60,980	$ 65,788	$ 54,835

Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 2,291	$ 2,067	$ 12,464
Cash paid for income taxes	2,197	3,440	1,912
Income tax refunds received	12,607	222	25
Supplemental disclosure of non-cash investing activity:			
Accrual for capital expenditures	184	925	362
Supplemental disclosure of non-cash financing activity:			
Issuance of PIK notes			532
Assets acquired under capital lease obligation			2,214

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

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GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013

1. Organization and Presentation

GSI Group Inc. and its subsidiaries (collectively referred to as the Company , we , us , ours) design, develop, manufacture and sell precision photonic and motion control components and subsystems primarily to original equipment manufacturers (OEM s) in the medical, industrial, electronics and scientific markets. Our highly engineered enabling technologies include laser sources, scanning and beam delivery products, medical visualization and informatics solutions, and precision motion control products. We specialize in collaborating with OEM customers to adapt our component and subsystem technologies to deliver highly differentiated performance in their applications.

Basis of Presentation

These consolidated financial statements have been prepared by the Company in U.S. dollars and in accordance with U.S. generally accepted accounting principles, applied on a consistent basis.

Basis of Consolidation

The consolidated financial statements include the accounts of GSI Group Inc. and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated. The accounts include a 50% owned joint venture, Excel Laser Technology Private Limited (Excel SouthAsia JV), since it is a variable interest entity and the Company is the primary beneficiary of the joint venture. The accompanying consolidated financial statements of the Company include the assets, liabilities, revenue, and expenses of Excel SouthAsia JV over which the Company exercises control. The Company records noncontrolling interest in its consolidated statements of operations for the ownership interest of the minority owners of Excel SouthAsia JV. Financial information related to the joint venture is not considered material to the consolidated financial statements. The Company accounts for investments in businesses in which it owns between 20% and 50% using the equity method.

Reclassifications

As discussed in Note 17, the Company realigned its segment presentation during the fourth quarter of 2013 into the following three reportable segments: Laser Products, Medical Technologies, and Precision Motion. The Company s reportable segment financial information has been reclassified in Note 7, 15 and 17 to conform to the updated reportable segment structure for all periods presented.

Listing of Common Shares

On February 9, 2011, the Company s common shares were approved for listing on The NASDAQ Global Select Market and began trading on February 14, 2011 under the symbol GSIG . Following the Company s emergence from bankruptcy on July 23, 2010, its common shares were quoted on the OTC Markets Group, Inc. under the trading symbol LASR.PK .

2. Bankruptcy Disclosures

In 2008, the Company did not file its quarterly report on Form 10-Q for the quarter ended September 26, 2008 within the time period required by the rules and regulations of the Securities and Exchange Commission (SEC) as a result of errors discovered by the Company in its application of revenue recognition standards concerning multiple-element revenue arrangements. The delay in the quarterly report on Form 10-Q caused a

GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2013

noncompliance with the covenant in the indenture governing the $210.0 million of 11% unsecured senior notes due 2013 (the 2008 Senior Notes). On June 30, 2009, the Company reached an agreement with certain beneficial owners holding greater than 75% of the outstanding aggregate principal amount of the 2008 Senior Notes on a non-binding term sheet to consensually restructure the outstanding obligations under the 2008 Senior Notes. Between December 2008 and March 2009, the Company announced that it had discovered material errors related to its revenue recognition affecting 2004 through 2008 and that the annual reports for 2006, 2007 and 2008 and quarterly reports through the second quarter of 2008 should not be relied upon. In November 2009, the NASDAQ announced that the Company s common stock was delisted and ceased trading on the NASDAQ Global Select Market as a result of the continued delays in Company s periodic filings with the SEC.

On November 20, 2009 (the Petition Date), GSI Group Inc. and two of its United States subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court) (the Chapter 11 Cases). Following the Petition Date, the Company continued to operate its business as debtors-in-possession in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. In late December 2009, the United States trustee overseeing the Chapter 11 Cases appointed an Official Committee of Equity Security Holders (the Equity Committee) to represent the interests of the Company s equity holders. In May 2010, the Company filed the final Chapter 11 reorganization plan with the Bankruptcy Court, which was supported by eight of ten beneficial holders of the 2008 Senior Notes (the Consenting Noteholders), the Equity Committee, and the individual members of the Equity Committee. On May 27, 2010, the Bankruptcy Court entered an order confirming and approving the plan of reorganization (the Final Chapter 11 Plan).

On July 23, 2010 (the Effective Date), the Company successfully emerged from bankruptcy as a reorganized company pursuant to the Final Chapter 11 Plan. The Final Chapter 11 Plan deleveraged the Company s balance sheet by reducing debt and increasing stockholders equity. The financial restructuring was accomplished through a debt-for-equity exchange and by using the proceeds from a shareholder rights offering and cash on hand to reduce outstanding indebtedness.

Upon the Company s emergence from Chapter 11 bankruptcy proceedings on July 23, 2010, the Company was not required to apply fresh-start accounting based on the provisions of Accounting Standards Codification (ASC) 852, Reorganizations, due to the fact that the pre-petition holders of the Company s outstanding common shares immediately before confirmation of the Final Chapter 11 Plan received more than 50% of the Company s outstanding common shares upon emergence. Accordingly, a new reporting entity was not created for accounting purposes. From the Company s bankruptcy filing through the date of emergence, the Company prepared the consolidated financial statements in accordance with ASC 852 and on a going-concern basis, which assumed continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business.

The Chapter 11 Cases were closed on September 2, 2011, and the Company no longer has any legal or material financial constraint relating to those cases.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities,

GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2013

disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of sales and expenses during the reporting periods. The Company evaluates its estimates based on historical experience, current conditions and various other assumptions that it believes are reasonable under the circumstances. Estimates and assumptions are reviewed on an on-going basis and the effects of revisions are reflected in the period in which they are deemed to be necessary. Actual results could differ significantly from those estimates.

Foreign Currency Translation

The financial statements of the Company and its subsidiaries outside the United States have been translated into United States dollars. Assets and liabilities of foreign operations are translated from foreign currencies into United States dollars at the exchange rates in effect on the balance sheet date. Sales and expenses are translated at the average exchange rate in effect for the period. Accordingly, gains and losses resulting from translating foreign currency financial statements are reported as a separate component of other comprehensive loss in stockholders equity. Foreign currency transaction gains and losses, primarily from transactions denominated in currencies other than the functional currency, are included in the accompanying consolidated statements of operations.

Cash and Cash Equivalents

Cash equivalents, primarily money market accounts, are highly liquid investments with original maturities of three months or less. These investments are carried at cost, which approximates fair value.

Long-Term Investments

At December 31, 2012, the Company had a 25.1% equity investment in a privately held company located in the United Kingdom, Laser Quantum (Laser Quantum). During the second quarter of 2013, the Company s ownership percentage increased from 25.1% to 41.2% as a result of a share buy-back program by Laser Quantum. The Company continues to use the equity method to record the results of this entity as it does not have a controlling interest in the entity. The Company recognized investment income of $1.5 million, $0.6 million and $1.2 million during 2013, 2012 and 2011, respectively, which is included in other income (expense) in the accompanying consolidated statements of operations. The Company s net investment balance was $5.7 million and $4.1 million at December 31, 2013 and 2012, respectively, and is included in other long-term assets in the accompanying consolidated balance sheets.

The summarized financial information for Laser Quantum is as follows (in thousands):

	Year Ended December 31,		
	2013	**2012**	**2011**
Sales	$ 16,269	$ 13,039	$ 18,384
Income from operations	$ 4,720	$ 3,592	$ 3,994
Net income	$ 3,745	$ 2,215	$ 4,684

	2013	**2012**
Total assets	$ 20,990	$ 21,596
Total liabilities	$ 4,240	$ 5,330

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GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2013

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount. The Company maintains an allowance for doubtful accounts. The allowance for doubtful accounts is based on the Company s best estimate of the amount of probable credit losses resulting from the inability of the Company s customers to make required payments. The Company determines the allowance based on a variety of factors including the age of amounts outstanding relative to their contractual due date, specific customer factors, and other known risks and economic trends. Charges recorded to the allowance for doubtful accounts are reflected as selling, general and administrative expenses and are recorded in the period that the outstanding receivables are determined to be uncollectible. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

For the years ended December 31, 2013, 2012 and 2011, the allowance for doubtful accounts was as follows (in thousands):

	2013	2012	2011
Balance at beginning of year	$ 374	$ 337	$ 499
Provision (benefit) charged to selling, general and administrative expense	325	185	(61)
Allowance resulting from acquisition	117		
Write-offs, net of recoveries of amounts previously reserved	(187)	(162)	(102)
Exchange rate changes	22	14	1
Balance at end of year	$ 651	$ 374	$ 337

Inventories

Inventories, which include materials and conversion costs, are stated at the lower of cost or market, using the first-in, first-out method. Market is defined as replacement cost for raw materials and net realizable value for other inventories. Demo inventory is recorded at the lower of cost or its net realizable value. The Company periodically reviews quantities of inventories on hand and compares these amounts to the expected use of each product. The Company records a charge to cost of goods sold for the amount required to reduce the carrying value of inventory to net realizable value. Costs associated with the procurement of inventories such as inbound freight charges, purchasing and receiving costs are capitalized in inventory on the consolidated balance sheets.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, adjusted for any impairment, less accumulated depreciation. The Company uses the straight-line method to calculate the depreciation of its fixed assets over their estimated useful lives. Estimated useful lives for buildings and improvements range from 3 to 30 years and 1 to 13 years for machinery and equipment. Leasehold improvements are amortized over the lesser of their useful lives or lease terms, including any renewal period options that are reasonably assured of being exercised. Repairs and maintenance costs are expensed as incurred. Certain costs to develop software for internal use are capitalized when the criteria under ASC 350-40, Internal-Use Software, are met. Lease arrangements meeting the criteria of ASC 840-30, Leases Capital Leases, are capitalized based on the present value of future lease payments and depreciated over the term of the lease.

GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2013

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price in a business combination over the fair value of the acquired net tangible and intangible assets. In connection with its acquisition of Excel Technologies, Inc. (Excel) in 2008, the Company acquired certain trade names that are classified as intangible assets with indefinite lives. Goodwill and indefinite-lived intangibles are not amortized but are assessed for impairment at least annually to ensure their current fair values exceed their carrying values.

Other identifiable intangible assets are amortized over their estimated useful lives. The Company s most significant intangible assets are patents and customer relationships, acquired technologies, trademarks and trade names. All definite-lived intangible assets are amortized over the periods in which their economic benefits are expected to be realized. The Company reviews the useful life assumptions, including the classification of certain intangible assets as indefinite-lived , on a periodic basis to determine if changes in circumstances warrant revisions to them.

The Company s product lines generally correspond with its reporting units which is the level at which the Company evaluates its goodwill, intangible assets and other long-lived assets for impairment.

Impairment Charges

Impairment analyses of goodwill and indefinite-lived intangible assets are conducted in accordance with Accounting Standards Codification (ASC) 350, Intangibles Goodwill and Other . This guidance specifies that goodwill and other intangible assets must be periodically tested for impairment. The Company tests its goodwill balances annually as of the beginning of the second quarter or more frequently if indicators are present or changes in circumstances suggest that an impairment may exist. In the second quarter of 2012, the Company adopted Accounting Standards Update (ASU) 2011-08, Intangibles Goodwill and Other (Topic 350) Testing Goodwill for Impairment (ASU 2011-08). This guidance allows the Company to use a qualitative approach to test goodwill for impairment. In performing the impairment test, the Company continues to utilize a quantitative analysis to test goodwill for impairment. This two-step approach requires a comparison of the carrying value of each of the Company s reporting units to the fair value of these reporting units. If the carrying value of a reporting unit exceeds its fair value, the Company calculates the implied fair value of the reporting unit s goodwill and compares it to the goodwill s carrying value. If the carrying value of the goodwill exceeds its implied fair value, an impairment charge is recorded for the difference.

During the second quarter of 2013, the Company adopted ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment . Similar to goodwill impairment testing guidance under ASU 2011-08, the revised standard allows entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU 2012-02 permits entities to perform a qualitative assessment by considering events and circumstances which would impact the fair value of the entity s indefinite-lived intangible assets to determine whether it is more likely than not that the fair value of the entity s indefinite-lived intangible assets are impaired. An entity would continue to calculate the fair value of an indefinite-lived intangible asset if the asset fails the qualitative assessment, while no further analysis would be required if it passes. The provisions of the new guidance were adopted and had no impact on our 2013 annual indefinite-lived intangible asset impairment test results as the Company continues to use a quantitative analysis.

The Company assesses indefinite-lived intangible assets for impairment on an annual basis as of the beginning of the second quarter, and more frequently if indicators are present or changes in circumstances

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suggest that an impairment may exist. The Company will also reassess the continuing classification of these indefinite-lived intangible assets as indefinite-lived when circumstances change such that the useful life may no longer be indefinite. The fair values of the Company s indefinite-lived intangible assets are determined using the relief from royalty method, based on forecasted revenues. If the fair value of an indefinite-lived intangible asset is less than its carrying value, an impairment charge is recorded for the difference between the carrying value and the fair value of the impaired asset.

The carrying amounts of definite-lived long-lived assets are reviewed for impairment whenever changes in events or circumstances indicate that their carrying values may not be recoverable. The recoverability of carrying value is generally determined by comparison of the reporting unit s carrying value to its future undiscounted cash flows. When this test indicates the potential for impairment, a fair value assessment is performed. Once an impairment is determined and measured, an impairment charge is recorded for the difference between the carrying value and the fair value of the impaired asset.

Accumulated Other Comprehensive Income (Loss)

In 2013, the Company adopted ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Comprehensive Income . Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of accumulated other comprehensive income (loss) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income (loss) by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income (loss) in the financial statements. The adoption of this amendment did not have any material impact on the Company s consolidated financial statements.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, price is fixed or determinable, and collection of the resulting receivable is reasonably assured. Revenue recognition requires judgment and estimates, which may affect the amount and timing of revenue recognized in any given period.

On January 1, 2011, the Company adopted the provisions of ASU 2009-13, Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements, using the modified prospective approach. All multiple-element revenue arrangements entered into after January 1, 2011 have been accounted for under the ASU 2009-13 guidance. ASU 2009-13 addresses the accounting for multiple-element arrangements by providing two significant changes. First, this guidance removes the requirement to have objective and reliable evidence of fair value for undelivered elements in an arrangement, which generally results in more elements being treated as separate units of accounting. Specifically, this guidance amends the criteria in Subtopic 605-25, Revenue Recognition-Multiple-Element Arrangements (ASC 605-25), for separating consideration in multiple-element arrangements. This guidance establishes a selling price hierarchy for determining the selling price of an element, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) management s best estimate. Management s best estimate for the Company is based on factors such as gross margin, volume discounts, new strategic customers, geography, customer class and competitive pressures. The second change

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modifies the manner in which the transaction consideration is allocated across the separately identified elements. Entities are no longer able to apply the residual method of allocation. Instead, the arrangement consideration is required to be allocated at the inception of the arrangement to all elements using the relative selling price method. The relative selling price method uses the weighted average of the selling price and applies that to the contract value to establish the consideration for each element.

For transactions entered into prior to the adoption of ASU 2009-13, the Company followed the provisions of ASC 605-25 for all multiple-element arrangements. Under the guidance prior to ASU 2009-13, the Company assessed whether the elements specified in a multiple-element arrangement should be treated as separate units of accounting for revenue recognition purposes and whether objective and reliable evidence of fair value existed for these separate units of accounting. The Company applied the residual method when objective and reliable evidence of fair value existed for all of the undelivered elements in a multiple-element arrangement. When objective and reliable evidence of fair value did not exist for all of the undelivered elements, the Company recognized revenue under the multiple units shipped methodology, whereby revenue was recognized in each period based upon the lowest common percentage of the products shipped in the period. This approximated a proportional performance model (the Proportional Performance Model) of revenue recognition. This generally resulted in a partial deferral of revenue to a later reporting period. No revenue was recognized unless one or more units of each product had been delivered.

The Company s revenue transactions are comprised of both single-element and multiple-element transactions. Multiple-element transactions may include two or more products and occasionally also contain installation, training, non-standard/extended warranties, or preventative maintenance plans. For multiple-element transactions entered into or materially modified after January 1, 2011, revenue is recognized under ASU 2009-13, generally upon shipment using the relative selling price method. For multiple-element transactions entered prior to January 1, 2011, revenue was generally recognized under the Proportional Performance Model described previously. Single-element transactions were generally recognized upon shipment.

Installation is generally a routine process that occurs within a short period of time following delivery and the Company has concluded that this obligation is inconsequential and perfunctory.

The Company generally provides warranties for its products. The standard warranty period is typically 12 to 24 months for the Laser Products and Precision Motion segments. The Medical Technologies segment contains standard warranties that range from 12 months to 60 months. The initial standard warranty for product sales is accounted for under the provisions of ASC 450, Contingencies, as the Company has the ability to ascertain the likelihood of the liability, and can estimate the amount of the liability. A provision for the estimated cost related to warranty is recorded to cost of goods sold at the time revenue is recognized. The Company s estimate of costs to service the warranty obligations are based on historical experience and expectations of future conditions. To the extent the Company experiences warranty claims or costs associated with servicing those claims that differ from the original estimates, revisions to the estimated warranty liability are recorded at that time.

The Company also sells optional extended/non-standard warranty services and preventative maintenance contracts to customers. The Company accounts for these agreements in accordance with provisions of ASC 605-20-25-3, Separately Priced Extended Warranty and Product Maintenance Contracts, under which it recognizes the separately priced extended warranty and preventative maintenance fees ratably over the associated period.

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The Company, at the request of its customers, may at times perform professional services for its customers, generally for the maintenance and repairs of products previously sold to those customers. These services are usually in the form of time and materials based contracts which are short in duration. Revenue for time and material services is recorded at the completion of services requested under a customer s purchase order. At times, customers may purchase a service contract subsequent to the initial product sale whereby services, including preventative maintenance plans, are provided over a defined period, generally one year. Revenue for such service contracts are recorded ratably over the period of the contract.

The Company typically negotiates trade discounts and agreed terms in advance of order acceptance and records any such items as a reduction of revenue. The Company s revenue recognition policy allows for revenue to be recognized under arrangements where the payment terms are 180 days or less, presuming all other revenue recognition criteria have been met. From time to time, based on the Company s review of customer creditworthiness and other factors, the Company may provide its customers with payment terms that exceed 180 days. To the extent all other revenue recognition criteria have been met, the Company recognizes revenue for these extended payment arrangements when payment is due. The Company currently does not have payment terms with customers that exceed 180 days.

The Company had certain pre ASU 2009-13 multiple-element arrangements, delivered over multiple periods, from which the Company recognized $31.5 million in revenue for the year ended December 31, 2011 and $0.3 million for the year ended December 31, 2012. There was no related revenue recognized during the year ended December 31, 2013. Such arrangements continued to be accounted for under the prior accounting standards until they were completed.

Research and Development and Engineering Costs

Research and development and engineering (R&D) expenses are primarily comprised of employee related expenses and cost of materials for R&D projects. These costs are expensed as incurred.

Share-Based Compensation

The Company records the expense associated with share-based compensation awards to employees and directors based on the fair value of awards as of the grant date. Such expenses are recognized in the consolidated statements of operations ratably over the vesting period of the award, net of estimated forfeitures.

Shipping & Handling Costs

Shipping and handling costs are recorded in cost of goods sold.

Advertising Costs

Advertising costs are expensed to selling, general and administrative expense as incurred and were not material for 2013, 2012 and 2011.

Restructuring, Restatement Related Costs, Post-Emergence Fees and Other Charges

In accounting for its restructuring activities, the Company follows the provisions of ASC 420, Exit or Disposal Cost Obligations . The Company makes assumptions related to the amounts of employee severance benefits and related costs, the time period over which facilities will remain vacant, useful lives and residual value of long-lived assets, sublease terms, sublease rates and discount rates. Estimates and assumptions are based on

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the best information available at the time the obligation is recognized. These estimates are reviewed and revised as facts and circumstances dictate.

The costs incurred related to third parties, including auditors, attorneys, forensic accountants and other advisors, for services performed in connection with the restatement of the Company s previously issued financial statements as reported in its Annual Report on Form 10-K for the year ended December 31, 2008 and its Quarterly Report on Form 10-Q for the quarter ended September 26, 2008, including the SEC investigation and certain shareholder actions, have been included within the Company s restructuring, restatement related costs, post-emergence fees and other charges line in the accompanying consolidated statements of operations.

Post-emergence professional fees represent costs incurred subsequent to bankruptcy emergence for financial and legal advisors to assist with matters in finalizing the bankruptcy process. Post-emergence professional fees totaled $0.3 million during 2011, with no comparable amount during 2013 and 2012.

Accounting for Income Taxes

The asset and liability method is used to account for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits, such as net operating loss carryforwards, to the extent that it is more likely than not that such benefits will be realized. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. A valuation allowance is established to reduce the deferred tax assets if it is more likely than not that some or all of the related tax benefits will not be realized in the future and is assessed periodically to determine whether it is more likely than not that the tax benefits will be realized in the future and that such valuation should be released.

The majority of the Company s business activities are conducted through its subsidiaries outside of Canada. Earnings from these subsidiaries are generally indefinitely reinvested in the local businesses. Further, local laws and regulations may also restrict certain subsidiaries from paying dividends to their parents. As such, the Company generally does not accrue income taxes for the repatriation of such earnings in accordance with ASC 740, Income Taxes . To the extent that there are excess accumulated earnings that the Company intends to repatriate from any such subsidiaries, the Company recognizes deferred tax liabilities on such foreign earnings.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based on the evaluation of the facts, circumstances, and information available at each reporting date. For those tax positions with a greater than 50 percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information, the Company records a tax benefit. For those income tax positions that are not likely to be sustained, no tax benefit is recognized in the consolidated financial statements. The Company recognizes interest and penalties related to uncertain tax positions as part of the provision for income taxes.

Recent Accounting Pronouncements

Accounting for the Cumulative Translation Adjustment

In March 2013, the FASB issued ASU 2013-05, Foreign Currency Matters (Topic 830): Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of

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Assets within a Foreign Entity or of an Investment in a Foreign Entity . ASU 2013-05 provides clarification regarding whether ASC 810-10, Consolidation Overall or ASC 830-30, Foreign Currency Matters Translation of Financial Statements, applies to the release of cumulative translation adjustments into net income when a reporting entity either sells a part or all of its investment in a foreign entity or ceases to have a controlling financial interest in a subsidiary or group of assets that constitute a business within a foreign entity. The revised standard is effective for reporting periods beginning after December 15, 2013, with early adoption permitted. The adoption of this amendment is not expected to have a material impact on the Company s consolidated financial statements.

Presentation of Unrecognized Tax Benefits

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists . ASU 2013-11 requires, unless certain conditions exists, an unrecognized tax benefit or a portion of an unrecognized tax benefit be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, similar to a tax loss or a tax credit carryforward. ASU 2013-11 is effective prospectively for reporting periods beginning after December 15, 2013. The adoption of this amendment is not expected to have a material impact on the Company s consolidated financial statements.

4. Discontinued Operations

Beginning in 2011, the Company initiated a strategic review of its businesses to focus our priorities and investments, while simplifying and streamlining our business model. In June 2012, the Company committed to a plan for the sale of the Semiconductor Systems operating segment, sold under the GSI brand name, and Laser Systems product lines, sold under the Control Laser and Baublys brand names. The Company began accounting for these businesses as discontinued operations beginning in the second quarter of 2012.

Laser Systems

In October 2012, the Company sold certain assets and liabilities of the Laser Systems business for $7.0 million to Hans Laser, subject to working capital adjustments, and recorded a $2.3 million gain in the consolidated statement of operations during the fiscal year ended December 31, 2012. In September 2013, the Company paid $0.4 million to Hans Laser as the final net working capital adjustment which resulted in an additional loss of $0.2 million, net of tax.

As Hans Laser did not purchase the Orlando facility which had been used as the main operating facility for Laser Systems, the Company retained the facility and is currently leasing the facility to Hans Laser under an operating lease agreement through October 2014. As of the end of the second quarter of 2013, it was determined that it was no longer probable that the facility would be sold within the next twelve months and, as a result, the facility was reclassified from assets of discontinued operations to property, plant and equipment.

Semiconductor Systems

In May 2013, the Company consummated the sale of certain assets and liabilities of the Semiconductor Systems business to Electro Scientific Industries, Inc. (ESI) for $8.0 million in cash, subject to closing working capital adjustments. In September 2013, the Company settled final net working capital adjustment with ESI for $1.7 million in favor of the Company, resulting in an adjusted selling price of $9.7 million for the sale. The

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Company recognized a $0.4 million loss on the sale, net of tax, in the consolidated statements of operations during 2013, which included selling costs of $1.1 million.

The major components of the assets and liabilities of discontinued operations as of December 31, 2013 and 2012, respectively, are as follows (in thousands):

	2013	2012
Accounts receivable, net	$	$ 2,981
Inventories		8,231
Other assets		694
Property, plant and equipment, net		5,712
Assets of discontinued operations	$	$ 17,618
Accounts payable	$ 10	$ 1,358
Accrued expenses and other current liabilities	44	2,116
Deferred revenue		1,453
Other liabilities		678
Liabilities of discontinued operations	$ 54	$ 5,605

Liabilities of discontinued operations as of December 31, 2013 primarily relate to accrued severance and professional service costs associated with the closing of the transaction.

The following table presents the Semiconductor Systems and Laser Systems operating results which are reported as discontinued operations in the Company s consolidated statements of operations (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Sales from discontinued operations	$ 9,090	$ 44,655	$ 61,984
Income (loss) from discontinued operations before income taxes	$ (1,713)	$ (5,041)	$ 7,837
Income (loss) from discontinued operations, net of tax	$ (927)	$ (5,151)	$ 7,325
Gain (loss) on disposal of discontinued operations, net of tax	$ (592)	$ 2,255	$

In 2012, the Company recorded an inventory provision of $1.9 million related to the Semiconductor Systems business. This provision was included in the consolidated statement of operations in income (loss) from discontinued operations, net of tax. The increase in the inventory provision was caused by changes in industry trends in the memory repair market, which resulted in lower expected future demand for the Company s memory repair products.

5. Business Combinations

On January 15, 2013, the Company acquired 100% of the outstanding membership interests of NDS Surgical Imaging, LLC and 100% of the outstanding stock of NDS Surgical Imaging KK (collectively, NDS) for $82.7 million in cash consideration, subject to customary closing working capital adjustments. In October 2013, the Company finalized the closing working capital adjustments with the seller for $1.9 million in favor of the Company, resulting in an adjusted purchase price of $80.8 million. In addition, a total of $5.4 million held in escrow after the payment of closing working capital adjustments can be utilized as indemnification for certain

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representations and warranty claims against the seller until the expiration of the escrow arrangement in July 2014. The Company recognized acquisition-related costs, which are included in restructuring, restatement related costs, post emergences fees and other in the consolidated statements of operations, as follows (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Cumulative Costs December 31, 2013
Acquisition-related charges	$ 1,164	$ 685	$ 1,849

The acquisition of NDS has been accounted for as a business combination. The allocation of the purchase price is based upon a valuation of assets and liabilities acquired. Assets acquired and liabilities assumed have been recorded at their estimated fair values as of the acquisition date. The fair values of intangible assets were based on valuations using an income approach, with estimates and assumptions provided by management of NDS and the Company. The excess of the purchase price over the tangible assets, identifiable intangible assets and assumed liabilities was recorded as goodwill.

The total purchase price allocation was as follows (in thousands):

	Estimated Purchase Price Allocation
Accounts receivable	$ 10,327
Inventory	14,144
Property and equipment	2,426
Intangible assets	37,817
Other assets	1,782
Goodwill	26,578
Total assets acquired	93,074
Accounts payable	4,768
Accrued expenses	6,217
Deferred tax liabilities	384
Other liabilities assumed	932
Total liabilities assumed	12,301
Total net assets acquired	$ 80,773

The fair value of intangible assets is comprised of the following (in thousands):

	Estimated Fair Value	Weighted Average

		Amortization Period
Customer relationships	$ 22,294	20 years
Developed technology	6,689	10 years
Trademarks and tradenames	7,565	20 years
Backlog	1,269	1 year
Total	$ 37,817	

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The purchase price allocation resulted in $26.6 million of goodwill and $37.8 million of identifiable intangible assets, the majority of which are expected to be deductible for tax purposes. As a result, the Company recorded deferred tax liabilities of $0.4 million in purchase accounting, equal to the deferred tax effect of certain acquired intangible assets. Intangible assets are being amortized over their weighted average useful lives primarily based upon the pattern in which economic benefits related to such assets are expected to be realized. The resulting amount of goodwill reflects the Company s expectations of the following synergistic benefits: (1) the potential growth due to additional financial resources to spend on research and development activities, increase of sales resources and the ability to enhance product offerings; (2) the potential to sell NDS products into the Company s existing customer base and to sell the Company s products into NDS s customer base; and (3) the Company s intention to leverage its expertise in light and color measurement technologies. Excluding the $5.4 million dollar representations and warranties claims, the purchase price is final.

The results of the NDS operations have been included in the consolidated statements of operations since the acquisition date. NDS contributed sales of $68.4 million and loss from continuing operations before income taxes of $3.4 million for the year ended December 31, 2013.

The pro forma information for all periods presented below includes the effects of acquisition accounting, including amortization charges from acquired intangible assets, interest expense on borrowings in connection with the acquisition, acquisition-related charges, and the related tax effects as though the acquisition had been consummated as of the beginning of 2012. These pro forma results exclude the impact of transaction costs included in the historical results and the related tax effects. The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the results of operations that actually would have been achieved if the acquisition had taken place at the beginning of 2012.

The following unaudited pro forma information presents the combined financial results for the Company and NDS as if the acquisition of NDS had been completed as of January 1, 2012 (in thousands, except per share information):

	Year Ended December 31,	
	2013	2012
Sales	$ 342,478	$ 357,247
Income from continuing operations, net of tax	$ 9,121	$ 24,370
Earnings per share from continuing operations Basic	$ 0.27	$ 0.72
Earnings per share from continuing operations Diluted	$ 0.26	$ 0.72

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6. Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) is defined as net income or loss and other changes in stockholders equity from non-owner sources. Changes in accumulated other comprehensive income (loss) is as follows (in thousands):

	Total accumulated other comprehensive income (loss)	Foreign currency translation adjustments	Pension liability
Balance at December 31, 2010	$ (3,429)	$ 2,568	$ (5,997)
Other comprehensive income (loss)	(1,901)	241	(2,142)
Amounts reclassified from other comprehensive income	306		306
Balance at December 31, 2011	(5,024)	2,809	(7,833)
Other comprehensive loss	(6,973)	(3,020)	(3,953)
Amounts reclassified from other comprehensive income	2,248	1,510	738
Balance at December 31, 2012	(9,749)	1,299	(11,048)
Other comprehensive income	2,686	54	2,632
Amounts reclassified from other comprehensive income	721		721
Balance at December 31, 2013	$ (6,342)	$ 1,353	$ (7,695)

7. Goodwill and Intangible Assets

Goodwill

Goodwill is recorded when the consideration for a business combination exceeds the fair value of net tangible and identifiable intangible assets acquired. The Company performed its annual goodwill impairment test at the beginning of the second quarter and noted no impairment of goodwill. As of the date of our most recent annual impairment test, the fair value of our medical components reporting unit exceeded its carrying value by approximately 10%. The gap between the fair value and the carrying value is relatively small for this reporting unit because our recent NDS acquisition constitutes the majority of the reporting unit.

The following table summarizes changes in goodwill during the year ended December 31, 2013 (in thousands):

	December 31, 2013
Balance at beginning of year	$ 44,578
Goodwill acquired from NDS acquisition	26,578
Balance at end of year	$ 71,156

Goodwill acquired from the NDS acquisition is reflected in the Medical Technologies segment. Goodwill by reportable segment as of December 31, 2013 is as follows (in thousands):

	Reportable Segment			
	Laser Products	Medical Technologies	Precision Motion	Total
Goodwill	$ 132,954	$ 43,565	$ 26,291	$ 202,810
Accumulated impairment of goodwill	(102,461)	(12,147)	(17,046)	(131,654)
Total	$ 30,493	$ 31,418	$ 9,245	$ 71,156

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Goodwill by reportable segment as of December 31, 2012 is as follows (in thousands):

	Reportable Segment			
	Laser Products	Medical Technologies	Precision Motion	Total
Goodwill	$ 132,954	$ 16,987	$ 26,291	$ 176,232
Accumulated impairment of goodwill	(102,461)	(12,147)	(17,046)	(131,654)
Total	$ 30,493	$ 4,840	$ 9,245	$ 44,578

Intangible Assets

Intangible assets as of December 31, 2013 and 2012, respectively, are summarized as follows (in thousands):

	December 31, 2013			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life (Years)
Amortizable intangible assets:				
Patents and acquired technologies	$ 68,500	$ (56,327)	$ 12,173	5.3
Customer relationships	55,585	(24,340)	31,245	13.9
Trademarks, trade names and other	13,378	(4,530)	8,848	16.4
Customer backlog	1,269	(1,269)		
Amortizable intangible assets	138,732	(86,466)	52,266	12.3
Non-amortizable intangible assets:				
Trade names	13,027		13,027	
Total	$ 151,759	$ (86,466)	$ 65,293	

	December 31, 2012			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life (Years)
Amortizable intangible assets:				
Patents and acquired technologies	$ 61,667	$ (50,904)	$ 10,763	3.9
Customer relationships	33,245	(18,981)	14,264	6.5
Trademarks, trade names and other	5,780	(3,814)	1,966	6.2

Amortizable intangible assets	100,692	(73,699)	26,993	5.4
Non-amortizable intangible assets:				
Trade names	13,027		13,027	
Total	$ 113,719	$ (73,699)	$ 40,020	

All definite-lived intangible assets are amortized either on a straight-line basis or an economic benefit basis over their remaining life. Amortization expense for customer relationships and definite-lived trademarks, trade names and other intangibles is included in operating expenses in the accompanying consolidated statements of

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operations. Amortization expense for patents and acquired technologies is included in cost of goods sold in the accompanying consolidated statements of operations. Amortization expense is as follows (in thousands):

		Year ended December 31,		
		2013	2012	2011
Amortization	Cost of goods sold	$ 5,280	$ 3,165	$ 3,851
Amortization	Operating expenses	7,270	2,650	3,515
Total		$ 12,550	$ 5,815	$ 7,366

Estimated amortization expense for each of the five succeeding years and thereafter as of December 31, 2013 is as follows (in thousands):

Year Ending December 31,	Cost of Goods Sold	Operating Expenses	Total
2014	$ 4,953	$ 6,044	$ 10,997
2015	3,310	5,448	8,758
2016	1,965	5,053	7,018
2017	1,573	4,723	6,296
2018	146	4,387	4,533
Thereafter	226	14,438	14,664
Total	$ 12,173	$ 40,093	$ 52,266

Impairment Charges

The Company did not have any goodwill or indefinite-lived intangible asset impairment charges during the years ended December 31, 2013, 2012 and 2011.

8. Fair Value Measurements

ASC 820, Fair Value Measurement, establishes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the third is considered unobservable:

Level 1: Quoted prices for identical assets or liabilities in active markets which the Company can access.

Level 2: Observable inputs other than those described in Level 1.

Level 3: Unobservable inputs.

The Company s cash equivalents are investments in money market accounts, which represent the only asset the Company measures at fair value on a recurring basis. The Company determines the fair value of our cash equivalents using a market approach based on quoted prices in active markets. The fair values of cash, accounts receivable, income taxes receivable, accounts payable, income taxes payable and accrued expenses and other current liabilities approximate their carrying values because of their short-term nature.

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The following table summarizes the fair values of our financial assets as of December 31, 2013 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash equivalents	$ 3,078	$ 3,078	$	$

The following table summarizes the fair values of our financial assets as of December 31, 2012 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Cash equivalents	$ 2,511	$ 2,511	$	$

Except for assets and liabilities acquired from the NDS acquisition, as disclosed in Note 5, there were no assets and liabilities that were measured at fair value on a non-recurring basis during 2013. The following table summarizes assets and liabilities that were measured at fair value on a non-recurring basis during 2012 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Losses
Facility impairment	$	$	$ 856	$ 856

During the year ended December 31, 2012, the Company recorded non-recurring fair value measurements related to the impairment of our Orlando, Florida facility. As part of our periodic assessment of assets of discontinued operations, the Company recorded an impairment in the third quarter of 2012 on the facility to reduce the book value to the estimated fair value of the building, less costs to sell. The estimated fair value was determined using a combination of the income approach and comparable sales approach of similar properties within the Orlando, Florida area using information from third party real estate agents.

See Note 11 for discussion of the estimated fair value of the Company s outstanding debt and Note 13 for discussion of the estimated fair value of the Company s pension plan assets.

9. Earnings (Loss) per Share

Basic earnings (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. For diluted earnings (loss) per common share, the denominator also includes the dilutive effect of outstanding restricted stock awards and restricted stock units determined using the treasury stock method. For years in which net losses are generated, the dilutive potential common shares are excluded from the calculation of diluted earnings per share as the effect would be anti-dilutive.

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The following table sets forth the computation of basic and diluted earnings (loss) per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2013	2012	2011
Numerators:			
Consolidated income from continuing operations	$ 8,850	$ 22,474	$ 21,676
Less: Income attributable to noncontrolling interest	(22)	(40)	(28)
Income from continuing operations attributable to GSI Group Inc.	8,828	22,434	21,648
Income (loss) from discontinued operations.	(1,519)	(2,896)	7,325
Net income attributable to GSI Group Inc.	$ 7,309	$ 19,538	$ 28,973
Denominators:			
Weighted average common shares outstanding basic	34,073	33,775	33,481
Dilutive potential common shares	323	161	108
Weighted average common shares outstanding diluted	34,396	33,936	33,589
Antidilutive common shares excluded from above	246	244	132
Basic Earnings (Loss) per Common Share:			
From continuing operations	$ 0.26	$ 0.66	$ 0.65
From discontinued operations	$ (0.05)	$ (0.08)	$ 0.22
Basic earnings per share attributable to GSI Group Inc.	$ 0.21	$ 0.58	$ 0.87
Diluted Earnings (Loss) per Common Share:			
From continuing operations	$ 0.26	$ 0.66	$ 0.64
From discontinued operations	$ (0.05)	$ (0.08)	$ 0.22
Diluted earnings per share attributable to GSI Group Inc.	$ 0.21	$ 0.58	$ 0.86

Common Stock Repurchases

In October 2013, the Company s Board of Directors authorized a share repurchase plan under which the Company may repurchase outstanding shares of the Company s common stock up to an aggregate amount of $10.0 million. The shares may be repurchased from time to time, at the Company s discretion, based on ongoing assessment of the capital needs of the business, the market price of the Company s common stock, and general market conditions. Shares may also be repurchased through an accelerated stock purchase agreement, on the open market or in privately negotiated transactions in accordance with applicable federal securities laws. Repurchases may be made under certain SEC regulations, which would permit common stock to be purchased when the Company would otherwise be prohibited from doing so under insider trading laws. The share repurchase plan does not obligate the Company to acquire any particular amount of common stock. No time limit was set for the completion of the share repurchase program, and the program may be suspended or discontinued at any time. In December 2013, the Company repurchased 50 thousand shares of its common stock in the open market for $0.5 million at an average price of $10.49.

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GSI GROUP INC.

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AS OF DECEMBER 31, 2013

10. Supplementary Balance Sheet Information

The following tables provide the details of selected balance sheet items as of the periods indicated (in thousands):

Inventories

	December 31,	
	2013	2012
Raw materials	$ 39,194	$ 30,554
Work-in-process	13,186	11,959
Finished goods	10,885	8,023
Demo and consigned inventory	3,479	2,265
Total inventories	$ 66,744	$ 52,801

Property, Plant and Equipment, net

	December 31,	
	2013	2012
Cost:		
Land, buildings and improvements	$ 38,591	$ 38,955
Machinery and equipment	50,755	45,821
Total cost	89,346	84,776
Accumulated depreciation	(56,856)	(52,438)
Property, plant and equipment, net	$ 32,490	$ 32,338

In 2011, the Company capitalized $2.2 million of assets which met the capital lease criteria of ASC 840-30, Leases Capital Lease . The assets acquired under the capital lease are included in machinery and equipment and the related amortization expense is included in depreciation expense. The Company also capitalized software development costs of $0.2 million and $0.6 million in 2013 and 2012, respectively, based on the guidance in ASC 350-40, Internal-Use Software . The following table summarizes depreciation expense on property, plant and equipment, including amortization of demo units and the capital lease (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Depreciation expense	$ 8,184	$ 9,612	$ 7,100

The following table summarizes total accumulated amortization on capital leases as of the periods indicated (in thousands):

	December 31,	
	2013	**2012**
Accumulated amortization on capital leases	$ 1,653	$ 861

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Accrued Expenses and Other Current Liabilities

The following table summarizes accrued expenses and other current liabilities as of the periods indicated (in thousands):

	December 31,	
	2013	2012
Accrued compensation and benefits	$ 9,326	$ 6,655
Accrued warranty	3,690	2,777
Customer deposits	1,147	3,033
Other	10,413	6,813
Total accrued expenses and other current liabilities	$ 24,576	$ 19,278

Accrued Warranty

The following table summarizes accrued warranty activity for the periods indicated (in thousands):

	December 31,	
	2013	2012
Balance at beginning of year	$ 2,777	$ 3,035
Provision charged to cost of goods sold	1,963	2,463
Acquisition related warranty accrual	998	
Use of provision	(2,074)	(2,781)
Foreign currency exchange rate changes	26	60
Balance at end of year	$ 3,690	$ 2,777

11. Debt

Debt consisted of the following (in thousands):

	December 31,	
	2013	2012
Senior Credit Facilities term loan	$ 7,500	$ 7,500
Total current portion of long-term debt	$ 7,500	$ 7,500
Senior Credit Facilities term loan	$ 35,000	$ 42,500
Senior Credit Facilities revolving credit facility	29,000	

Total long-term debt	$ 64,000	$ 42,500
Total Senior Credit Facilities	$ 71,500	$ 50,000

Senior Credit Facilities

On December 27, 2012, the Company entered into an amended and restated senior secured credit agreement (the Amended and Restated Credit Agreement) with new and existing lenders for an aggregate credit facility of $125.0 million, consisting of a $50.0 million, 5-year, term loan facility and a $75.0 million, 5-year, revolving

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credit facility (collectively, the Senior Credit Facilities). The Senior Credit Facilities mature in December 2017. The Amended and Restated Credit Agreement amended and restated the credit agreement dated October 19, 2011 (the Original Credit Agreement). The terms and conditions of the Amended and Restated Credit Agreement did not substantially change from the Original Credit Agreement.

The borrowings outstanding under the credit facility bear interest at rates based on (a) the Eurodollar Rate, as defined in the Amended and Restated Credit Agreement, plus a rate ranging from 2.00% to 3.00% per annum or (b) the Base Rate, as defined in the Amended and Restated Credit Agreement, plus a rate ranging from 1.00% to 2.00% per annum, in each case based upon the Company s consolidated leverage ratio. Inclusive of commitment fees, the interest rate for the credit facility was approximately 2.7% as of December 31, 2013. The Company is also required to pay a commitment fee on unused commitments under the revolving credit facility ranging between 0.250% and 0.625% per annum, which is based upon the Company s consolidated leverage ratio. As of December 31, 2013, the Company had $46.0 million available to be drawn under the revolving credit facility.

The Amended and Restated Credit Agreement contains various customary representations, warranties and covenants applicable to the Company and its subsidiaries, including, (i) covenants regarding maximum consolidated leverage ratio and minimum consolidated fixed charge coverage ratio; (ii) limitations on restricted payments, including dividend payments and stock repurchases, provided that the Company may repurchase their equity interests, so long as immediately after giving effect to the repurchase, the Company s consolidated leverage ratio is no more than 2.25:1.00, the Company has unrestricted cash plus amounts available for borrowing under the Senior Credit Facilities of at least $25.0 million, and other customary conditions; (iii) limitations on fundamental changes involving the Company; (iv) limitations on the disposition of assets; and (v) limitations on indebtedness, investments, and liens. The Amended and Restated Credit Agreement requires the Company to satisfy certain financial covenants, such as maintaining a minimum consolidated fixed charge coverage ratio of 1.50 to 1.00 and a maximum consolidated leverage ratio of 2.75 to 1.00.

The Company s obligations under the Senior Credit Facilities are secured on a senior basis by a lien on substantially all of the assets of the Company and its material United States (U.S.) and United Kingdom (U.K.) subsidiaries and guaranteed by the Company and its material U.S. and U.K. subsidiaries. The Amended and Restated Credit Agreement also contains customary events of default.

The Company entered into three amendments to the Amended and Restated Credit Agreement during 2013 and one amendment during 2014. The first and second amendments resulted in immaterial modifications. On September 13, 2013, the Company entered into a third amendment (the Third Amendment) which increased the accordion feature provided in the Amended and Restated Agreement from uncommitted $50.0 million to uncommitted $100.0 million in aggregate of the revolving credit facility and term loan. On February 10, 2014, the Company entered into a fourth amendment (the Fourth Amendment.) The Fourth Amendment increases the revolving credit facility commitment under the Amended and Restated Credit Agreement by $100 million from $75 million to $175 million and resets the accordion feature to $100 million for future expansion. Additionally, the Fourth Amendment increases the maximum permitted consolidated leverage ratio from 2.75 to 3.00, and increases the maximum consolidated leverage ratio for permitted acquisitions and stock repurchases from 2.25 to 2.50. The Company was in compliance with these debt covenants as of December 31, 2013.

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The principal on the Company s term loan outstanding matures as follows (in thousands):

	Term Loan
2014	$ 7,500
2015	7,500
2016	7,500
2017	20,000
Total debt repayments	$ 42,500

Subject to certain exceptions, the Company will be required to prepay outstanding loans under the Amended and Restated Credit Agreement with the net proceeds of certain asset dispositions and incurrences of certain debt. The Company may voluntarily prepay loans or reduce commitments under the Senior Credit Facilities, in whole or in part, without premium or penalty, subject to certain minimum principal amounts.

Guarantees

Each Guarantor, as defined in the Amended and Restated Credit Agreement, jointly and severally, unconditionally guarantees the due and punctual payment of the principal, interest and fees on the Senior Credit Facilities, when due and payable, whether at maturity, by required prepayment, by acceleration or otherwise. In addition, guarantors guarantee the due and punctual payment, fees and interest on the overdue principal of the Senior Credit Facilities and the due and punctual performance of all obligations of the Company in accordance with the terms of the Amended and Restated Credit Agreement. Furthermore, each Guarantor, jointly and severally, unconditionally guarantees that in the event of any extension, renewal, amendment, refinancing or modification of any of the Senior Credit Facilities or any of such other Obligations, as defined in the Amended and Restated Credit Agreement, amounts due will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, at stated maturity, by acceleration or otherwise.

The obligations of each Guarantor are limited to the maximum amount, after giving effect to all other contingent and fixed liabilities or any collections from or payments made by or on behalf of any other Guarantor. Each Guarantor that makes a payment or distribution under a Guarantee is entitled to a contribution from each other Guarantor of its Pro Rata Share, as defined in the Amended and Restated Credit Agreement, based on the adjusted net assets of each Guarantor. The Guarantees will continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the obligations of the Guarantors is rescinded or must otherwise be returned upon the insolvency, bankruptcy or reorganization of the Company, a Guarantor or otherwise, all as though such payment had not been made.

Each Guarantor may be released from its obligations under its respective Guarantee and its obligations under the Amended and Restated Credit Agreement upon the occurrence of certain events, including, but not limited to: (i) the Guarantor ceases to be a subsidiary; and (ii) payment in full of the principal, accrued and unpaid interest on the Senior Credit Facilities and all other obligations.

As of December 31, 2013, the maximum potential amount of future payments the Guarantors could be required to make under the Guarantee is the principal amount of the Senior Credit Facilities plus all unpaid but accrued interest thereon. However, as of December 31, 2013, the Guarantors are not expected to be required to perform under the Guarantee.

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Mortgages

In connection with the Amended and Restated Credit Agreement and as required thereby Synrad, Inc. (Synrad), Photo Research, Inc. (Photo Research) and Excel Technology, Inc. (Excel), each a subsidiary of the Company continues to be subject to an Open-End Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of October 19, 2011, in favor of or for the benefit of the Trustee, wherein Synrad, Photo Research and Excel mortgaged, granted, bargained, assigned, sold and conveyed their respective interest in the property located in Mukilteo, Washington, Chatsworth, California and Orlando, Florida, respectively, to secure (a) the payment of all of the obligations of the Borrower and the Guarantors under the Amended and Restated Credit Agreement, the respective mortgages and the other Security Documents (as defined in the respective mortgage), and (b) the performance of all terms, covenants, conditions, provisions, agreements and liabilities contained in the credit agreement.

Fair Value of Debt

As of December 31, 2013 and 2012, the outstanding balance of the Company s debt approximated fair value based on current rates available to the Company for debt of the same maturity.

12. Share-Based Compensation

Capital Stock

The authorized capital of the Company consists of an unlimited number of common shares without nominal or par value. Holders of common shares are entitled to one vote per share. Holders of common shares are entitled to receive dividends, if and when declared by the Board of Directors, and to share ratably in its assets legally available for distribution to the stockholders in the event of liquidation. Holders of common shares have no redemption or conversion rights.

2010 Incentive Award Plan

As of December 31, 2013, the Company has one active equity compensation plan under which it may grant share-based compensation awards to employees, consultants and directors (the 2010 Incentive Plan). The Company s shareholders approved the 2010 Incentive Plan in November 2010. The maximum number of shares which can be issued pursuant to the 2010 Incentive Plan is 2,898,613, subject to adjustment as set forth in the 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 (collectively referred to as Awards) to employees, consultants and directors. The 2010 Incentive Plan provides for specific limits on the number of shares that may be subject to different types of Awards and the amount of cash that can be paid with respect to different types of Awards. The 2010 Incentive Plan will expire and no further Awards may be granted after October 13, 2020, the tenth anniversary of its approval by the Company s Board of Directors. As of December 31, 2013, there are 1,125,859 shares available for future issuance under the 2010 Incentive Plan.

Restricted stock units represent the right to receive common shares or the fair market value of such shares in cash as determined by the administrator of the plan at a specified date in the future, subject to forfeiture of such right. The purchase price for restricted stock units will be determined by the administrator of the plan on an award-by-award basis. Deferred stock units entitle the recipient thereof to receive one share of common stock on the date such deferred stock unit becomes vested and other conditions are removed or expire, if applicable or upon a specified settlement date thereafter. Deferred stock units are typically awarded without payment of consideration.

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Shares subject to Awards that have expired, forfeited or settled in cash, or repurchased by the Company at the same price paid by the awardee may be added back to the number of shares available for grant under the 2010 Incentive Plan and may be granted as new Awards. Shares that are used to pay the exercise price for an option, shares withheld to pay taxes, shares subject to a stock appreciation right that are not issued in connection with the stock settlement of the stock appreciation right on exercise thereof, and shares purchased on the open market with the cash proceeds from the exercise of options will not be added back to the number of shares available for grant under the 2010 Incentive Plan. Shares issued to satisfy Awards under the 2010 Incentive Plan may be previously authorized but unissued shares or shares bought on the open market or otherwise.

The table below summarizes activities relating to restricted stock units issued and outstanding under the 2010 Incentive Plan during year ended December 31, 2013:

	Restricted Stock Units (In thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Vesting Period in Years	Aggregate Intrinsic Value(1) (In thousands)
Unvested at December 31, 2012	804	$ 10.90		
Granted	460	9.69		
Vested	(395)	10.99		
Forfeited	(60)	10.40		
Unvested at December 31, 2013	809	$ 10.20	1.03 years	$ 9,089
Expected to vest as of December 31, 2013	795	$ 10.20	1.03 years	$ 8,930

(1) The aggregate intrinsic value is calculated based on the fair value of $11.24 per share of the Company s common stock on December 31, 2013 due to the fact that the restricted stock units carry a $0 purchase price.

The total fair value of restricted stock units that vested in 2013, based on the market price of the underlying stock on the day of vesting, was $3.9 million.

Other Issuances

On September 2, 2010, the Company granted 83,337 deferred stock units to the members of its Board of Directors at a weighted average grant date fair value of $6.66 per share. The deferred stock units were issued pursuant to standalone award agreements that are independent of an equity incentive plan. These transactions were exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of such act as transactions not involving a public offering. Each deferred stock unit represents the right to receive one common share of the Company on the date of termination of the holder s service with the Company s Board of Directors. The deferred stock units were fully vested and nonforfeitable on the date of grant.

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Share-Based Compensation Expense

The table below summarizes share-based compensation expense recorded in the consolidated statement of operations under the 2010 Incentive Plan (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012
Cost of goods sold	$ 118	$ 83
Research and development and engineering	180	112
Selling, general and administrative	5,201	4,385
Restructuring, restatement related costs, post-emergence fees and other	125	51
Total share-based compensation expense	$ 5,624	$ 4,631

The Company recognized share-based compensation expense totaling $3.3 million during the year ended December 31, 2011. Share-based compensation expense was primarily included in selling, general and administrative expenses in the consolidated statements of operations during 2011. The expense recorded during each of the years ended December 31, 2013, 2012 and 2011 also includes $0.5 million, $0.6 million and $0.6 million, respectively, related to deferred stock units granted to the members of the Company s Board of Directors, pursuant to the Company s 2010 Incentive Plan. The expense associated with the respective deferred stock units was recognized in full on the respective date of grant, as the deferred stock units were fully vested and nonforfeitable on the date of grant.

The restricted stock and restricted stock unit awards have generally been issued with a three-year vesting period and vest based solely on service conditions. Accordingly, the Company generally recognizes compensation expense on a straight-line basis over the requisite service period. The Company reduces the compensation expense by an estimated forfeiture rate which is based on anticipated forfeitures and actual experience.

As of December 31, 2013, the Company s outstanding equity awards for which compensation expense will be recognized in the future consist of time-based restricted stock units granted under the 2010 Incentive Plan. The Company expects to record aggregate share-based compensation expense of $5.1 million, including an estimate of forfeitures, subsequent to December 31, 2013, over a weighted average period of 1.9 years, for all outstanding equity awards.

13. Employee Benefit Plans

Defined Benefit Plans

The Company maintains a defined benefit pension plan in the United Kingdom (the U.K. Plan). In 1997, membership to the U.K. Plan was closed. In 2003, the Company was allowed to stop accruing additional benefits to the participants. Benefits under the U.K. Plan were based on the employees years of service and compensation as of 2003.

The Company also maintains a tax qualified pension plan in Japan (the Japan Plan) that covers certain of the Company s Japanese employees. Benefits are based on years of service and compensation at retirement. Employees with less than twenty years of service to the Company receive a lump sum benefit payout. Employees with twenty or more years of service to the Company receive a benefit that is guaranteed for a certain number of years. Participants may, under certain circumstances, receive a benefit upon termination of employment.

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Pension and other benefit costs reflected in the accompanying consolidated statements of operations are based on a projected benefit method of valuation. The funded status of pension plan liabilities are included in other long term liabilities in the accompanying consolidated balance sheets. The Company continues to fund each plan in sufficient amounts to meet current benefits as well as fund a portion of future benefits as permitted by regulatory authorities.

The net periodic pension cost for the U.K. Plan and Japan Plan included the following components (in thousands):

	U.K. Plan			Japan Plan		
	2013	2012	2011	2013	2012	2011
Components of the net periodic pension cost:						
Service cost	$	$	$	$ 147	$ 121	$ 106
Interest cost	1,403	1,359	1,486	22	15	18
Expected return on plan assets	(1,595)	(1,270)	(1,576)	(8)		
Amortization of the unrecognized transition obligation				33	37	40
Amortization of prior service cost				20	3	2
Amortization of actuarial losses	668	392	224			
Other				38		
Net periodic pension cost	$ 476	$ 481	$ 134	$ 252	$ 176	$ 166

The actuarial assumptions used to compute the net periodic pension cost for the years ended December 31, 2013, 2012 and 2011, respectively, for the U.K. Plan and the Japan Plan were as follows:

	U.K. Plan			Japan Plan		
	2013	2012	2011	2013	2012	2011
Weighted-average discount rate	4.3%	4.9%	5.3%	1.3%	1.2%	1.3%
Weighted-average rate of compensation increase				3.0%	3.0%	3.0%
Weighted-average long-term rate of return on plan assets	5.7%	5.0%	5.9%			

The actuarial assumptions used to compute the funded status as of December 31, 2013 and 2012, respectively, for the U.K. Plan and the Japan Plan were as follows:

	U.K. Plan		Japan Plan	
	2013	2012	2013	2012
Weighted-average discount rate	4.6%	4.3%	1.0%	1.3%
Weighted-average rate of compensation increase			3.0%	3.0%
Rate of inflation	2.7%	2.5%		

The discount rates used are derived on (AA) corporate bonds that have maturities approximating the terms of the related obligations. In estimating the expected return on plan assets, the Company considered the historical performance of the major asset classes held and current forecasts of future rates of return for these asset classes.

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The following table provides a reconciliation of benefit obligations and plan assets of the U.K. Plan and the Japan Plan (in thousands):

	U.K. Plan		Japan Plan	
	2013	2012	2013	2012
Change in benefit obligation:				
Projected benefit obligation at beginning of year	$ 34,713	$ 27,335	$ 1,865	$ 1,401
Service cost			147	121
Interest cost	1,403	1,359	22	15
Amendments and transfers				417
Actuarial (gains) losses	(889)	5,008	(65)	89
Benefits paid	(688)	(582)	(1,119)	(140)
Foreign currency exchange rate changes	654	1,593	527	(38)
Projected benefit obligation at end of year	$ 35,193	$ 34,713	$ 1,377	$ 1,865
Accumulated benefit obligation at end of year	$ 35,193	$ 34,713	$ 1,006	$ 1,539
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 28,629	$ 24,590	$ 827	$ 582
Actual return on plan assets	3,903	2,461	5	9
Employer contributions	847	793	628	324
Benefits paid	(688)	(582)	(1,119)	(140)
Foreign currency exchange rate changes	766	1,367	213	52
Fair value of plan assets at end of year	$ 33,457	$ 28,629	$ 554	$ 827
Funded status at end of year	$ (1,736)	$ (6,084)	$ (823)	$ (1,038)
Amounts included in accumulated other comprehensive loss not yet recognized in net periodic pension cost				
Net actuarial (loss) gain	$ (7,142)	$ (11,197)	$ 2	$ (110)
Prior service cost	$	$	$ (211)	$ (281)
Net transition obligation	$	$	$ (163)	$ (237)
Amounts expected to be amortized from accumulated other comprehensive loss into net periodic cost over the next fiscal year consists of:				
Net actuarial gain	$ 386	$ 702	$	$
Prior service cost	$	$	$ 20	$ 16
Net transition obligation	$	$	$ 33	$ 26

The following table reflects the total expected benefit payments to plan participants and have been estimated based on the same assumptions used to measure the Company s benefit obligations as of December 31, 2013 (in thousands):

	U.K. Plan	Japan Plan
2014	$ 1,065	$ 142

2015	852	42
2016	1,007	45
2017	1,132	49
2018	930	53
2019-2023	7,897	560
Total	$ 12,883	$ 891

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In the U.K., funding valuations are conducted every three years in order to determine the future level of contributions. The Company s latest funding valuation was completed in August 2013. Based on the results of the valuation, the Company s annual contributions to the U.K. Plan are $1.0 million per year. The Company anticipates that contributions for 2014 will be $1.0 million for the U.K. Plan and $0.1 million for the Japan Plan.

Fair Value of Plan Assets

In the U.K., the Company s overall objective is to invest plan assets in a portfolio of diversified assets, primarily through the use of institutional collective funds, to achieve long-term growth. The strategic asset allocation uses a combination of risk controlled and index strategies in fixed income and global equities. The target allocations are approximately 61% to funds investing in global equities, approximately 23% to funds investing in global bonds, approximately 9% to alternative assets (including commodities, private equity and debt, real estate, infrastructure, hedge funds and currency funds), and approximately 7% in cash.

In Japan, the investment strategy is primarily focused on the preservation of principal invested in insurance contracts.

The following table summarizes the fair values of Plan assets as of December 31, 2013 by asset category (in thousands):

Asset Category	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
U.K. Plan				
Mutual Funds:				
Balanced (1)	$ 16,260	$	$ 16,260	$
Growth (2)	17,060		17,060	
Cash	137	137		
Total	$ 33,457	$ 137	$ 33,320	$
Japan Plan				
Insurance contracts (3)	$ 554	$	$ 554	$
Total	$ 554	$	$ 554	$

(1) This class comprises a diversified portfolio of global investments which seeks a balanced return between capital growth and fixed income and is allocated on a weighted average basis as follows: equities (51%), debt (33%), other assets (8%) and cash (8%).
(2) This class comprises a diversified portfolio of global investments which seeks long-term capital growth and is allocated on a weighted average basis as follows: equities (70%), debt (14%), other assets (9%) and cash (7%).
(3) This class represents funds invested in insurance contracts.

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AS OF DECEMBER 31, 2013

The following table summarizes the fair values of Plan assets as of December 31, 2012 by asset category (in thousands):

Asset Category	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
U.K. Plan				
Mutual Funds:				
Balanced (1)	$ 14,266	$	$ 14,266	$
Growth (2)	14,244		14,244	
Cash	119	119		
Total	$ 28,629	$ 119	$ 28,510	$
Japan Plan				
Insurance contracts (3)	$ 827	$	$ 827	$
Total	$ 827	$	$ 827	$

(1) This class comprises a diversified portfolio of global investments which seeks a balanced return between capital growth and fixed income and is allocated on a weighted average basis as follows: equities (47%), debt (41%), other assets (9%) and cash (3%).
(2) This class comprises a diversified portfolio of global investments which seeks long-term capital growth and is allocated on a weighted average basis as follows: equities (68%), other assets (10%), debt (21%), and cash (1%).
(3) This class represents funds invested in insurance contracts.

The tables above present the fair value of plan assets in accordance with the fair value hierarchy. Certain pension plan assets are measured using net asset value per share (or its equivalent) and are reported as a level 2 investment above due to the Company s ability to redeem its investments either at the balance sheet date or within limited time restrictions.

Defined Contribution Plans

The Company has defined contribution employee savings plans in the U.K. and the U.S. The Company matches the contributions of participating employees on the basis of percentages specified in each plan. Company matching contributions to the plans were $1.8 million, $1.5 million and $1.8 million in 2013, 2012 and 2011, respectively.

14. Income Taxes

Components of our income (loss) from continuing operations are as follows (in thousands):

	Year Ended December 31,		
	2013	**2012**	**2011**
Income (loss) from continuing operations before income taxes:			
Canadian	$ (5,366)	$ (5,199)	$ (871)
U.S.	11,061	12,132	7,455
Other	8,835	4,601	17,636
Total	$ 14,530	$ 11,534	$ 24,220

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Components of the Company s income tax provision (benefit) are as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Current			
Canadian	$	$	$
U.S.	1,082	3,625	388
Other	652	2,277	1,664
	1,734	5,902	2,052
Deferred			
Canadian			
U.S.	2,206	(13,882)	(150)
Other	1,740	(2,960)	642
	3,946	(16,842)	492
Total	$ 5,680	$ (10,940)	$ 2,544

The Company is incorporated in Canada and therefore uses the Canadian statutory rate. The reconciliation of the statutory Canadian income tax rate to the effective rate related to income from continuing operations before income taxes is as follows (in thousands, except percentage data):

	Year Ended December 31,		
	2013	2012	2011
Statutory Canadian tax rate	26.00%	25.00%	27.00%
Expected income tax provision at statutory Canadian tax rate	$ 3,778	$ 2,884	$ 6,539
International tax rate differences	14	1,419	641
Permanent differences	121	241	5
Change in valuation allowance	(3,052)	(15,086)	(5,598)
Prior year provision to return differences	(296)	37	69
Net operating loss expirations	4,538		
Statutory tax rate change	379	316	357
Uncertain tax positions	259	(4,093)	423
Tax credits	(938)		(144)
State income taxes, net	118	375	577
IRS audit	680	1,846	(268)
Withholding and other taxes	321	488	
Other	(242)	633	(57)
Reported income tax provision (benefit)	$ 5,680	$ (10,940)	$ 2,544
Effective tax rate	39.1%	(94.9%)	10.5%

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Deferred income taxes result principally from temporary differences in the recognition of certain revenue and expense items and operating loss carryforwards and credit carryforwards for financial and tax reporting purposes. Significant components of the Company s deferred tax assets and liabilities as of December 31, 2013 and 2012 are as follows (in thousands):

	December 31, 2013	December 31, 2012
Deferred tax assets		
Losses & IRC Section 163(j) carryforwards	$ 16,218	$ 24,372
Compensation related deductions	2,725	4,737
Tax credits	3,817	5,101
Restructuring related liabilities	406	510
Inventory	5,680	6,493
Depreciation	938	194
Amortization	163	
Warranty	1,007	680
Other	854	598
Total deferred tax assets	31,808	42,685
Valuation allowance for deferred tax assets	(11,534)	(15,481)
Net deferred income tax assets	$ 20,274	$ 27,204
Deferred tax liabilities		
Equity investment	$ (1,025)	$ (807)
Depreciation	(471)	
Amortization	(11,283)	(14,254)
Unrealized gain/loss	(985)	(1,132)
Other	(581)	(201)
Total deferred tax liabilities	$ (14,345)	$ (16,394)
Net deferred income tax assets (liabilities)	$ 5,929	$ 10,810

In determining its 2013, 2012, and 2011 income tax provisions, the Company calculated deferred tax assets and liabilities for each separate jurisdiction. The Company then considered a number of factors, including positive and negative evidence related to the realization of its deferred tax assets to determine whether a valuation allowance should be recognized with respect to its deferred tax assets.

In 2013, the Company adjusted a portion of its Canadian loss carryforward and the related valuation allowance of $4.8 million. The Company also recorded valuation allowances against its current year net operating losses in certain tax jurisdictions of $1.3 million and released valuation allowance previously recorded on certain U.S. state tax credits of $0.3 million. Additionally, the Company adjusted the carrying value of deferred tax assets on net operating losses and tax credits and their related valuation allowance in Canada and the U.K. as a result of changes in statutory tax rates amounting to $0.7 million in 2013.

In 2012, the Company recognized a tax benefit of $15.3 million due to the release of a portion of the valuation allowance on deferred tax assets which the Company believes are more likely than not to be realized. Our effective income tax rate benefited from the availability of previously unrealized deferred tax assets which the Company utilized to reduce tax expense for the U.S., U.K., France, and Japan for income tax purposes.

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Valuation allowance continues to be provided on U.S. capital loss, certain state net operating loss and certain foreign tax attributes that the Company has determined that it is more likely than not that they will not be realized. In conjunction with the Company s ongoing review of its actual results and anticipated future earnings, the Company continuously reassesses the possibility of releasing the valuation allowance currently in place on its deferred tax assets.

As of December 31, 2013, the Company had loss carryforwards of $10.0 million (tax effected) available to reduce future taxable income. Of this amount, approximately $1.8 million relates to the U.S. and expires through 2033; $7.1 million relates to Canada and expires starting in 2015; $0.7 million relates to the U.K. and can be carried forward indefinitely; and the remaining $0.4 million relates to various foreign jurisdictions.

As of December 31, 2013, the Company had tax credits of approximately $3.8 million available to reduce income taxes in future years. Approximately $1.6 million relates to the U.S., both federal and state, and expires through 2033. The remaining $2.2 million relates to Canada, of which $1.4 million expires through 2022 and $0.8 million can be carried forward indefinitely.

Income and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting purposes over the tax basis of investments in foreign subsidiaries that are essentially permanent in nature. This amount becomes taxable upon a repatriation of assets from a subsidiary or a sale or liquidation of a subsidiary. The amount of undistributed earnings of foreign subsidiaries totaled $13.9 million as of December 31, 2013. Determination of the amount of any unrecognized deferred income tax liabilities on this temporary difference is not practicable because of the complexities of the hypothetical calculation.

As of December 31, 2011, the amount of gross unrecognized tax benefits totaled approximately $7.3 million, all of which would favorably affect the Company s effective tax rate, if recognized. As of December 31, 2012, the Company s total amount of gross unrecognized tax benefits was $7.6 million, of which $4.3 million would favorably affect its effective tax rate, if recognized. As a result of settling a U.S. federal tax examination, the Company released $3.0 million of unrecognized tax benefits during the year ended December 31, 2012. As of December 31, 2013, the Company s total amount of gross unrecognized tax benefits was $7.1 million, of which $4.9 million would favorably affect its effective tax rate, if recognized. Over the next twelve months, the Company may need to record up to $2.1 million of previously unrecognized tax benefits in the event of statute of limitations closures. The Company believes there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to its results of operations, financial position or cash flows. Furthermore, the Company believes it has adequately provided for all income tax uncertainties.

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The reconciliation of the total amounts of unrecognized tax benefits is as follows (in thousands):

Balance at December 31, 2010	$ 5,088
Additions based on tax positions related to the current year	2,318
Additions for tax positions of prior years	55
Reductions for tax positions of prior years	(177)
Balance at December 31, 2011	7,284
Additions based on tax positions related to the current year	2,618
Additions for tax positions of prior years	1,422
Reductions for tax positions of prior years	(481)
Reductions to tax positions resulting from a lapse of the applicable statute of limitations	(254)
Settlements with taxation authorities	(3,035)
Balance at December 31, 2012	7,554
Additions based on tax positions related to the current year	508
Additions for tax positions of prior years	1,475
Reductions for tax positions of current years	(1,888)
Reductions to tax positions resulting from a lapse of the applicable statute of limitations	(575)
Balance at December 31, 2013	$ 7,074

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2013 and 2012, the Company had approximately $0.3 million and $0.6 million, respectively, of accrued interest and penalties related to uncertain tax positions. During the years ended December 31, 2013 and 2012, the Company recognized approximately $0.3 million and $0.6 million, respectively, of benefits from lower interest and penalties related to uncertain tax positions.

The Company files income tax returns in Canada, the U.S., and various states and foreign jurisdictions. Generally, the Company is no longer subject to U.S. or foreign income tax examinations by tax authorities for the years before 2006.

The Company s income tax returns may be reviewed in the following countries for the following periods under the appropriate statute of limitations:

United States	2009 - Present
Canada	2006 - Present
United Kingdom	2009 - Present
China	2010 - Present
Japan	2008 - Present
Germany	2008 - Present
Netherlands	2009 - Present

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15. Restructuring, Restatement Related Costs, Post-Emergence Fees and Other

The following table summarizes restructuring, restatement related costs, post-emergence fees and other expenses recorded in the accompanying consolidated statements of operations (in thousands):

	Year Ended December 31,		
	2013	2012	2011
2011 restructuring	$ 2,283	$ 6,057	$ 1,967
2012 restructuring		1,758	
2013 restructuring	2,766		
Novi and U.K. restructuring		(40)	
Germany and other restructuring	8	276	81
Total restructuring charges	5,057	8,051	2,048
Restatement related costs and other charges			62
Acquisition related charges	1,630	791	
Post-emergence fees			296
Total restructuring, restatement related costs, post-emergence fees and other	$ 6,687	$ 8,842	$ 2,406

2011 Restructuring

In November 2011, the Company announced a strategic initiative (2011 restructuring), which aimed to consolidate operations to reduce the Company s cost structure and improve operational efficiency. In total, eleven facilities have been exited as part of the 2011 restructuring plan. These eliminations resulted in the consolidation of the manufacturing facilities of the scientific lasers products and the optics products, consolidation of the Company s German operations into one facility, and consolidation of the laser scanners business into the Company s Bedford, MA manufacturing facility. Included in the eleven facilities exited are five facilities exited as part of the Semiconductor and Laser Systems business divestitures. The facility exit costs for the divested businesses have been excluded from the table above. The Company substantially completed the 2011 restructuring program during the third quarter of 2013.

Presented below are actual cash charges, including severance and relocation costs, facility closure costs and consulting costs and non-cash charges related to accelerated depreciation for changes in estimated useful lives of certain long-lived assets for which the Company exited with respect to the 2011 restructuring (in thousands):

	Year Ended December 31,			Cumulative Costs as of December 31, 2013
	2013	2012	2011	
Cash charges	$ 1,692	$ 4,109	$ 1,061	$ 6,862
Non-cash charges	591	1,948	906	3,445
Total restructuring costs	$ 2,283	$ 6,057	$ 1,967	$ 10,307

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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The following table summarizes restructuring costs for each segment and unallocated corporate costs related to the 2011 restructuring plan (in thousands):

	Year Ended December 31,			Cumulative Costs as of December 31,
	2013	2012	2011	2013
Laser Products	$ 2,038	$ 4,861	$ 1,790	$ 8,689
Medical Technologies	48			48
Precision Motion	5	52	65	122
Corporate, Shared Services and Unallocated costs	192	1,144	112	1,448
Total restructuring costs	$ 2,283	$ 6,057	$ 1,967	$ 10,307

2012 Restructuring

During 2012, the Company initiated and completed a program to identify additional cost savings due to the continued uncertainty and volatility of the macroeconomic environment (2012 restructuring). The Company incurred $1.8 million of severance costs associated with the 2012 restructuring program during the year ended December 31, 2012.

The following table summarizes the total costs associated with the 2012 restructuring program for each segment for the year ended December 31, 2012 (in thousands):

	Year Ended December 31, 2012
Laser Products	$ 501
Precision Motion	951
Corporate, Shared Services and Unallocated costs	306
Total restructuring costs	$ 1,758

2013 Restructuring

During the first half of 2013, the Company initiated a program following our acquisition of NDS to integrate the NDS business into our operating structure and further reduce manufacturing and operating costs across businesses to leverage our infrastructure and further integrate our product lines. The Company incurred $2.6 million of cash related charges primarily related to severance and exit costs associated with a facility exited during the year ended December 31, 2013.

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The following table summarizes restructuring costs for each segment and unallocated corporate costs related to the 2013 restructuring program (in thousands):

	Year Ended December 31, 2013
Laser Products	$ 1,139
Medical Technologies	806
Precision Motion	378
Corporate, Shared Services and Unallocated costs	443
Total restructuring costs	$ 2,766

Other Restructuring

The Company recorded restructuring charges related to the elimination of the Company s Munich, Germany facility as a result of a restructuring program undertaken beginning in 2000 (Germany restructuring). The Company terminated the lease agreement and completed the Germany restructuring by making a final payment of $0.3 million to the landlord in December 2012.

Rollforward of Accrued Expenses Related to Restructuring

The following table summarizes the accrual activities, by component, related to the Company s restructuring charges recorded in the accompanying consolidated balance sheets (in thousands):

	Total	Severance	Facility	Accelerated Depreciation	Other
Balance at December 31, 2011	$ 1,561	$ 470	$ 1,062	$	$ 29
Restructuring charges	8,051	3,314	967	1,892	1,878
Cash payments	(5,376)	(2,419)	(1,301)		(1,656)
Non-cash write-offs or other adjustments	(2,206)	(61)	(239)	(1,892)	(14)
Balance at December 31, 2012	2,030	1,304	489		237
Restructuring charges	5,057	2,549	1,176	190	1,142
Acquired lease obligation	128		128		
Cash payments	(5,277)	(2,958)	(1,165)		(1,154)
Non-cash write-offs or other adjustments	(389)	(95)	15	(190)	(119)
Balance at December 31, 2013	$ 1,549	$ 800	$ 643	$	$ 106

The Company expects to make $1.5 million in cash payments during the twelve months ending December 31, 2014.

16. Commitments and Contingencies

Operating Leases

The Company leases certain equipment and facilities under operating lease agreements. Most of these lease agreements expire between 2014 and 2019. In the U.K., where longer lease terms are more common, the Company has a land lease that extends through 2078. Under the terms of the facility leases, generally the Company is responsible to pay real estate taxes and other operating costs.

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During the years ended December 31, 2013, 2012 and 2011, the Company recorded lease expense of $5.3 million, $4.4 million and $3.6 million, respectively. In addition to the base rent, the Company is generally required to pay insurance, real estate taxes and maintenance costs which is recorded in lease expense.

Capital Leases

In 2011, the Company capitalized $2.2 million of assets which met the criteria under ASC 840-30, Leases Capitalized Leases, which requires the Company to capitalize and depreciate the assets over the lease term.

Future minimum lease payments under operating and capital leases expiring subsequent to December 31, 2013, including operating leases associated with continuing and discontinued facilities and facilities that have been vacated as a result of the Company s restructuring actions, are as follows (in thousands):

	Operating Leases	Capital Leases(1)
2014	$ 4,716	$ 838
2015	4,136	
2016	3,371	
2017	3,301	
2018	3,263	
Thereafter	8,311	
Total minimum lease payments	$ 27,098	$ 838

(1) Capital lease payments include interest payments of less than $0.1 million.

Purchase Commitments

As of December 31, 2013, the Company had unconditional commitments primarily for inventory purchases of $46.6 million. These purchase commitments are expected to be incurred as follows: $42.6 million in 2014, $3.7 million in 2015, and less than $0.4 million in 2016.

Legal Proceedings

During the third quarter of 2005, the Company s French subsidiary, GSI Lumonics SARL (GSI France), filed for bankruptcy protection, which was granted on July 7, 2005. On April 18, 2006, the commercial court of Le Creusot (France) ordered GSI France to pay approximately 0.7 million Euros to SCGI in the context of a claim filed by SCGI that a Laserdyne 890 system delivered in 1999 had unresolved technical problems. No appeal was lodged. On May 6, 2011, GSI Group Ltd. was served with summons from the official receiver of GSI France demanding that GSI Group Ltd. and the Company s German subsidiary, GSI Group GmbH, appear before the Paris commercial court. GSI Group GmbH was subsequently served with a separate summons from the official receiver. The cases against GSI Group Ltd. and GSI Group GmbH were subsequently combined into a single case (docket number 2011/088718). The receiver claimed (i) that the bankruptcy proceedings initiated against GSI France in 2005 should be extended to GSI Group Ltd. and GSI Group GmbH on the ground that GSI France s decisions were actually made by GSI Group Ltd. and that GSI Group GmbH made financial advances for no consideration, which would reveal in both cases confusion of personhood, or (ii) alternatively, that GSI Group Ltd. be ordered to pay approximately 3.1 million Euros (i.e. the aggregate of GSI France s liabilities, consisting primarily of approximately 0.7 million Euros to SCGI and approximately 2.4 million Euros to

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GSI Group GmbH) on the ground that GSI Group Ltd. is liable in tort for having disposed of GSI France s assets freely and for having paid all of GSI France s debts except for the liability to SCGI. On June 19, 2012, the receiver withdrew its claim with respect to extending the bankruptcy proceedings to GSI Group Ltd. and GSI Group GmbH. On September 4, 2013, the Paris commercial court dismissed the receiver s tort claims in whole on the ground that the action was time-barred. On October 9, 2013, the receiver lodged an appeal before the court of appeals of Paris, and on March 4, 2014, the court of appeals affirmed the Paris commercial court s ruling.

The Company is also subject to various legal proceedings and claims that arise in the ordinary course of business. The Company does not believe that the outcome of these claims will have a material adverse effect upon its financial condition or results of operations but there can be no assurance that any such claims, or any similar claims, would not have a material adverse effect upon its financial condition or results of operations.

IRS Claim

On April 5, 2010, the IRS filed amended proofs of claim aggregating approximately $7.7 million with the United States Bankruptcy Court for Delaware (the Bankruptcy Court) as part of the Company s proceedings under Chapter 11 of the Bankruptcy Code. On July 13, 2010, the Company filed a complaint, *GSI Group Corporation v. United States of America*, in the Bankruptcy Court in an attempt to recover refunds totaling approximately $18.8 million in federal income taxes the Company asserts it overpaid to the IRS relating to tax years 2000 through 2008, together with applicable interest. The complaint included an objection to the IRS proofs of claim which the Company believed were not allowable claims and should be expunged in their entirety.

During the fourth quarter of 2012, the Company reached a settlement agreement with the IRS and Department of Justice regarding the IRS audit for the 2000 through 2008 tax years. This settlement was accepted by the Congressional Joint Committee on Taxation during the second quarter of 2013. During 2013, the Company received cash refunds from the IRS of $12.5 million. As a result of the settlement acceptance by the Congressional Joint Committee on Taxation, the Company requested the Department of Justice to dismiss the matter without prejudice against the Company. On November 27, 2013, the case was dismissed by the court.

The Company continues to record an income tax receivable of $0.3 million as of December 31, 2013. In addition, the Company expects to realize the benefit relating to the carryback and carryforward of certain net operating losses in 2014, which will result in the refund of tax payments made in the carryback periods and lower income tax payments in the carryforward periods.

Guarantees and Indemnifications

In the normal course of its operations, the Company executes agreements that provide for indemnification and guarantees to counterparties in transactions such as business dispositions, sale of assets, sale of products and operating leases. Additionally, the by-laws of the Company require it to indemnify certain current or former directors, officers, and employees of the Company against expenses incurred by them in connection with each proceeding in which he or she is involved as a result of serving or having served in certain capacities. Indemnification is not available with respect to a proceeding as to which it has been adjudicated that the person did not act in good faith in the reasonable belief that the action was in the best interests of the Company. On June 5, 2009, the Board of Directors of the Company approved a form of indemnification agreement to be implemented by the Company with respect to its directors and officers. The form of indemnification agreement provides, among other things, that each director and officer of the Company who signs the indemnification

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agreement 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 officer or director in connection with any proceeding by reason of his or her relationship with the Company. In addition, the form of indemnification agreement provides for the advancement of expenses incurred by such director or officer in connection with any proceeding covered by the indemnification agreement, subject to the conditions set forth therein and to the extent such advancement is not prohibited by law. The indemnification agreement also sets out the procedures for determining entitlement to indemnification, the requirements relating to notice and defense of claims for which indemnification is sought, the procedures for enforcement of indemnification rights, the limitations on and exclusions from indemnification, and the minimum levels of directors and officers liability insurance to be maintained by the Company.

Credit Risks and Other Uncertainties

The Company maintains financial instruments such as cash and cash equivalents and trade receivables. From time to time, certain of these instruments may subject the Company to concentrations of credit risk whereby one institution may hold a significant portion of the cash and cash equivalents, or one customer may compose a large portion of the accounts receivable balances.

There was no significant concentration of credit risk related to the Company s position in trade accounts receivable as no individual customer represented 10% or more of the Company s outstanding accounts receivable at December 31, 2013 and 2012. Credit risk with respect to trade accounts receivables is generally minimized because of the diversification of the Company s operations, as well as its large customer base and its geographical dispersion.

Certain of the components and materials included in the Company s products are currently obtained from single source suppliers. There can be no assurance that a disruption of this outside supply would not create substantial manufacturing delays and additional cost to the Company.

The Company s operations involve a number of other risks and uncertainties including, but not limited to, the effects of general economic conditions, rapidly changing technology, and international operations.

17. Segment Information

Reportable Segments

The Company evaluates the performance of, and allocates resources to, its segments based on sales, gross profit and operating profit. The Company reports assets on a consolidated basis to the chief operating decision maker, which is the Chief Executive Officer. The Company s reportable segments have been identified based on commonality of end markets, customers, applications and technologies amongst the Company s individual product lines, which is consistent with the Company s operating structure, associated management structure, and management compensation programs.

The Company previously operated in two reportable segments: Laser Products and Precision Technologies. As a result of restructuring activities, the Company s divestitures, the acquisition of NDS, changes in organizational structure and reallocation of resources, the Company realigned its reportable segments during the fourth quarter of 2013 into three segments: Laser Products, Medical Technologies and Precision Motion. The Laser Products segment is comprised of four product lines: laser scanners, sealed CO_2 lasers, fiber lasers, and

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scientific lasers. The Medical Technologies segment consists of four product lines: visualization solutions, imaging informatics, thermal printers and light and color measurement instrumentation. The Precision Motion segment consists of two product lines: optical encoders and air bearing spindles. The Company s reportable segments are the same as our operating segments.

The segment realignment was based on the following factors: (i) customers and sales channel overlap; (ii) adjacency of the technologies and commonality amongst customer applications; (iii) Chief Operating Decision Maker s (CODM) allocation of resources; (iv) better alignment of the product and technology platforms around our acquisition strategy; (v) grouping together those product lines whose organizational and operating cost structures present opportunities for further integration and consolidation in the future; and (vi) the strategy to compensate the CODM. The CODM s variable compensation is based on overall company performance.

The new reportable segments and their principal activities consist of the following:

Laser Products

The Laser Products segment designs, manufactures and markets photonics-based solutions to customers worldwide. The segment serves highly demanding photonics-based applications such as industrial material processing, and medical and life science imaging and laser procedures. The vast majority of the segment s product offerings are sold to OEM customers. The business sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

Medical Technologies

The Medical Technologies segment designs, manufactures and markets a range of medical grade technologies, including visualization solutions, imaging informatics products, thermal printers, and light and color measurement instrumentation to customers worldwide. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

Precision Motion

The Precision Motion segment designs, manufactures and markets optical encoders and air bearing spindles to customers worldwide. The vast majority of the segment s product offerings are sold to OEM customers. The vast majority of the segment s product offerings are sold to into the electronics, industrial and to a lesser extent the medical markets. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

Reportable Segment Financial Information

The following table represents sales and gross margin of the Company s reportable segments (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Sales			
Laser Products	$ 191,300	$ 186,341	$ 196,014
Medical Technologies	90,276	25,915	27,285
Precision Motion	60,036	59,242	80,997
Total	$ 341,612	$ 271,498	$ 304,296

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	Year Ended December 31,		
	2013	2012	2011
Gross Profit			
Laser Products	$ 76,040	$ 75,456	$ 85,891
Medical Technologies	35,824	13,149	13,647
Precision Motion	27,779	26,796	35,552
Corporate, Shared Services, and Unallocated	(194)	(925)	(1,990)
Total	$ 139,449	$ 114,476	$ 133,100

	Year Ended December 31,		
	2013	2012	2011
Operating Income			
Laser Products	$ 23,388	$ 19,225	$ 28,572
Medical Technologies	3,566	8,285	8,855
Precision Motion	12,062	9,482	15,675
Corporate, Shared Services, and Unallocated	(21,325)	(21,985)	(17,254)
Total	$ 17,691	$ 15,007	$ 35,848

	Year Ended December 31,		
	2013	2012	2011
Depreciation and Amortization			
Laser Products	$ 7,119	$ 9,192	$ 7,503
Medical Technologies	8,808	702	688
Precision Motion	1,979	2,066	2,768
Corporate, Shared Services, and Unallocated	2,828	3,467	3,507
Total	$ 20,734	$ 15,427	$ 14,466

Geographic Information

The Company aggregates geographic sales based on the customer location where products are shipped. Sales to these customers are as follows (in thousands except percentage data):

	Year Ended December 31,					
	2013		2012		2011	
	Sales	% of Total	Sales	% of Total	Sales	% of Total
United States	$ 115,351	33.8%	$ 86,310	31.8%	$ 102,792	33.8%
Germany	57,873	16.9	36,554	13.4	43,805	14.4
Rest of Europe	51,349	15.0	45,261	16.7	47,832	15.7

Asia-Pacific	75,016	22.0	67,717	24.9	72,201	23.7
Japan	29,689	8.7	27,808	10.2	30,597	10.1
Other	12,334	3.6	7,848	3.0	7,069	2.3
Total	$ 341,612	100.0%	$ 271,498	100.0%	$ 304,296	100.0%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2013

Long-lived assets consist of property, plant and equipment, net, and are aggregated based on the location of the assets. A summary of these long-lived assets are as follows (in thousands):

	December 31,	
	2013	2012
United States	$ 23,691	$ 22,679
Europe	5,626	5,963
Japan	159	208
Asia-Pacific and other	3,014	3,488
Total	$ 32,490	$ 32,338

Significant Customers

No customers accounted for greater than 10% of the Company s sales during the years ended December 31, 2013, 2012 or 2011.

18. Subsequent Events

Agreement to Acquire JADAK

On February 18, 2014, the Company entered into a definitive agreement to acquire JADAK LLC, JADAK Technologies Inc. and Advance Data Capture Corporation (together, JADAK), a North Syracuse, New York-based provider of optical data collection and machine vision technologies to OEM medical device manufacturers, for $93.5 million in cash. The transaction, which is subject to customary closing conditions, is expected to close in March 2014. JADAK is a leading supplier of camera-based machine vision technologies that reduce medical errors and enhance safety in a wide range of medical procedures. JADAK s customer base consists of many leading medical OEM customers, many of whom are existing GSI customers.

Letter of Intent to Divest the Scientific Lasers Business

On January 31, 2014, the Company signed a letter of intent to sell certain assets and liabilities of its scientific lasers business, sold under the Continuum brand name, for $7.5 million in cash, subject to successful completion of confirmatory due diligence by the potential acquirer, entry into a definitive agreement and customary closing conditions. In addition, the agreement includes contingent consideration of up to $3.0 million based on the achievement of certain 2014 revenue targets. In accordance with ASC 360-10-45-9, Property, Plant and Equipment Overall Other Presentation Matters Long-Lived Assets Held for Sale, the Company expects that the business will qualify as Held for Sale and will also be reported as a discontinued operation in the first quarter of 2014. During the years ended December 31, 2013, 2012, and 2011, the scientific lasers business generated revenues of approximately $25 million, $28 million, and $35 million, respectively. The loss on the sale of the business before taxes is expected to be approximately $1.5 million to $2.5 million. As of December 31, 2013, total assets and liabilities were approximately $14 million and $4 million, respectively.

19. Selected Consolidated Financial Data

Quarterly Financial Information (unaudited)

The Company s interim financial statements are prepared on a quarterly basis ending on the Friday closest to the end of the calendar quarter, with the exception of the fourth quarter which always ends on December 31.

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GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2013

On January 15, 2013, the Company acquired NDS and started to include the operating results of NDS in the consolidated financial statements as of the acquisition date. In the second quarter of 2013, the Company consummated the sale of certain assets and liabilities of the Semiconductor Systems business for $8.0 million in cash, subject to closing working capital adjustments, and recorded a $0.3 million loss, net of tax. In September 2013, the Company settled final working capital adjustments on the sale of the Laser Systems business and the Semiconductor Systems business and recognized additional loss on disposal of businesses of $0.3 million, net of tax.

During the fourth quarter of 2012, based on an accumulation of positive evidence such as cumulative profits over the prior three years and projections for future growth, the Company determined that it is more likely than not that the benefits of our deferred tax assets will be realized. Accordingly, a deferred tax valuation allowance release of $15.3 million was recorded as an income tax benefit during the fourth quarter of 2012. In addition, the Company sold certain assets and liabilities of the Lasers Systems business for $7.0 million, subject to working capital adjustments, and recorded a $2.3 million gain on the sale.

The following tables reflect the Company s unaudited condensed consolidated statements of operations (in thousands except per share data):

	Three Months Ended			
	December 31, 2013	**September 27, 2013**	**June 28, 2013**	**March 29, 2013**
Sales	$ 87,707	$ 85,484	$ 85,307	$ 83,114
Cost of goods sold	51,711	49,693	50,808	49,951
Gross profit	35,996	35,791	34,499	33,163
Operating expenses	29,319	30,073	30,152	32,214
Income from operations	6,677	5,718	4,347	949
Interest income (expense) and other income (expense), net	(847)	(1,936)	(1,048)	670
Income from continuing operations before income taxes	5,830	3,782	3,299	1,619
Income tax provision	1,463	1,610	2,457	150
Income from continuing operations	4,367	2,172	842	1,469
Income (loss) from discontinued operations, net of tax.	(79)	(113)	(1,384)	649
Loss on disposal of discontinued operations, net of tax		(281)	(311)	
Consolidated net income (loss)	4,288	1,778	(853)	2,118
Net (income) loss attributable to noncontrolling interest	20	12	(18)	(36)
Net income (loss) attributable to GSI Group Inc	$ 4,308	$ 1,790	$ (871)	$ 2,082
Earnings from continuing operations per common share:				
Basic	$ 0.13	$ 0.06	$ 0.02	$ 0.04
Diluted	$ 0.13	$ 0.06	$ 0.02	$ 0.04
Earnings (loss) from discontinued operations per common share:				
Basic	$	$ (0.01)	$ (0.05)	$ 0.02
Diluted	$	$ (0.01)	$ (0.05)	$ 0.02
Net income (loss) per common share:				

Basic	$	0.13	$	0.05	$	(0.03)	$	0.06
Diluted	$	0.13	$	0.05	$	(0.03)	$	0.06

GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AS OF DECEMBER 31, 2013

	Three Months Ended			
	December 31, 2012	**September 28, 2012**	**June 29, 2012**	**March 30, 2012**
Sales	$ 66,413	$ 69,520	$ 70,379	$ 65,186
Cost of goods sold	39,138	40,667	39,712	37,505
Gross profit	27,275	28,853	30,667	27,681
Operating expenses	23,978	25,061	25,570	24,860
Income from operations	3,297	3,792	5,097	2,821
Interest income (expense) and other income (expense), net	(772)	(1,174)	(13)	(1,514)
Income from continuing operations before income taxes	2,525	2,618	5,084	1,307
Income tax provision (benefit)	(12,350)	563	617	230
Income from continuing operations	14,875	2,055	4,467	1,077
Income (loss) from discontinued operations, net of tax	(1,317)	(4,570)	414	322
Gain on disposal of discontinued operations, net of tax.	2,255			
Consolidated net income (loss)	15,813	(2,515)	4,881	1,399
Net (income) loss attributable to noncontrolling interest	5	(19)	(8)	(18)
Net income (loss) attributable to GSI Group Inc	$ 15,818	$ (2,534)	$ 4,873	$ 1,381
Earnings from continuing operations per common share:				
Basic	$ 0.44	$ 0.06	$ 0.13	$ 0.03
Diluted	$ 0.44	$ 0.06	$ 0.13	$ 0.03
Earnings (loss) from discontinued operations per common share:				
Basic	$ 0.03	$ (0.13)	$ 0.01	$ 0.01
Diluted	$ 0.03	$ (0.13)	$ 0.01	$ 0.01
Net income (loss) per common share:				
Basic	$ 0.47	$ (0.07)	$ 0.14	$ 0.04
Diluted	$ 0.47	$ (0.07)	$ 0.14	$ 0.04

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Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

The Audit Committee of the Board completed a competitive process to recommend the engagement of the Company s independent registered public accounting firm for the year ended December 31, 2013. As a result of this process, and in order that PricewaterhouseCoopers could assume office immediately and to comply with the requirements of the Business Corporations Act (New Brunswick), on April 12, 2013, the Board, upon the recommendation of the Audit Committee, requested that Ernst & Young resign as the Company s independent registered public accounting firm. Effective as of April 18, 2013, the Board approved the engagement of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm.

Ernst & Young s reports on the Company s consolidated financial statements as of and for the fiscal years ended December 31, 2012 and December 31, 2011 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. The audit reports of Ernst & Young on the effectiveness of internal control over financial reporting as of December 31, 2012 and 2011 did not contain any adverse opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. During the fiscal years ended December 31, 2012 and December 31, 2011, and the subsequent interim period through April 12, 2013, there were no disagreements as that term is defined in Item 304(a)(1)(iv) of Regulation S-K, between the Company and Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, any of which that, if not resolved to the satisfaction of Ernst & Young, would have caused Ernst & Young to make reference to the subject matter of the disagreement in their reports on the financial statements for such years. During the fiscal years ended December 31, 2012 and December 31, 2011, and the subsequent interim period through April 12, 2013, there were no reportable events as that term is defined in Item 304(a)(1)(v) of Regulation S-K, except that, as reported in Item 9A of the Company s Annual Report on Form 10-K for the year ended December 31, 2011, the Company reported a material weakness in its internal control over financial reporting during such fiscal year, which was remediated as of December 31, 2011.

The Company provided Ernst & Young with a copy of the disclosures included in its Current Report on Form 8-K filed on April 18, 2013 (the Current Report). The Company requested that Ernst & Young furnish a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the statements made in the Current Report. A copy of Ernst & Young s letter dated April 16, 2013 was attached as Exhibit 16.1 to the Current Report.

During the fiscal years ended December 31, 2012 and December 31, 2011, and the subsequent interim period through April 17, 2013, neither the Company nor anyone acting on its behalf consulted with PricewaterhouseCoopers with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company s financial statements, and neither a written report nor oral advice was provided to the Company that PricewaterhouseCoopers concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing, or financial reporting issue or (ii) any matter that was either the subject of a disagreement or reportable event as those terms are defined in Item 304(a)(1) of Regulation S-K.

Item 9A. ***Controls and Procedures***

The required certifications of our Chief Executive Officer and Chief Financial Officer are included in Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K. The disclosures set forth in this Item 9A contain information concerning the evaluation of our disclosure controls and procedures, management s report on internal controls over financial reporting and changes in internal control over financial reporting referred to in those certifications. Those certifications should be read in conjunction with this Item 9A for a more complete understanding of the matters covered by the certifications.

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Evaluation of Disclosure Controls and Procedures as of December 31, 2013

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2013.

Changes in Internal Control Over Financial Reporting

There have been no changes to our internal control over financial reporting during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) under the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making their assessment, our management utilized the criteria set forth in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992. Based on our evaluation under the framework in *Internal Control Integrated Framework*, issued by COSO in 1992, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is contained in Item 8 of this Annual Report on Form 10-K.

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Item 9B. ***Other Information***

None.

Certain information required by Part III is omitted from this Annual Report on Form 10-K and is incorporated herein by reference to the Registrant s Definitive Proxy Statement for the Annual Meeting of Shareholders scheduled to be held on May 15, 2014 to be filed with the Securities and Exchange Commission.

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PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

All of the Company s directors, officers and employees must act in accordance with the Code of Ethics and Business Conduct, which has been adopted by the Company s Board of Directors. A copy of the Code of Ethics and Business Conduct is available on the Company s website at http://www.gsig.com in the About GSI section. (This website address is not intended to function as a hyperlink, and the information contained in our website is not intended to be a part of this filing). The Company will provide to any person without charge, upon request, a copy of the Code of Ethics and Business Conduct. Such a request should be made in writing and addressed to GSI Group Inc., Attention: Investor Relations, 125 Middlesex Turnpike, Bedford, MA 01730. The Company intends to satisfy the disclosure requirement under NASDAQ rules regarding waivers or under Item 5.05 of Form 8-K regarding disclosure of an amendment to, or waiver from, a provision of this Code of Ethics and Business Conduct with respect to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on the Company s website at http://www.gsig.com in the About GSI section, unless a Form 8-K is otherwise required by law or applicable listing rules.

The remainder of the response to this item is contained in the Proxy Statement for the Company s Annual Meeting of Shareholders scheduled to be held on May 15, 2014 and is incorporated herein by reference.

Item 11. ***Executive Compensation***

The information required to be disclosed by this item is contained in the Proxy Statement for the Company s Annual Meeting of Shareholders scheduled to be held on May 15, 2014 and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required to be disclosed by this item is contained in the Proxy Statement for the Company s Annual Meeting of Shareholders scheduled to be held on May 15, 2014 and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required to be disclosed by this item is contained in the Proxy Statement for the Company s Annual Meeting of Shareholders scheduled to be held on May 15, 2014 and is incorporated herein by reference.

Item 14. ***Principal Accounting Fees and Services***

The information required to be disclosed by this item is contained in the Proxy Statement for the Company s Annual Meeting of Shareholders scheduled to be held on May 15, 2014 and is incorporated herein by reference.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) Documents filed as part of this report:

1. List of Financial Statements

The financial statements required by this item are listed in Item 8, Financial Statements and Supplementary Data herein.

2. List of Financial Statement Schedules

All schedules are omitted because they are not applicable, not required or the required information is shown in the consolidated financial statements or notes thereto.

3. List of Exhibits

See the Company s SEC filings on Edgar at: http://www.sec.gov/ for all Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
2.1	Agreement and Plan of Merger, by and among the Registrant, Eagle Acquisition Corporation, and Excel Technology, Inc. dated July 9, 2008.	8-K	000-25705	2.1	7/11/08	
2.2	Asset Purchase Agreement, by and between GSI Group Corporation and Gooch & Housego (California) LLC., dated July 3, 2008.	10-Q	000-25705	2.1	4/13/10	
2.3	Final Fourth Modified Joint Chapter 11 Plan of Reorganization for the Registrant, GSI Group Corporation, and MES International, Inc., dated as of May 24, 2010, as supplemented on May 27, 2010, and as confirmed by the United States Bankruptcy Court for the District of Delaware on May 27, 2010.	8-K	000-25705	99.2	05/28/10	
2.4	Master Purchase and Sale Agreement, dated April 9, 2013, between GSI Group Inc., GSI Group Corporation, GSI Group Corporation, Korea Branch, GSI Group Corporation, Taiwan Branch, GSI Group Japan Corporation, GSI Group GmbH and Electro Scientific Industries, Inc.	8-K	000-25705	2.1	5/09/13	
2.5	Securities Purchase Agreement dated January 15, 2013, between NDSSI Holdings, LLC, NDS Surgical Imaging, Inc., GSI Group Inc. and GSI Group Limited UK.	8-K	001-35083	2.1	01/15/13	

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
2.6	Equity Purchase Agreement dated February 18, 2014, between JADAK, LLC, JADAK Technologies, Inc., Advanced Data Capture Corporation, GSI Group Inc. and GSI Group Corporation.	8-K	001-35083	10.1	02/18/14	
3.1	Certificate and Articles of Continuance of the Registrant, dated March 22, 1999.	S-4/A	333-71449	Annex H	2/11/99	
3.2	By-Laws of the Registrant, as amended.	10-Q	000-25705	3.2	4/13/10	
3.3	Articles of Reorganization of the Registrant, dated July 23, 2010.	8-K	000-25705	3.1	07/23/10	
3.4	Articles of Amendment of the Registrant, dated December 29, 2010.	8-K	000-25705	3.1	12/29/10	
4.1	Indenture, dated as of July 23, 2010, by and among GSI Group Corporation, as Issuer, the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee.	8-K	000-25705	4.1	07/23/10	
4.2	Registration Rights Agreement, by and between the Registrant and the Common Shareholders named therein, dated as of July 23, 2010.	8-K	000-25705	4.2	07/23/10	
10.1	Form of Indemnification Agreement.	8-K	000-25705	10.1	06/10/09	
10.2	Noteholder Restructuring Plan Support Agreement, by and among the Registrant, GSI Group Corporation, MES International, Inc. and Liberty Harbor Master Fund I, L.P., Tinicum Capital Partners II, L.P., Highbridge International LLC, Special Value Continuation Partners, L.P., Special Value Expansion Fund, LLC, Tennenbaum Opportunities Partners V, LP, Special Value Opportunities Fund, LLC, and Hale Capital Partners, LP., dated November 19, 2009.	8-K	000-25705	10.1	11/20/09	
10.3	Amended and Restated Noteholder Restructuring Plan Support Agreement, by and among the Registrant, GSI Group Corporation, MES International, Inc. and Liberty Harbor Master Fund I, L.P., Tinicum Capital Partners II, L.P., Highbridge International LLC, Special Value Continuation Partners, L.P., Special Value Expansion Fund, LLC, Tennenbaum Opportunities Partners V, LP, Special Value Opportunities Fund, LLC, and Hale Capital Partners, LP., dated March 16, 2010.	8-K	000-25705	10.1	03/19/10	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
10.4	Lease, by and between GSI Group Corporation and 125 Middlesex Turnpike, LLC, dated November 2, 2007.	10-K	000-25705	10.19	04/13/10	
10.5	Lease Agreement, by and between GSI Lumonics Corporation and SEWS-DTC, INC., dated February 11, 2005.	8-K	000-25705	10.2	02/16/05	
10.6	Real Estate Purchase and Sale Agreement, by and between GSI Group Corporation and SAgE Aggregation, LLC, dated November 14, 2005.	8-K	000-25705	10.1	01/10/06	
10.7	Amendment to Real Estate Purchase and Sale Agreement, by and between GSI Group Corporation and SAgE Aggregation, LLC, dated December 26, 2005.	8-K	000-25705	10.2	01/10/06	
10.8	Second Amendment to Real Estate Purchase and Sale Agreement, by and between GSI Group Corporation and Stage II Maple Grove LLC (successor of SAgE Aggregation, LLC), dated December 29, 2005.	8-K	000-25705	10.3	01/10/06	
10.9	OEM Supply Agreement, by and between Registrant and Sumitomo Heavy Industries, Ltd., dated August 31, 1999.	10-K	000-25705	10.21	03/22/00	
10.10	Form of Executive Retirement And Severance Benefits Agreement.	8-K	000-25705	10.1	02/16/05	
10.11	Letter from Jones Day, on behalf of Stephen Bershad, to Brown Rudnick LLP, on behalf of the Registrant and its debtor affiliates, dated December 2, 2009.	8-K	000-25705	10.1	12/07/09	
10.12	Restructuring Plan Support Agreement, by and among the Registrant, GSI Group Corporation, MES International, Inc., the Equity Committee, the Equity Holders, and the Note Holders, dated as of May 14, 2010.	8-K	000-25705	10.1	05/18/10	
10.13	Backstop Commitment Agreement, by and among the Registrant and the investors identified on Schedule I thereto, dated as of May 14, 2010.	8-K	000-25705	10.2	05/18/10	
10.14	Engagement Letter Between the Registrant, GSI Group Corporation, MES International, Inc. and FTI Consulting, Inc., dated as of May 6, 2010.	8-K	000-25705	10.3	05/18/10	
10.15	Separation and Release Agreement, by and between the Registrant and Sergio Edelstein, dated as of May 24, 2010.	8-K	000-25705	10.1	05/28/10	

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
10.16	Security Agreement, by and among GSI Group Corporation, the Grantors named therein and The Bank of New York Mellon Trust Company, N.A., as collateral agent, dated as of July 23, 2010.	8-K	000-25705	10.1	07/23/10	
10.17	Escrow Agreement, by and among the Registrant and Law Debenture Trust Company of New York, as escrow agent, dated as of July 23, 2010.	8-K	000-25705	10.2	07/23/10	
10.18	Open-Ended Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filings, dated as of July 23, 2010, made by Synrad, Inc. in favor of First American Title Insurance Company and The Bank of New York Mellon Trust Company, N.A.	8-K	000-25705	10.3	07/23/10	
10.19	Open-Ended Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filings, dated as of July 23, 2010, made by Control Laser Corporation in favor of The Bank of New York Mellon Trust Company, N.A.	8-K	000-25705	10.4	07/23/10	
10.20	Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of July 23, 2010, made by Photo Research, Inc., in favor of First American Title Insurance Company and The Bank of New York Mellon Trust Company, N.A.	8-K	000-25705	10.5	07/23/10	
10.21	First Amendment to Lease, dated February 10, 2010 and effective as of May 27, 2010, by and between GSI Group Corporation and 125 Middlesex Turnpike, LLC.	10-K	000-25705	10.53	10/01/10	
10.22	GSI Group, Inc. 2010 Incentive Award Plan.	8-K	000-25705	10.1	11/30/10	
10.23	First Amendment to the GSI Group Inc. 2010 Incentive Award Plan.	10-K	001-35083	10.55	03/30/11	
10.24	Employment Agreement, dated as of November 16, 2010, between GSI Group Inc. and John Roush.	8-K	000-25705	10.1	11/17/10	
10.25	Employment Agreement, dated as of February 10, 2011, between GSI Group Inc. and Robert Buckley.	8-K	001-35083	10.1	02/11/11	
10.26	Restricted Stock Cancellation Agreement, dated as of March 11, 2011 between GSI Group Inc. and Byron Pond.	10-K	001-35083	10.58	03/30/11	
10.27	Form of Deferred Stock Unit Award Agreement.	10-K	001-35083	10.59	03/30/11	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
10.28	Form of Restricted Stock Unit Award Agreement for John Roush and Robert Buckley.	10-K	001-35083	10.60	03/30/11	
10.29	First Amendment to the Engagement Letter between the Registrant, GSI Group Corporation, MES International, Inc. and FTI Consulting, Inc., dated as of February 6, 2011.	10-K	001-35083	10.61	03/30/11	
10.30	Form of U.S. Restricted Stock Unit Award Agreement.	10-Q	001-35083	10.2	05/16/11	
10.31	Letter Agreement, between GSI Group Inc. and Anthony J. Bellantuoni, dated June 21, 2011.	8-K	001-35083	10.1	06/22/11	
10.32	Severance Agreement, dated as of April 25, 2011, by and between GSI Group Inc. and David Clarke.	10-Q	001-35083	10.1	08/11/11	
10.33	Offer Letter, dated June 23, 2011, between GSI Group Inc. and Jamie Bader.	10-Q	001-35083	10.3	08/11/11	
10.34	Offer Letter, dated June 8, 2011, between GSI Group Inc. and Peter Chang.	10-Q	001-35083	10.1	11/10/11	
10.35	Offer Letter, dated July 27, 2011, between GSI Group Inc. and Deborah Mulryan.	10-Q	001-35083	10.2	11/10/11	
10.36	Credit Agreement, dated October 19, 2011, by and among GSI Group Corporation, GSI Group, Inc., Bank of America, N.A., as Administrative Agent, Silicon Valley Bank, as Syndication Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Sole Lead Arranger and Sole Book Manager, and HSBC.	8-K	001-35083	10.1	10/19/11	
10.37	First Amendment of Credit Agreement, dated March 9, 2012, by and among GSI Group Corporation, GSI Group, Inc., Bank of America, N.A., as Administrative Agent, Silicon Valley Bank, and HSBC.	10-K	001-35083	10.69	03/14/12	
10.38	Amended and Restated Lease, dated May 1, 2012, by and between GSI Group Inc. and 125 Middlesex Turnpike, LLC.	8-K	001-35083	10.1	05/04/12	
10.39	Second Amendment to Credit Agreement, dated July 19, 2012, by and among GSI Group Corporation, GSI Group Inc., and Bank of America, N.A., as Administrative Agent.	8-K	001-35083	10.1	07/23/12	
10.40	Letter Agreement, dated September 4, 2012, between GSI Group Inc. and David Clarke.	8-K	001-35083	10.1	09/06/12	

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
10.41	Third Amendment to Credit Agreement, dated October 16, 2012, by and among GSI Group Corporation, GSI Group, Inc., and Bank of America, N.A., as Administrative Agent.	10-Q	001-35083	10.3	11/07/12	
10.42	Severance Agreement, dated as of August 15, 2012, between GSI Group Inc. and Deborah Mulryan.	10-Q	001-35083	10.5	11/07/12	
10.43	Severance Agreement, dated as of August 15, 2012, between GSI Group Inc. and Jamie Bader.	10-Q	001-35083	10.6	11/07/12	
10.44	Severance Agreement, dated as of August 15, 2012, between GSI Group Inc. and Peter Chang.	10-Q	001-35083	10.7	11/07/12	
10.45	Amended and Restated Credit Agreement, dated as of December 27, 2012, by and among GSI Group Corporation, GSI Group Inc., Bank of America, N.A., as Administrative Agent, Line Lender and L/C Issuer, Silicon Valley Bank, as Syndication Agent, and HSBC Bank USA, N.A., as Documentation Agent, and the other lenders party thereto.	8-K	001-35083	10.1	01/03/13	
10.46	Consent and First Amendment to Amended and Restated Credit Agreement dated January 14, 2013 by and among GSI Group Corporation and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.	8-K	001-35083	10.1	01/15/13	
10.47	Joinder and Amendment Agreement, dated as of February 1, 2013, by and among GSI Group Corporation, NDS Surgical Imaging, LLC, GSI Group Inc., Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto.	8-K	001-35083	10.1	02/07/13	
10.48	Letter Agreement, dated October 28, 2013, between GSI Group Inc. and Jamie Bader.	8-K	001-35083	10.1	10/30/13	
10.49	Third Amendment to Amended and Restated Credit Agreement, dated September 13, 2013, by and among GSI Group Corporation, NDS Surgical Imaging, LLC, GSI Group Inc., each of the other Guarantors party hereto, each lender party hereto, and Bank of America, N.A., as Administrative Agent.	10-Q	001-35083	10.1	11/05/13	
10.50	Lease Agreement, dated November 22, 2013, by and between Continuum Electro-Optics, Inc., GSI Group Corporation and Legacy Partners I San Jose, LLC.	8-K	001-35083	10.1	12/02/13	

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
10.51	Fourth Amendment to Amended and Restated Credit Agreement, dated as of February 10, 2014, by and among GSI Group Corporation, NDS Surgical Imaging, LLC, GSI Group Inc., Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto.	8-K	001-35083	10.1	02/14/14	
21.1	Subsidiaries of the Registrant.					*
23.1	Consent of Independent Registered Public Accounting Firm.					*
23.2	Consent of Independent Registered Public Accounting Firm.					*
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
101.INS	XBRL Instance Document.					*
101.SCH	XBRL Schema Document.					*
101.CAL	XBRL Calculation Linkbase Document.					*
101.DEF	XBRL Definition Linkbase Document.					*
101.LAB	XBRL Labels Linkbase Document.					*
101.PRE	XBRL Presentation Linkbase Document.					*

This exhibit constitutes a management contract, compensatory plan, or arrangement.

* Filed herewith

** Furnished herewith

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2013 and December 31, 2012, (ii) Consolidated Statements of Operations for the years ended December 31, 2013, December 31, 2012, and December 31, 2011, (iii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, (iv) Consolidated Statements of Stockholders Equity for the years ended December 31, 2013, December 31, 2012, and December 31, 2011, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2013, December 31, 2012, and December 31, 2011, and (vi) Notes to Consolidated Financial Statements.

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SIGNATURES

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

GSI Group Inc.

By: /s/ John A. Roush

John A. Roush

Chief Executive Officer

Date: March 13, 2014

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

GSI Group Inc. (Registrant)

Name	Title	Date
/s/ John A. Roush **John A. Roush**	Director, Chief Executive Officer	March 13, 2014
/s/ Robert J. Buckley **Robert J. Buckley**	Chief Financial Officer	March 13, 2014
/s/ Peter L. Chang **Peter L. Chang**	Vice President, Corporate Controller (Chief Accounting Officer)	March 13, 2014
/s/ Stephen W. Bershad **Stephen W. Bershad**	Chairman of the Board of Directors	March 13, 2014
/s/ Harry L. Bosco **Harry L. Bosco**	Director	March 13, 2014
/s/ Dennis J. Fortino **Dennis J. Fortino**	Director	March 13, 2014
/s/ Ira J. Lamel **Ira J. Lamel**	Director	March 13, 2014
/s/ Dominic A. Romeo **Dominic A. Romeo**	Director	March 13, 2014

/s/ Thomas N. Secor	Director	March 13, 2014
Thomas N. Secor		