

GSI GROUP INC  
Form S-4  
August 15, 2005  
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As filed with the Securities and Exchange Commission on August 15, 2005

Registration No. 333-

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM S-4**

**REGISTRATION STATEMENT UNDER**

**THE SECURITIES ACT OF 1933**

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**The GSI Group, Inc.**

**GSI Holdings Corp.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
Delaware  
(State or Other Jurisdiction of Incorporation or  
Organization)

3523  
3523  
(Primary Standard Industrial Classification  
Code Number)

37-0856587  
20-2834198  
(I.R.S. Employer Identification  
Number)

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1004 E. Illinois Street

Assumption, Illinois 62510

(217) 226-4421

(Address, Including Zip Code, and Telephone Number of

Issuer and Guarantor, Including Area Code, of

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Registrant's Principal Executive Offices)

**William Branch**

**The GSI Group, Inc.**

**1004 E. Illinois Street**

**Assumption, Illinois 62510**

**(217) 226-4421**

(Name, Address, Including Zip Code, and Telephone

Number, Including Area Code, of Agent for Service)

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*Copies to:*

**Bruce C. Bennett**

**Covington & Burling**

**1330 Avenue of the Americas**

**New York, NY 10019**

**(212) 841-1000**

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**Approximate date of commencement of proposed sales to the public:** As soon as practicable after this registration statement becomes effective.

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. "

## CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities	Amount To Be Registered	Proposed Maximum Offering Price	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
<b>To Be Registered</b>	<b>(1)</b>	<b>Per Unit (1)</b>		
12% Senior Notes due 2013	\$110,000,000	100%	\$110,000,000	\$12,947.00(2)
Note Guarantees	(3)	(4)	(4)	(3)
<b>TOTAL</b>	<b>\$110,000,000</b>	<b>100%</b>	<b>\$110,000,000</b>	<b>\$12,947.00</b>

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933.
- (2) Computed in accordance with Section 6(b) of the Securities Act of 1933 by multiplying 0.0001177 by the proposed maximum aggregate offering price.
- (3) GSI Holdings Corp. has guaranteed the payment of all obligations on the notes registered hereby. GSI Holdings Corp. is registering the note guarantees. Pursuant to Rule 457(n) under the Securities Act of 1933, no registration fee is required in respect of the note guarantees.
- (4) Not applicable.

**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 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 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.

**SUBJECT TO COMPLETION, DATED AUGUST 15, 2005**

**PROSPECTUS**

**OFFER TO EXCHANGE**

**\$110,000,000 12% Senior Notes due 2013 that have been registered under the Securities Act of 1933 for any and all outstanding unregistered 12% Senior Notes due 2013.**

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We are offering to exchange \$110,000,000 in aggregate principal amount of our 12% Senior Notes due 2013, which we refer to as the exchange notes, for any and all outstanding unregistered 12% Senior Notes due 2013, which we refer to as the original notes. We refer to the exchange notes and the original notes that remain outstanding following the exchange offer as the notes. The terms of the exchange notes will be identical in all material respects to the respective terms of the original notes except that the exchange notes will be registered under the Securities Act of 1933 and, therefore, the transfer restrictions applicable to the original notes will not be applicable to the exchange notes.

Our offer to exchange original notes for exchange notes will be open until 5:00 p.m., New York City time, on ●, 2005, unless we extend the offer.

We will exchange all outstanding original notes that are validly tendered and not validly withdrawn prior to the expiration date of the exchange offer. You should carefully review the procedures for tendering the original notes beginning on page 69 of this prospectus.

If you fail to tender your original notes, you will continue to hold unregistered securities and your ability to transfer them could be adversely affected.

The exchange of original notes for exchange notes pursuant to the exchange offer generally will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

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No public market currently exists for the outstanding notes or the exchange notes. We do not intend to list the exchange notes on any national securities exchange or the Nasdaq Stock Market.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal to be used in connection with the exchange offer states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for original notes where such original notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of one year after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution starting on page 68 of this prospectus.

**Investing in the exchange notes involves risks. See Risk Factors beginning on page 17 of this prospectus.**

**We are not asking you for a proxy in connection with the exchange offer and you are requested not to send us a proxy.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**THE DATE OF THIS PROSPECTUS IS •, 2005.**

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We have not authorized any dealer, salesperson or other person to give any information or to make any representation other than that which is contained in this prospectus. You must not rely upon any information or representation not contained in this prospectus as if we had authorized it. This prospectus does not constitute an offer to sell or solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

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**MARKET AND INDUSTRY DATA**

Industry and market data included in this prospectus were obtained from our own research, studies conducted by third parties and industry and general publications published by third parties and, in some cases, are management estimates based on industry and other knowledge. We do not make any representations as to the accuracy of such information. While we believe internal company estimates are reliable and market definitions are appropriate, they have not been verified by any independent sources, and we do not make any representations as to the accuracy of such estimates. We have included industry and market data from the United States Department of Agriculture's (USDA's) Baseline Projections to 2014 report, dated February 2005, which we refer to in this prospectus as the 2005 USDA Report. References in this prospectus to the USDA such as according to the USDA refer to information in the 2005 USDA Report and other data published by the USDA.

**FORWARD-LOOKING INFORMATION SAFE HARBOR STATEMENT**

All statements other than statements of historical facts or current facts included in this prospectus, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, intend, estimate, anticipate, believe or continue or the negative thereof or variations thereon or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under Risk Factors and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus.

We urge you to review carefully the section Risk Factors beginning on page 17 of this prospectus for a more complete discussion of the risks of investing in the notes. All subsequent written and oral forward-looking statements attributable to us, or persons acting on any of our behalf, are expressly qualified in their entirety by the cautionary statements.

**ADDITIONAL INFORMATION**

We are obligated by the indenture governing the notes to file annual, quarterly and current reports and other information with the SEC. See Available Information. You may request a copy of these documents at no cost by writing or calling us at The GSI Group, Inc., 1004 E. Illinois Street, Assumption, Illinois 62510, Attention: Vice President of Finance, Phone: (217) 226-4421. Our SEC filings are also available to the public from the SEC's web site at [www.sec.gov](http://www.sec.gov).

**Table of Contents****SUMMARY**

*The following summary contains basic information about this offering. It may not contain all of the information that is important to you and it is qualified in its entirety by the more detailed information included in this prospectus. You should carefully consider the information contained in the entire prospectus, including the information set forth under the heading Risk Factors in this prospectus. In addition, certain statements include forward-looking information that involves risks and uncertainties. See Forward-looking Information Safe Harbor Statement.*

*In this prospectus, GSI, The GSI Group, the Company, we, us, and our refer to The GSI Group, Inc. and its consolidated subsidiaries, except as otherwise indicated.*

**The Company**

We are a major worldwide manufacturer of agricultural equipment. We believe that we are the largest global manufacturer of both (i) grain storage bins and related conditioning and handling systems and (ii) swine feed storage and delivery, ventilation and confinement systems. We are also one of the largest global providers of equipment to the poultry producing industry, providing feed storage and delivery, watering, ventilation and nesting systems. We market our agricultural equipment primarily under our GSI®, DMC®, FFI®, Zimmerman®, AP® and Cumberland® brand names in approximately 75 countries through a network of over 2,500 independent dealers, with whom we generally have long-term relationships. Our leading market position in the industry reflects both the strong, long-term relationships we have developed with our customers as well as the breadth, quality and reliability of our products. For the fiscal year ended December 31, 2004, as restated, we generated sales of \$288.1 million. For the three months ended April 1, 2005, as restated, we generated sales of \$72.7 million.

The following table summarizes the key attributes of each of our product lines:

	<b>Grain Product Line</b>	<b>Swine Product Line</b>	<b>Poultry Product Line</b>
<b>2004 Sales(1)(2)</b>	\$177.6 million	\$46.8 million	\$64.3 million
	(62% of total sales)	(16% of total sales)	(22% of total sales)
<b>Q1 2005 Sales(2)</b>	\$42.9 million	\$12.9 million	\$16.9 million
	(59% of total sales)	(18% of total sales)	(23% of total sales)
<b>Product Categories</b>	Grain Storage Bins	Feed Storage and Delivery Systems	Feed Storage and Delivery Systems
- Product Classes	Grain Conditioning Equipment	- Augers	- Feed Storage Bins
	- Fans	- Storage Tanks	- Conveyance Systems
	- Heaters	- Dispensers	- HI-LO® Pan Feeder
	- Dryers	Ventilation Systems	Watering Systems
	Grain Handling Equipment		Ventilation Systems



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- Elevators
- Fans
- Fans
- Conveyors
- Heaters
- Evaporative Cooling Systems
- Augers
- Cooling Systems
- Heating Systems
- Confinement Systems and Other
- Automated Controls
- Slated Flooring
- Nesting Systems
- Water Devices
- Environmental Monitors

**Select Brands**

GSI

AP

Cumberland

DMC

Airstream

Airstream

FFI

Zimmerman

**Distribution Network**

Approximately 2,000 Dealers

Approximately 350  
Dealers

Approximately 150  
Dealers

(1) Includes sales from discontinued operations of \$0.6 million.

(2) As restated.

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Through our distribution network of independent dealers, we market and sell a broad range of fully integrated grain storage, conditioning and handling products to farm operators and commercial businesses, such as the Archer-Daniels-Midland Company and Cargill, Inc. The end users of our equipment operate grain farms, feed mills, grain elevators, port storage facilities and commercial grain processing facilities. We believe that our grain storage, conditioning and handling equipment is superior to that of our principal competitors based on strength, durability, reliability, design efficiency and breadth of product offering.

We market and sell our feeding and ventilation systems to swine and poultry growers, who purchase equipment through our distribution network of independent dealers. We also market our products to large integrators, such as Pilgrim's Pride Corporation, Tyson Foods, Inc. and Smithfield Foods, Inc., who purchase swine and poultry from growers pursuant to contracts that specify which particular agricultural equipment is used in the growing process. We believe that our swine and poultry systems are the most effective in the industry in minimizing the feed-to-meat ratio, a key measure of operational efficiency. We also believe that our swine and poultry systems are superior to those of our principal competitors due to our proprietary, patented designs and our broad range of fully integrated products and systems.

On April 6, 2005, our stockholders entered into an agreement to sell all of the issued and outstanding shares of our common stock to GSI Holdings Corp. (GSI Holdings). On May 16, 2005, that transaction closed, concurrently with the closing of the offering for the original notes. The exchange offer is being consummated to satisfy our obligations under the registration rights agreement that we entered into when the original notes were sold in transactions exempt from the registration requirements of the Securities Act.

### **Competitive Strengths**

We believe that our competitive strengths include the following:

*Leading Market Positions.* We believe that we are the largest global manufacturer of both (i) grain storage bins and related conditioning and handling systems and (ii) swine feed storage and delivery, ventilation and confinement systems. We are also one of the largest global manufacturers of equipment for the poultry producing industry, providing feed storage and delivery, watering, ventilation and nesting systems. We believe that we have achieved our leading market positions due to the breadth, quality and reliability of our products, our commitment to customer service and the effectiveness of our distribution network of independent dealers.

*Provider of Fully Integrated Systems with Strong Brand Name Recognition.* We offer a broad range of integrated products and systems that permits customers to purchase all of their grain, swine and poultry production equipment needs through our distribution network of independent dealers. Through our manufacturing expertise and experience, our GSI®, DMC, FFI, Zimmerman, AP and Cumberland® brand names have achieved strong recognition in our markets. We design our fully integrated systems to help our end-user customers achieve operational efficiencies and maximize operating results by lowering their total production costs and enhancing their productivity. We also believe that our dealers benefit from purchasing fully integrated systems due to our strong after-market support for our end-user customers, lower administrative and shipping costs and the efficiencies our dealers gain from dealing with a single supplier.

*Effective Global Distribution Network.* We believe that we have developed a highly effective global distribution network consisting of over 2,500 independent dealers that market our products in approximately 75 countries. To ensure a high level of customer service, we carefully select and train our dealers. This approach to dealer selection and training has helped us to maintain a very low turnover rate within our dealer network, thereby providing our end-user customers with consistent and stable equipment and system supply. As a result, over the last three fiscal years, no domestic dealer representing sales to us in excess of \$1 million per year has discontinued sales of any of our principal



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products in favor of those of a competitor. Our distribution network is also the principal supplier of repair parts to the end users of our products, which enables us to maintain strong ongoing relationships with our end-user customers and dealers. These relationships often result in long-term brand loyalty to our products on the part of end-user customers and create a steady base of recurring revenues for us.

*Highly Diversified Revenue Base.* We are well diversified by product line, geography and customer base. We sell our products to customers in approximately 75 countries through a network of over 2,500 independent dealers. In each of the last three fiscal years, no single customer or product class represented more than 10% of our sales.

*Strong Cash Flow Characteristics.* We believe that the combination of our relatively low maintenance capital expenditure requirements and the tax benefit created by the making of a section 338(h)(10) election in connection with the acquisition will enable us to utilize a higher proportion of our operating profits for debt service and investments in growth than would otherwise be the case. For our past two fiscal years, capital expenditures averaged \$4.0 million each year, or 1.5% of sales.

*Experienced Management Team.* We are currently led by a management team with significant experience in the agricultural equipment industry. Our executive management team has an average of 23 years of industry experience, which we believe has helped us to establish strong, credible customer relationships and identify and respond quickly to market opportunities. In addition, following the closing of the acquisition, we added to our management team a Chairman and Interim Chief Executive Officer with significant senior management experience in capital goods manufacturing companies, and an Interim Chief Financial Officer. The Chairman and the rest of our management team are expected to purchase a significant portion of GSI Holdings' common stock at the same price per share paid to our selling stockholders in the acquisition.

**Business Strategy**

We are a major provider of agricultural equipment, and our objective is to continue to pursue profitable growth in our markets. Our business strategy includes the following principal elements:

*Capitalize on Favorable Market Conditions and Trends.* We intend to capitalize on the strong conditions and attractive market trends that exist in our industry. According to the USDA, from 2003 to 2004 U.S. net farm income increased 24% to \$74 billion. We believe this increase will lead to increased domestic demand for our equipment in 2005. In addition, we believe there are several other trends that are driving demand for our grain equipment. As described in more detail below under Industry Overview, these trends include (i) conversion of domestic cropland from soybeans to corn which continues to result in an increase in the aggregate volume of bushels produced, (ii) growth in demand for corn driven primarily by an increase in ethanol production in the United States, (iii) growth in

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genetically modified grains, which have greater storage and handling needs, (iv) continued increases in domestic corn yields and (v) continuing consolidation of the grain farm sector and the resulting increase in large scale on-farm grain storage. Demand for our products is also being driven by producers' increasing focus on the efficiency of their agricultural equipment and by the increased presence of protein (for example, poultry and pork) in the diets of consumers.

*Leverage Extensive Global Distribution Network.* We have developed a highly effective and established global distribution network that provides barriers to entry for competing products and services, and we intend to continue to use our distribution network and strong brand names to deepen our relationships with existing customers as well as to attract new customers. Part of this strategy involves using our distribution network to introduce new products into the market. For example, in 1998 we used our distribution network to introduce our grain handling equipment, including the Grain King line of auger products for the movement of grain, which equipment accounted for approximately \$30.0 million of our 2004 sales.

*Capitalize on Growth in International Markets.* We believe that we have leading positions in key international growth markets for grain and livestock equipment, such as Brazil, China and Eastern Europe. We intend to continue to leverage our worldwide brand name recognition, leading market positions and international distribution network to capture the growing demand for our products that exists in the international marketplace. We also believe that the economic growth occurring in our international markets will result in consumers devoting larger portions of their income to improved and higher-protein diets, stimulating demand for poultry and pork and, in turn, our products.

*Continue Development of Proprietary Product Innovations.* Our research and development efforts focus on the development of new and technologically advanced products to respond to customer demands, changes in the marketplace and new technology. We work closely with our customers and utilize our existing technology to improve our existing products and develop new value-added products. For example, our HI-LO<sup>®</sup> pan feeder has the unique ability to adjust from floor feeding to regulated feed levels, thereby minimizing the feed-to-meat ratio and increasing growers' efficiency. We intend to continue to actively develop product improvements and innovations to more effectively serve our customers.

*Focus on Improving Profitability and Cash Flow Generation.* In 2002, we began to implement a lean manufacturing initiative, which was primarily responsible for reducing our labor expense as a percentage of sales between 2002 and 2004. We believe that significant opportunities exist to continue to enhance our profitability and capital efficiency by further applying lean techniques to our manufacturing operations.

## **Industry Overview**

The industry in which we operate is characterized both domestically and internationally by a few large companies with broad product offerings, such as GSI, CTB, Inc., a Berkshire Hathaway company, and Big Dutchman International GmbH, and numerous small manufacturers of single product lines. Competition is based on product value, reputation, quality, design and price as well as customer service. We believe that our leading brand names, diversified high-quality product lines and strong distribution network enable us to compete effectively.

Demand for agricultural equipment is driven by the overall level of grain, swine and poultry production, the level of net farm income, agricultural real estate values and producers' increasing focus on improving productivity. The USDA projects U.S. net farm income to average \$61 billion per year over the next 10 years as compared to an average of \$48 billion per year in the 1990s.

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Demand for grain equipment is increasing, due in large part to the following factors:

*Conversion of Domestic Cropland from Soybeans to Corn.* U.S. farmers are increasingly converting cropland to corn production due to expanded applications for corn and the increased relative profitability of corn production as compared to soybean production. According to the USDA, 2004 corn yields averaged 160 bushels per acre, compared to an average yield of 43 bushels per acre of soybeans. In addition, the harvesting, processing and distribution of corn is more equipment intensive than that of soybeans, due principally to the greater conditioning needs of corn. These factors are driving demand for additional infrastructure for grain storage, conditioning and handling.

*Increase in Domestic Ethanol Production.* Ethanol, produced from corn, is used as an additive to gasoline. According to the USDA, corn used in ethanol production grew at a compound annual growth rate of 14% from 1997 to 2004. Approximately 12% of 2004 domestic corn production was devoted to the production of ethanol. The USDA projects that demand for ethanol will continue to increase due to, among other factors, continued strong petroleum prices and regulatory bans on methyl tertiary butyl ether (MTBE) as an alternative fuel oxygenate.

*Proliferation of Genetically Modified Organisms ( GMOs ).* GMO acceptance among consumers has been growing, as has the breadth of GMO offerings. In order to ensure traceability, genetically modified grains must be separated during storage, transfer and conditioning, which requires that farmers and processors maintain multiple storage units and related conditioning and handling equipment.

*Long-term Increases in Corn Yields.* The increase in grain production attributable to advancements in seed and fertilizer engineering requires additional storage and other equipment to keep pace with production. According to the USDA, from 1984 to 2004, domestic corn production increased from 107 bushels per acre to 160 bushels per acre, which we believe resulted, in part, from these engineering changes and other technological advancements.

*Consolidation of Grain Farm Production.* According to the USDA, the percentage of total cropland acreage managed by farms with more than \$1 million in annual revenue is projected to increase from 12% in 2004 to 26% in 2010. Larger grain farms are more likely to invest in large on-farm storage facilities due to their ability to afford greater capital goods purchases and their need for greater scale economies.

Our sales of swine and poultry equipment historically have been affected by the level of construction of new facilities undertaken by swine and poultry producers, which is affected by feed prices, environmental regulations and domestic and international demand for pork and poultry. Increases in feed and grain prices, which historically have supported sales of our grain equipment and systems, have also historically resulted in a decline in sales of feeding, watering and ventilation systems to swine and poultry producers. Demand for our swine and poultry equipment is also impacted by changes in consumers' dietary habits, as consumers in the U.S. increase their consumption of poultry and pork and as consumers in developing countries devote larger portions of their income to improved and higher protein-based diets.

## **Recent Developments**

*The Restatements.* As described in our Current Report on Form 8-K filed with the SEC on July 12, 2005, after the closing of the Acquisition as described below, the Board of Directors and management (including our new interim CEO and CFO) became aware of information indicating possible errors in previously issued financial statements and commenced a review of certain of the Company's accounting policies and practices, including among other things accounting policies and practices relating to the capitalization of overhead into inventory and reserves for slow moving and obsolete inventory. Based on the preliminary results of this review, on July 8, 2005, we, in consultation with our independent auditors, BKD, LLP, determined that our previously



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issued financial statements for the years ended December 31, 2004, 2003, and 2002 (and the quarterly periods included therein) and the quarter ended April 1, 2005 may have contained certain errors, some or all of which may be material to our previously reported financial results, and that certain adjustments were likely to be required to correct such errors. Accordingly, we warned that the financial statements referred to in the preceding sentence should not be relied upon until such time as we are able to quantify such errors and ascertain those matters, if any, as to which a restatement of our financial statements might be needed.

As described in our Amendment No. 1 to our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004, filed with the SEC on August 12, 2005, which is incorporated herein by reference, we, in consultation with our independent auditors, BKD, LLP, subsequently determined that it is necessary to make the restatements mentioned above to correct for historical errors in inventory accounting. The identified errors relate to three separate issues:

- 1) capitalization rates of overhead expense in inventory, which were inconsistent with actual spending;
- 2) the capitalization of warranty and R&D costs in inventory, which management believes should be expensed in their entirety; and
- 3) improper application of our policy for establishing reserves for slow moving inventory, which resulted in inadequate historical reserve levels.

We have therefore restated our consolidated financial statements as of December 31, 2004, 2003, 2002, 2001 and 2000 and made related changes to Item 6 Selected Financial Data and Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations. The restatements of our consolidated financial statements as of December 31, 2003 and 2002 are in addition to the restatement of those financial statements set forth in Amendment No. 1 to our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2003, which was filed on April 26, 2005. Also on August 12, 2005, we filed Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the quarterly period ended April 1, 2005, which contains restatements of our unaudited condensed consolidated financial statements as of April 1, 2005 and April 2, 2004, and related changes.

*Management.* Promptly following the closing of the Acquisition, described below, we retained an Interim Chief Executive Officer, William Branch, whereupon Russell Mello, who had previously served as our Chief Financial Officer and had been elected as our Chief Executive Officer in July 2004, resumed his former position as our Chief Financial Officer. At that same time, Mr. Branch, Michael Choe, Kim Davis and Andrew Janower were elected as our directors, replacing Mr. Sloan and Cathy Sloan, who resigned as directors in connection with the Acquisition. Mr. Mello subsequently left the Company and was replaced by Interim Chief Financial Officer, Randall Paulfus in July, 2005.

*The Acquisition.* On April 6, 2005, all of our stockholders entered into a stock purchase agreement with GSI Holdings pursuant to which GSI Holdings purchased for cash all of the issued and outstanding shares of our common stock. Upon the closing of that stock purchase, we became a direct, wholly owned subsidiary of GSI Holdings. The transactions pursuant to the Stock Purchase Agreement are collectively referred to in this prospectus as the Acquisition. On May 16, 2005, the closing of the Acquisition occurred concurrently with the closing of the offering for the original notes. It is expected that certain members of our senior management team will purchase approximately 5% (but no more than 10%) of the outstanding shares of GSI Holdings' common stock at the same price per share paid to our selling stockholders by GSI Holdings in the Acquisition.



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Immediately following the closing, we converted from a subchapter S corporation to a subchapter C corporation, which means that we became a taxable entity for federal and state income tax purposes. For the portion of our 2005 fiscal year preceding the closing date, we made tax distributions to our selling stockholders at the closing in an amount sufficient to allow them to pay income taxes relating to such period.

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*The Financing Transactions.* In connection with the closing of the Acquisition on May 16, 2005, we entered into the following financing transactions, which are collectively referred to in this prospectus as the Financing Transactions, each of which occurred prior to or concurrently with the closing of the Acquisition:

the closing of the issuance of the original notes;

the closing of our refinanced senior secured credit facility, which we refer to as the refinanced credit facility in this prospectus, consisting of a \$60.0 million revolving credit facility. Approximately \$29.5 million was drawn on the revolving credit facility on the closing date, with additional availability of approximately \$20 million under the revolving credit facility on the closing date;

the call for redemption of all of our existing 10<sup>1</sup>/<sub>4</sub>% senior subordinated notes due 2007, the deposit of all amounts necessary to redeem those notes with the trustee, and the subsequent retirement of all of those notes upon completion of the redemption;

the repayment in full of all amounts outstanding under our existing credit facility;

the repayment in full of all amounts outstanding under loans made to us by Craig Sloan, our founder and selling majority stockholder; and

the cash equity contribution to GSI Holdings by our equity sponsor (a small amount of which was made by nonaffiliated funds) of \$56.3 million, of which approximately \$32.1 million (after certain expenses and other amounts) was paid to our selling stockholders, and approximately \$12.5 million was contributed to our common equity.

### **Our Equity Sponsor**

Charlesbank Capital Partners LLC ( Charlesbank ) is a leading private equity firm with over \$1.5 billion of capital under management and offices in Boston and New York. Originally managing an investment portfolio solely for Harvard University, the firm broadened its investor base in 2000 to include other institutional clients and is currently investing its fifth fund. Charlesbank manages private equity investments across a wide range of industries. The firm's principals have broad experience investing in agribusiness, distribution and manufacturing companies, such as Aurora Organic Dairy, Bell Sports and Wabtec.

### **Information about The GSI Group, Inc.**

We were incorporated in Delaware on April 30, 1964. Our principal executive office is located at 1004 East Illinois Street, Assumption, Illinois 62510, and our telephone number is (217) 226-4421.

### **Information about GSI Holdings Corp.**

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GSI Holdings Corp. was incorporated in Delaware on April 1, 2005. Its principal executive office is located at 1004 East Illinois Street, Assumption, Illinois 62510 and telephone number is (217) 226-4421.

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**Summary Terms of the Exchange Offer**

On May 16, 2005, we completed an offering of \$110,000,000 in aggregate principal amount of original notes. That offering was exempt from the registration requirements of the Securities Act. In connection with that offering, we entered into a registration rights agreement with the initial purchaser of the original notes in which we agreed, among other things, to deliver this prospectus to you and to use our commercially reasonable efforts to complete the exchange offer.

**Exchange Offer** We are offering to exchange up to \$110,000,000 in aggregate principal amount of 12% Senior Notes due 2013, which have been registered under the Securities Act, for an equal aggregate principal amount of our outstanding 12% Senior Notes due 2013, to satisfy our obligations under the registration rights agreement that we entered into when the original notes were sold in transactions exempt from the registration requirements of the Securities Act.

**Expiration Date** The exchange offer will expire at 5:00 p.m., New York City time, on [ ], 2005, unless extended.

**Withdrawal; Non-Acceptance** You may withdraw any original notes tendered in the exchange offer at any time prior to 5:00 p.m., New York City time, on [ ], 2005. If we decide for any reason not to accept any original notes tendered for exchange, the original notes will be returned to the registered holders at our expense promptly after the expiration or termination of the exchange offer. In the case of original notes tendered by book-entry transfer into the exchange agent's account at The Depository Trust Company, any withdrawn or unaccepted original notes will be credited to the tendering holder's account at The Depository Trust Company.

For further information regarding the withdrawal of tendered original notes, see The Exchange Offer Terms of the Exchange Offer; Expiration Date; Extension; Termination; Amendment and Withdrawal Rights.

**Conditions to the Exchange Offer** The exchange offer is subject to customary conditions, which we may waive. See the discussion below under the caption The Exchange Offer Conditions to the Exchange Offer for more information regarding the conditions to the exchange offer.

**Exchange Agent** U.S. Bank National Association is serving as exchange agent in connection with the exchange offer.

**Procedures for Tendering Original Notes** If you wish to participate in the exchange offer, you must either:

complete, sign and date an original or faxed letter of transmittal in accordance with the instructions in the letter of transmittal accompanying this prospectus; or

arrange for The Depository Trust Company to transmit required information to the exchange agent in connection with a book-entry transfer.

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Then you must mail, fax or deliver all required documentation to U.S. Bank National Association, which is acting as the exchange agent for the exchange offer. The exchange agent's address appears on the letter of transmittal. By tendering your original notes in either of these manners, you will represent to and agree with us that:

you are acquiring the exchange notes in the ordinary course of your business;

you are not engaged in, and you do not intend to engage in, the distribution (within the meaning of the federal securities laws) of the exchange notes in violation of the provisions of the Securities Act;

you have no arrangement or understanding with anyone to participate in a distribution of the exchange notes; and

you are not an affiliate, within the meaning of Rule 405 under the Securities Act, of the Company.

See The Exchange Offer Procedures for Tendering Original Notes and The Depository Trust Company Book-Entry Transfer.

Each broker-dealer that receives exchange notes for its own account in exchange for original notes, where such original notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. See Plan of Distribution.

**Special Procedures for Beneficial Owners** If you are a beneficial owner of original notes that are held by or registered in the name of a broker, dealer, commercial bank, trust company or other nominee or custodian and you wish to tender your original notes, you should contact your intermediary entity promptly and instruct it to tender the exchange notes on your behalf.

**Guaranteed Delivery Procedures** If you desire to tender original notes in the exchange offer and:

the original notes are not immediately available;

time will not permit delivery of the original notes and all required documents to the exchange agent on or prior to the expiration date; or

the procedures for book-entry transfer cannot be completed on a timely basis;

you may nevertheless tender the original notes, provided that you comply with all of the guaranteed delivery procedures set forth in The Exchange Offer Guaranteed Delivery Procedures.



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Resales of Exchange Notes

Based on an interpretation by the staff of the SEC set forth in no-action letters issued to third parties, we believe that you can resell and transfer your exchange notes without compliance with the registration and prospectus delivery requirements of the Securities Act, if you can make the representations that appear above under the heading "Procedures for Tendering Original Notes."

We cannot guarantee that the SEC or its staff would make a similar decision about the exchange offer. If our belief is wrong, or if you cannot truthfully make the representations appearing above, and you transfer any exchange note without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your exchange notes from such requirements, you may incur liability under the Securities Act. We are not indemnifying you against this liability.

Accrued Interest on the Exchange Notes and the Original Notes

The exchange notes will bear interest from the most recent date to which interest has been paid on the corresponding series of original notes. If your original notes are accepted for exchange, then you will receive interest on the exchange notes and not on the original notes on the next succeeding interest payment date on the exchange notes. No payment will be made in respect of accrued and unpaid interest on the original notes at the date we consummate the exchange offer.

Certain United States Federal Tax Considerations

The exchange of original notes for exchange notes in the exchange offer will not be a taxable transaction for United States federal income tax purposes. See the discussion below under the caption "Material United States Federal Tax Considerations."

Consequences of Failure to Exchange Original Notes

All untendered original notes will remain subject to the restrictions on transfer provided for in the original notes and in the indenture. Generally, the original notes that are not exchanged for exchange notes pursuant to the exchange offer will remain restricted securities and may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer, we do not currently anticipate that we will register the original notes under the Securities Act.

Because we anticipate that most holders of the original notes will elect to exchange their original notes, we expect that the liquidity of the markets, if any, for any original notes remaining after the completion of the exchange offer will be substantially limited.

Use of Proceeds

We will not receive any proceeds from the issuance of exchange notes in the exchange offer. We will pay all registration and other expenses incidental to the exchange offer.

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**Summary Terms of the Exchange Notes**

Issuer	The GSI Group, Inc.
Notes Offered	\$110.0 million in aggregate principal amount of 12% Senior Notes due 2013.
Maturity Date	May 15, 2013.
Interest Payment Dates	May 15 and November 15, commencing on November 15, 2005.
Guarantees	Our obligations with respect to the notes will be fully and unconditionally guaranteed by GSI Holdings and all of our domestic material subsidiaries. None of our domestic subsidiaries are currently material subsidiaries. Our foreign subsidiaries will not guarantee the notes. Our non-guarantor subsidiaries generated 17.2% of our consolidated revenues in the twelve-month period ended April 1, 2005 and held 23.8% of our consolidated assets as of April 1, 2005.
Ranking	<p>The notes and the guarantees are unsecured senior obligations. Accordingly, they will be:</p> <p style="padding-left: 40px;">senior in right of payment to all of our and the guarantor's existing and future subordinated indebtedness;</p> <p style="padding-left: 40px;">equal in right of payment with all of our and the guarantor's existing and future senior indebtedness; and</p> <p style="padding-left: 40px;">effectively subordinated to all obligations of our non-guarantor subsidiaries.</p> <p>However, the notes and the guarantees will be effectively subordinated to all of our and the guarantor's secured indebtedness (including borrowings under our refinanced credit facility, which will be secured by substantially all of our assets), to the extent of the collateral securing such indebtedness.</p> <p>Giving pro forma effect to the Financing Transactions as of April 1, 2005, there was approximately \$129.5 million principal amount of senior indebtedness outstanding and approximately \$21.2 million available for additional borrowing under our refinanced credit facility. As of April 1, 2005, our non-guarantor subsidiaries had aggregate indebtedness of \$0.4 million.</p>
Optional Redemption	On or after May 15, 2009, we may redeem some or all of the notes at the redemption prices set forth under "Description of the Exchange Notes - Optional Redemption," plus accrued and unpaid interest, if any, to the date of redemption.



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Prior to May 15, 2008, we may redeem up to 35% of the notes issued under the indenture at a redemption price of 112% of the principal amount, plus accrued and unpaid interest, if any, to the date of

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redemption, with the proceeds of certain equity offerings, provided at least 65% of the aggregate principal amount of the notes originally issued under the indenture remains outstanding after the redemption.

Offer to Purchase

If we experience a change of control, or we or any of our restricted subsidiaries sell certain assets, we may be required to offer to purchase the notes at the prices set forth under Description of Exchange Notes Repurchase at the Option of Holders Change of Control and Asset Sales.

Covenants

We will issue the exchange notes under the same indenture that governs the original notes. The indenture is between us and the trustee. The indenture, among other things, limits our ability and the ability of our restricted subsidiaries to:

incur additional indebtedness and issue preferred stock;

pay dividends or distributions on our capital stock or purchase, redeem or retire our capital stock;

issue or sell stock of subsidiaries;

make certain investments;

create liens on our assets;

enter into transactions with affiliates;

merge or consolidate with another company; and

transfer and sell assets

Each of these covenants is subject to a number of important limitations and exceptions. See Description of Exchange Notes Certain Covenants.

Exchange Offer; Registration Rights

In connection with the issuance of the original notes, we and the guarantor entered into the registration rights agreement with the initial purchaser in which we agreed to:

file with the SEC the registration statement of which this prospectus is a part within 90 days after the issue date of the notes and guarantees, enabling holders of the original notes and guarantees to exchange the original notes and guarantees for the exchange notes and guarantees;

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use all commercially reasonable efforts to cause the registration statement to become effective within 180 days after the issuance date of the original notes and to consummate the exchange offer within 30 business days thereafter; and

file a shelf registration statement for the resale of the original notes if we cannot effect an exchange offer within the time period listed above and in certain other circumstances.

If we do not comply with these registration obligations, we will be required to pay liquidated damages to holders of the original notes

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under certain circumstances. See Description of Exchange Notes Registration Rights; Liquidated Damages.

No Public Market; PORTAL<sup>SM</sup> Listing

The exchange notes will be new securities for which there currently is no market. Although the initial purchaser of the original notes informed us at the time of issuance of the original notes that they intended to make a market in the original notes, they made no such undertaking with respect to the exchange notes and, with respect to the original notes, they are not obligated to make such a market and they may discontinue any such market-making that they may elect to undertake at any time without notice. Accordingly, we cannot assure you that a liquid market for the exchange notes will develop or be maintained. The original notes are eligible for trading on the PORTAL<sup>SM</sup> Market.

Use of Proceeds

We will not receive any proceeds from the issuance of the exchange notes in the exchange offer. We will receive in exchange outstanding notes in like principal amount. We will retire or cancel all of the outstanding notes tendered in the exchange offer. See Use of Proceeds.

**Risk Factors**

Investing in the notes involves a number of material risks. See Risk Factors for a discussion of certain risks you should consider in connection with an investment in the notes, including factors affecting forward-looking statements.

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**Summary Pro Forma Consolidated Financial Data**

The following tables set forth our summary pro forma consolidated financial data as of the dates and for the periods indicated. The table sets forth our unaudited pro forma consolidated financial data for the year ended December 31, 2004, and three months ended April 2, 2004 and April 1, 2005 to give effect to the Acquisition and the Financing Transactions as if they had been consummated on January 1, 2004. The summary pro forma consolidated financial data are presented for informational purposes only and do not purport to project our financial position as of any future date or our results of operations for any future period. You should read the following summary pro forma consolidated financial data in conjunction with the information under Use of Proceeds, Capitalization, Unaudited Pro Forma Consolidated Financial Data, Selected Historical Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations as well as our consolidated financial statements and the notes to those statements included elsewhere in this prospectus.

As discussed in our audited consolidated financial statements included in this prospectus, certain historical information in our audited consolidated financial statements and our unaudited condensed consolidated financial statements has been restated. You should read note 18 to our audited consolidated financial statements beginning on page F-24 as well as Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information about these restatements. The summary pro forma consolidated financial data presented in the table below reflects these restatements.

Prior to the Acquisition, we operated as a subchapter S corporation. Accordingly, we had not been subject to federal income taxation prior to the Acquisition, and no provision for federal income taxes has been included for such periods. Immediately following the closing of the Acquisition, however, we converted to a subchapter C corporation and became a taxable entity subject to federal income taxation for all periods thereafter.

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	(Unaudited) Pro Forma Year Ended December 31, 2004	(Unaudited) Pro Forma Three Months Ended April 2, 2004	(Unaudited) Pro Forma Three Months Ended April 1, 2005
<b>Statement of Operations Data:</b>			
Sales	\$ 288,131	\$ 58,444	\$ 72,674
Cost of sales	222,565	45,787	55,455
Gross profit	65,566	12,657	17,219
Selling, general and administrative expenses	36,712	8,229	8,735
FarmPro loss	7,152		
Amortization expense	7,700	1,926	1,053
Total operating expenses	51,564	10,155	9,788
Operating income	14,002	2,502	7,431
Other income (expense):			
Interest expense	(15,144)	(3,786)	(3,786)
Interest income	446	120	
Loss on sale of fixed assets	(452)	(423)	
Foreign currency transaction loss	(146)	131	
Other, net	62	(89)	529
Income (loss) before income taxes	(1,232)	(1,545)	4,174
Income tax provision (benefit)	(517)	(649)	1,753
Income (loss) from continuing operations	(715)	(896)	2,421
Discontinued operations:			
Gain from sale of discontinued operations	118		
Gain (loss) from discontinued operations, net of income taxes	(93)	129	
Income (loss) before minority interest	(690)	(767)	2,421
Minority interest in net income (loss) from subsidiary	(92)	(23)	(55)
Net income (loss)	\$ (782)	\$ (790)	\$ 2,366

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**RISK FACTORS**

*Your investment in the notes involves certain risks. You should carefully consider the following risk factors, in addition to the other information included in this prospectus, before you decide whether to exchange the original notes for the exchange notes offered pursuant to this prospectus. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such case, you could lose all or part of your original investment.*

**Risks Related to Our Business**

*The cyclicity of the agricultural industry could cause a decline in our financial condition and results of operations.*

Sales of our products are related to the health of the agricultural industry, which is affected by farm income and debt levels, farm land values and farm cash receipts, all of which reflect levels of commodity prices, acreage planted, crop yields, demand, government policies and government subsidies. Historically, the agricultural industry has been cyclical and subject to a variety of general economic, governmental and regulatory factors as well as weather conditions. Regulatory and business trends in the agricultural industry may also affect sales of products for use in the agricultural industry. In addition, weather conditions, such as heat waves or droughts, and pervasive livestock diseases can also affect buying decisions within the agricultural industry. Downturns in the agricultural industry due to these and other factors are likely to decrease the sales of our products, which could adversely affect our growth, financial condition and results of operations.

*We face significant competition from other companies in our industry.*

The market for our products is competitive. We compete with a variety of domestic and international manufacturers and suppliers. While we believe that CTB, Inc. is our only competitor that offers products across most of our product lines, in each of our product lines we compete with numerous companies, including, for example, Big Dutchman International GmbH in the sale of poultry and swine production equipment. Consolidation in the agricultural industry has also intensified competition. Competition is based on product value, reputation, quality, design and price, as well as the customer service provided by dealers and manufacturers. Although we believe that we are competitive in all of these categories, we cannot assure you that we will be able to remain competitive in general or in any particular area of our business. To the extent that our competitors provide more innovative and/or higher-quality products, better-designed products, better pricing or offer better customer service through their dealers, then our ability to compete could be adversely affected, which could have a material adverse effect on our business, financial condition and results of operations. Independent dealers who market, sell and install our products may also market, sell and install competing product lines. To the extent that our independent dealers no longer actively market our products or focus their marketing efforts on products from our competitors, our business, financial condition and results could be adversely affected.

*We experience quarterly fluctuations in our sales.*

Our quarterly operating results fluctuate primarily because of seasonality. Sales of agricultural equipment are seasonal, with farmers traditionally purchasing grain storage bins in the summer and fall in connection with the harvesting season, and poultry and swine producers purchasing equipment during prime construction periods in the spring, summer and fall. Our sales have historically been lower during the first and fourth fiscal quarters as compared to the second and third fiscal quarters. In 2004, we generated approximately 27.6% and 31.1% of our consolidated

sales in the second and third fiscal quarters, respectively.

*We recently restated certain information in our consolidated financial statements for the fiscal years ended December 31, 2000, 2001, 2002, 2003 and 2004 and the quarter ended April 1, 2005.*

We recently restated certain information in our consolidated financial statements for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 and the quarter ended April 1, 2005 because of errors we



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believed to exist in those financial statements due to weaknesses in our internal controls. In April, 2005 we restated our financial statements to include all inventory charges associated with our DMC subsidiary, whose facilities were consolidated with our own in 2002. We had erroneously assigned the write-down of approximately \$6.5 million in overstated inventory from DMC to our cost of sales in 2003 and 2004, when such inventory write-down should have been taken entirely in 2002. In addition to reallocating the cost of inventory associated with DMC, we also recorded charges in connection with our shift from a premium-based stop-loss workers' compensation insurance policy to a self-insured policy in 2001, 2002 and 2003 and increased our compensation expense during each of those years to reflect the estimated fair market value of non-voting shares of our common stock held by certain of our employees and the accrual of our chief executive officer's salary and board of director fees that were being refused by our chief executive officer at that time. Subsequently, in August 2005, we filed a Form 10-K/A for the year ending December 31, 2004 and a Form 10-Q/A for the three months ending April 1, 2005 to correct for further errors we discovered in our historical financial results. These errors relate to three separate issues:

- 1) capitalization rates of overhead expense in inventory, which were inconsistent with actual spending;
- 2) the capitalization of warranty and R&D costs in inventory, which management believes should be expensed in their entirety; and
- 3) improper application of our policy for establishing reserves for slow moving inventory, which resulted in inadequate historical reserve levels.

For a discussion of these restatements, see note 18 to our audited consolidated financial statements beginning on page F-24 and Management's Discussion and Analysis of Financial Condition and Results of Operations.

As a cumulative result of these restatements, our consolidated net income was reduced by approximately \$1.8 million for the fiscal year ended December 31, 2001, was reduced by approximately \$4.2 million for the fiscal year ended December 31, 2002 and was increased by approximately \$1.5 million for the fiscal year ended December 31, 2003, and was increased by approximately \$2.3 million for the fiscal year ended December 31, 2004. We believe that we have addressed our accounting policies and practices that caused the errors necessitating the restatement. However, we cannot assure you that we, or our independent auditors during the course of subsequent reviews, will not identify further items that will require a future restatement of our operating results.

***We have identified material weaknesses in our internal controls. If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results, and our management may conclude that our internal controls are ineffective in their reports on our internal controls as required by the Sarbanes-Oxley Act for the year ending December 31, 2006.***

In connection with the audit of our financial statements for the fiscal year ended December 31, 2004, and the subsequent restatement of our results for the same period we identified material weaknesses in our internal control over financial reporting, including insufficient internal controls relating to accounting for inventory, consolidation of majority owned subsidiaries, certain subsidiaries' functional currency, differences between U.S. and foreign GAAP, accounting for non-operating expenses, the treatment of repurchases and resales of debt securities, executive salary and board of director payment accrual methodology, the identification and treatment of workers' compensation, the treatment of certain equity-based compensation arrangements and weaknesses in financial reporting processes. In addition, we determined that our control environment at December 31, 2004 lacked certain controls related to the prevention of improper accounting entries. Our management has discussed these material weaknesses with our independent public accounting firm, BKD, LLP, which has issued a material weakness letter to us in connection with its review of our financial results for the fiscal year ended December 31, 2004. The presence of material weaknesses resulted in errors in our historical financial statements, which caused us to restate certain information in our financial statements for the years ended December 31, 2000, 2001, 2002, 2003, and 2004, and the quarter ended April 1, 2005. The letter we received from BKD, LLP also noted a deficiency in our internal controls relating to our inventory accounting and recommended that we update our inventory accounting system.



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We believe that substantial remediation measures are required in order to improve our internal controls, and we have begun to take steps to correct these internal control deficiencies. We believe that the material weaknesses identified above resulted in part from inadequate staffing and training within our finance and accounting group and our management is in the process of reviewing whether additional accounting and financial management staff should be retained and whether we need to use additional or different outside resources. The efficacy of the steps we have taken to date and the steps we are still in the process of taking to improve the reliability of our financial statements is subject to continued management review. We cannot be certain that these measures will ensure that we implement and maintain adequate internal control over financial reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could adversely affect our operating results or cause us to fail to meet our reporting obligations. We cannot assure you that we will not identify further material weaknesses or significant deficiencies in our internal control over financial reporting in the future that we have not discovered to date.

Beginning with the year ending December 31, 2006, pursuant to Section 404 of the Sarbanes-Oxley Act, our management will be required to deliver a report that assesses the effectiveness of our internal control over financial reporting, and we will be required to deliver an attestation report of our independent auditors on the effectiveness of our internal controls. We have substantial effort ahead of us to complete documentation of our internal control system and financial processes, information systems, assessment of their design, remediation of control deficiencies identified in these efforts and management testing of the design and operation of internal controls. We cannot assure you that we will be able to complete the required management assessment by our reporting deadline. An inability to complete and document this assessment could result in a scope limitation qualification or a scope limitation disclaimer by our auditors on their attestation of our internal controls. In addition, if a material weakness were identified with respect to our internal control over financial reporting, we would not be able to conclude that our internal control over financial reporting was effective, which could result in the inability of our external auditors to deliver an unqualified report on our internal control. Ineffective internal control could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our securities.

***We are subject to government regulation and policy-making both in the United States and internationally***

Domestic and foreign political developments and government regulations and policies, including, without limitation, import-export quotas, government subsidies and reserve programs, directly affect the agricultural industry in the United States and abroad and thereby indirectly affect our business. Foreign trade embargoes and import quotas have in the past reduced U.S. exports of grain, swine and poultry, which have adversely affected our sales. The application or modification of existing laws, regulations or policies or the adoption of new laws, regulations or policies could have a material adverse effect on our business.

***We are subject to environmental, health and safety and employment laws and regulations and related compliance expenditures and liabilities.***

Like other manufacturers, we are also subject to a broad range of federal, state, local and foreign laws and requirements, including those governing discharges to the air and water, the handling and disposal of solid and hazardous substances and wastes, the remediation of contamination associated with releases of hazardous substances at our facilities and offsite disposal locations, workplace safety and equal employment opportunities. Expenditures made by us to comply with such laws and requirements historically have not been material. However, future developments, such as additional or increasingly strict requirements of laws and regulations of these types and enforcement policies under such laws and regulations, could significantly increase our costs of operations and may impose material costs.

Governmental authorities have the power to enforce compliance with such laws and regulations and violators may be subject to penalties, injunctions or both. Third parties may also have the right to enforce compliance with laws and regulations. Like most other industrial companies, our manufacturing operations entail some risk of future noncompliance with environmental regulations, and there can be no assurance that

material costs or liabilities will not be incurred by us as a result of such noncompliance.

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Environmental laws also impose obligations and liability for the cleanup of properties affected by hazardous substance spills or releases. These liabilities can be imposed on the parties generating or disposing of such substances or on the owner or operator of affected property, often without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous substances. Accordingly, we may become liable, either contractually or by operation of law, for remediation costs even if the contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. Although we have conducted site assessments or investigations at all of our currently owned domestic properties, we cannot assure you that all potential instances of soil or groundwater contamination have been identified. While liabilities for remediation are not anticipated to have a material adverse effect upon our business, results of operations or financial condition, future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to additional remediation liabilities which may be material.

*If we do not retain our key personnel and attract and retain other highly skilled employees, our business will suffer.*

Our continued success will depend, among other things, on the efforts and skills of a few key executive officers, including our interim chief executive officer and chief financial officer, and our ability to attract and retain additional highly qualified personnel with industry experience, including an executive to serve as our chief executive officer on a permanent basis. We do not maintain key man life insurance for any of our employees, and none of our employees have employment agreements with us. We cannot assure you that we will be able to attract and hire suitable replacements for any of our key employees. We believe the loss of a key executive officer or other key employee could have a material adverse effect on our business operations.

*Our customers and dealers are not contractually obligated to purchase products from us.*

Our customers and dealers are not contractually obligated to purchase products from us. We rely upon the relationships that we and our independent dealers have with our customers to drive the purchase of our products. While we believe that these relationships are strong, our customers may decrease the amount of products that they purchase from us or even stop purchasing from us altogether at any time, either of which could have a material adverse effect on our sales and profitability.

*A downturn in general economic conditions may adversely affect our results of operations.*

The strength and profitability of our business depends on the overall demand for our products and growth in the agricultural industry. Agricultural industry revenues are sensitive to general economic conditions and are influenced by consumer confidence in the economy and other factors. A recession or downturn in the general economy, or in a region constituting a significant source of customers for our products, could result in fewer customers purchasing our products, which would adversely affect our results of operations.

*The raw materials used in our manufacturing processes are subject to price and supply fluctuations that could increase our costs of sales and adversely affect our results of operations.*

Our business may be adversely affected by increases in raw material prices. Our products are made from several basic raw materials, including steel and resins. We generally purchase raw materials at spot prices (except where we have enforceable long-term supply contracts) and do not hedge our exposure to price changes. Our business could be adversely affected by increases in the cost of our raw materials, particularly steel, and we may not be able to pass these costs on to our customers as we have been able to do in the past.

*We may be subject to product liability claims.*

We may be exposed to product liability claims in the event that the use of our products results, or is alleged to result, in bodily injury and/or property damage. We cannot assure you that we will not experience any material

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product liability losses in the future or that we will not incur significant costs to defend such claims. While we currently have product liability insurance, we cannot assure you that our product liability insurance coverage will be adequate for any liabilities that may ultimately be incurred or that it will continue to be available on terms acceptable to us. A successful claim brought against us in excess of our available insurance coverage or a requirement to participate in a product recall may have a materially adverse effect on our business.

*Our controlling stockholder may have interests that conflict with yours.*

As of the closing of the Acquisition, GSI Holdings owns all of the outstanding shares of our common stock. Although it is expected that certain members of our senior management team will purchase approximately 5% (but no more than 10%) of the outstanding shares of GSI Holdings common stock, Charlesbank will continue to own a controlling equity interest in GSI Holdings and, indirectly, the Company. By virtue of its stock ownership, Charlesbank can determine the outcome of matters required to be submitted to our stockholders for approval, including the election of our directors and the approval of mergers, consolidations and the sale of substantially all of our assets. The interests of Charlesbank and GSI Holdings may conflict with your interests as a holder of the notes and may present risks to you as a holder of the notes.

*We operate and source internationally, which exposes us to the risks of doing business abroad.*

We have operations in a number of countries outside of the United States. Our foreign operations are subject to the risks normally associated with conducting business in foreign countries, including:

limitations on ownership and on repatriation of earnings;

import and export restrictions and tariffs;

additional expenses relating to the difficulties and costs of staffing and managing international operations;

labor disputes and uncertain political and economic environments, including risks of war and civil disturbances and the impact of foreign business cycles;

change in laws or policies of a foreign country;

delays in obtaining or the inability to obtain necessary governmental permits;

potentially adverse consequences resulting from the applicability of foreign tax laws;

cultural differences; and

increased expenses due to inflation.

Our foreign operations may also be adversely affected by laws and policies of the United States and the other countries in which we operate affecting foreign trade, investment and taxation.

***Businesses we may acquire in the future may not perform as expected.***

We may be adversely affected if businesses we acquire in the future do not perform as expected. An acquired business could perform below our expectations for a number of reasons, including legislative or regulatory changes that affect the areas in which the acquired business specializes, the loss of customers and dealers, general economic factors that directly affect the acquired business and the cultural incompatibility of its management team or business with us. Any or all of these reasons could adversely affect our financial position and results of operations. In addition, we could face many challenges to integrating an acquired business, including eliminating redundant operations, facilities and systems, coordinating management and personnel, retaining key employees, managing different corporate cultures and achieving cost reductions and cross-selling opportunities. We cannot assure you that we will be able to meet these challenges in the future to the extent we acquire other businesses.



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### **Risks Related to the Exchange Notes**

*Our substantial indebtedness could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our obligations under the notes.*

We now have a significant amount of indebtedness. As of April 1, 2005, after giving pro forma effect to the Financing Transactions and the application of the net proceeds therefrom, we and our subsidiaries would have had approximately \$129.5 million of total debt outstanding.

Our significant indebtedness could have important consequences to you. For example, it could:

limit our ability to satisfy our obligations with respect to the notes;

limit our ability to obtain additional financing to fund our working capital requirements, capital expenditures, debt service, general corporate or other obligations;

limit our ability to use operating cash flow in other areas of our business because we must dedicate a significant portion of these funds to make principal and interest payments on our indebtedness;

increase our interest expense if there is a rise in interest rates, because a portion of our borrowings are short-term under our refinanced credit facility and, as such, we have interest rate periods with short-term durations (typically 30 to 180 days) that require ongoing refunding at the then current rates of interest;

place us at a competitive disadvantage compared to our competitors who are not as highly leveraged; and

increase our vulnerability to and limit our ability to react to changing market conditions, changes in our industry and economic downturns.

In addition, the indenture governing the notes and our refinanced credit facility contain financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts.

*Despite our significant indebtedness levels, we and our subsidiaries may still be able to incur more debt. This could further exacerbate the risks associated with our substantial leverage.*

Following the issuance of the notes, we will have the capacity to issue additional indebtedness, including the ability to incur approximately \$35.9 million of additional indebtedness under our refinanced credit facility (subject to borrowing base limitations as of April 1, 2005), subject to the limitations that are imposed by the covenants in our refinanced credit facility and the indenture governing the notes. Although our

refinanced credit facility and the indenture governing the notes contain restrictive covenants, these restrictive covenants will not fully prohibit us from incurring additional debt. If new debt is added to our and our subsidiaries' current levels of indebtedness, the related risks that we and our subsidiaries now face could intensify.

***Our refinanced credit facility and the indenture governing the notes restrict our operations.***

We have made and will need to make significant capital expenditures to remain competitive with current and future competitors in our markets. Our refinanced credit facility and the indenture governing the notes contain operating and financial restrictions that may limit our ability to obtain financing, and to use earnings, to make these capital expenditures.

Our refinanced credit facility contains certain covenants that are substantially similar to, but in general no more restrictive than, the covenants under our existing credit facility. These covenants, among other things, restrict our (and our subsidiaries') ability to dispose of assets, incur additional indebtedness, pay or make dividends or distributions to our stockholders, create liens on assets, enter into sale and leaseback transactions, make investments, loans or advances (including to and among our subsidiaries), make acquisitions, engage in merger and consolidation transactions and repay debt, including the notes. We are also required to maintain a

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specified fixed charge coverage ratio when the amount that is available for borrowing under our refinanced credit facility falls below a specified threshold.

The indenture governing the notes imposes operating and financial restrictions on us and certain of our subsidiaries that will limit, among other things, our ability to:

incur additional debt;

pay dividends or distributions on our capital stock or purchase, redeem or retire our capital stock;

issue or sell preferred stock of restricted subsidiaries;

make investments;

create liens on our assets;

enter into transactions with affiliates;

merge or consolidate with another company; and

transfer and sell assets.

A breach of any restriction or covenant contained in our refinanced credit facility or the indenture governing the notes could cause a default under the notes and our other debt agreements (including our refinanced credit facility) and result in a significant portion of our debt becoming immediately due and payable. We cannot assure you that we would have, or would be able to obtain, sufficient funds to make these accelerated payments, including payments on the notes. In addition, following the occurrence of certain events of default under our refinanced credit facility, we may be prohibited from making payments on the notes.

***None of our existing operating subsidiaries will guarantee the notes. Your right to receive payments on the notes could be adversely affected if any of our non-guarantor subsidiaries declare bankruptcy, liquidate or reorganize.***

We conduct domestic and international business through The GSI Group, Inc. We also conduct certain of our business outside of the United States through operating subsidiaries of The GSI Group, Inc., all of which are organized outside the United States and none of which will guarantee the notes. Therefore, the notes are effectively subordinated to the prior payment of debts and other liabilities (including trade payables) of our existing operating subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us.

Assuming we had completed this offering on April 1, 2005, these notes would have been effectively junior to \$19.1 million of indebtedness of our non-guarantor subsidiaries and other liabilities (including trade payables). Our non-guarantor subsidiaries generated 17.2% of our consolidated revenues in the twelve-month period ended April 1, 2005 and held 23.8% of our consolidated assets as of April 1, 2005.

*Your right to receive payments on these notes is effectively subordinated to the rights of our existing and future secured creditors.*

Holders of our secured indebtedness will have claims that are prior to your claims as holders of the notes to the extent of the value of the assets securing that other indebtedness. Notably, we, certain of our subsidiaries and GSI Holdings are parties to our refinanced credit facility, which is secured by liens on substantially all of our assets and those of GSI Holdings and such subsidiaries. The notes will be effectively subordinated to that secured indebtedness to the extent of the value of the pledged collateral. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, holders of secured indebtedness will have prior claim to those of our assets that constitute their

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collateral. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of notes may receive less, ratably, than holders of secured indebtedness.

As of April 1, 2005, on a pro forma basis, the aggregate amount of our secured indebtedness would have been approximately \$19.1 million and there was approximately \$35.9 million available for additional borrowing under our refinanced credit facility. We are permitted to incur substantial additional indebtedness, including senior debt, in the future under the terms of our refinanced credit facility. See Description of Other Indebtedness Refinancing of Our Credit Facility.

*Servicing our debt requires a significant amount of cash, and our ability to generate sufficient cash will depend on many factors which are beyond our control.*

Our refinanced credit facility matures five years after the closing date of the Financing Transactions (subject to automatic one-year renewals if the facility is not terminated at least 90 days prior to the then-current termination date). We are required to make substantial monthly interest payments on amounts outstanding under our refinanced credit facility and substantial semi-annual interest payments on the notes. Our ability to make payments on our indebtedness, including the notes, and to fund our capital expenditures will depend on our ability to generate cash flow and secure financing in the future.

Our ability to generate cash flow will depend on our future operating performance. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors affecting our operations and business that are beyond our control.

In addition, our ability to borrow funds under our refinanced credit facility in the future will depend on our meeting the financial covenants in the credit facility. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our refinanced credit facility or otherwise, in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund other liquidity needs. As a result, we may need to refinance all or a portion of our indebtedness, including the notes, on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on favorable terms or at all. Any inability to generate sufficient cash flow or refinance our indebtedness on favorable terms could have a material adverse effect on our financial condition.

*If we are required by the indenture to offer to repurchase the notes upon a change of control, we may not have the necessary funds to do so.*

Upon the occurrence of certain specific kinds of change of control events, we will be required to offer to repurchase all outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest and liquidated damages, if any, to the date of repurchase. Any future agreements relating to indebtedness to which we become a party may contain similar provisions. However, it is possible that we will not have sufficient funds at the time of the change of control transaction to make the required repurchase of notes or that restrictions in our refinanced credit facility will not allow such repurchases. See Description of Exchange Notes Repurchase at the Option of Holders Change of Control.

*The indebtedness represented by the notes and the guarantees may be unenforceable due to fraudulent conveyance statutes.*

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We believe that the indebtedness represented by the notes and the guarantees is being incurred for proper purposes and in good faith and that, based on present forecasts, asset valuations and other financial information, we and our guarantor are, and after the consummation of this offering, we will be, solvent and will have sufficient capital for carrying on our business and will be able to pay our debts as they come due. Notwithstanding this belief, however, under federal or state fraudulent transfer laws, if a court of competent

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jurisdiction in a suit by an unpaid creditor or representative of creditors (such as a trustee in bankruptcy or a debtor-in-possession) were to find that we or our guarantor did not receive fair consideration (or reasonably equivalent value) for issuing the notes or the guarantee and or any indebtedness refinanced by the notes and at the time of the issuance of that indebtedness or guarantee, we or our guarantor were insolvent, were rendered insolvent by reason of that incurrence, were engaged in a business or transaction for which our remaining assets constituted unreasonably small capital, intended to incur, or believed that we would incur, debts beyond our ability to pay such debts as they became due, or that we intended to hinder, delay or defraud our creditors, then that court could, among other things, (i) void all or a portion of our obligations to the holders of the notes or our guarantor's obligations under the guarantee, (ii) recover all or a portion of the payments made to holders of the notes and/or (iii) subordinate our or our guarantor's obligations to the holders of the notes to our other existing and future indebtedness to a greater extent than would otherwise be the case, the effect of which would be to entitle those other creditors to be paid in full before any payment could be made on the notes. The measure of insolvency for purposes of the foregoing will vary depending upon the law of the relevant jurisdiction. Generally, however, a company would be considered insolvent for purposes of the foregoing if the sum of that company's debts was greater than all of that company's assets at a fair valuation, or if the present fair saleable value of that company's assets was less than the amount that would be required to pay the probable liability on its existing debts as they become absolute and due. There can be no assurance as to what standards a court would apply to determine whether we or our guarantor were solvent at the relevant time, or whether, whatever standard was applied, the notes would not be voided on another of the grounds set forth above.

***If an active trading market does not develop for these notes, you may not be able to resell them.***

The exchange notes will be new securities for which there currently is no market. Although the initial purchaser of the original notes informed us at the time of issuance of the original notes that they intended to make a market in the original notes, they made no such undertaking with respect to the exchange notes and, with respect to the original notes, they are not obligated to make such a market and they may discontinue any such market-making that they may elect to undertake at any time without notice. Accordingly, we cannot assure you that a liquid market for the exchange notes will develop or be maintained. Although the original notes are eligible for trading on the PORTAL<sup>SM</sup> Market, we cannot assure you that an active trading market will develop for the notes. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities.

### **Risks Related to the Exchange Offer**

***If you do not properly tender your original notes for exchange notes, you will continue to hold unregistered notes that are subject to transfer restrictions.***

We will only issue exchange notes in exchange for original notes that are duly tendered to the exchange agent together with all required documents and not withdrawn. Therefore, you should allow sufficient time to ensure timely delivery of the original notes and you should carefully follow the instructions on how to tender your original notes set forth under "The Exchange Offer Procedures for Tendering Original Notes" and in the letter of transmittal that you will receive with this prospectus. Neither we nor the exchange agent are required to tell you of any defects or irregularities with respect to your tender of the original notes.

If you do not tender your original notes or if we do not accept your original notes because you did not tender your original notes properly, then you will continue to hold original notes that are subject to the existing transfer restrictions. In addition, if you tender your original notes for the purpose of participating in a distribution of the exchange notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes. If you continue to hold any original notes after the exchange offer is completed, you may have difficulty selling them because of the restrictions on transfer and because there will be fewer original notes outstanding. In addition, if a large amount of original notes are not tendered or are tendered improperly, the limited amount of exchange

notes that would be issued and outstanding after we complete the exchange offer could lower the market price of the exchange notes.



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*If an active trading market does not develop for the exchange notes, you may be unable to sell the exchange notes or to sell them at a price you deem sufficient.*

The exchange notes will be new securities for which there is no established trading market. We do not intend to list the exchange notes on any national securities exchange or the Nasdaq Stock Market. We cannot give you any assurance as to:

the liquidity of any trading market that may develop;

the ability of holders to sell their exchange notes; or

the price at which holders would be able to sell their exchange notes.

Even if a trading market develops, the exchange notes may trade at higher or lower prices than their principal amount or purchase price, depending on many factors, including:

prevailing interest rates;

the number of holders of the exchange notes;

the interest of securities dealers in making a market for the exchange notes;

the market for similar exchange notes; and

our operating performance and financial condition.

Moreover, the market for non-investment grade debt has historically been subject to disruptions that have caused volatility in prices. It is possible that the market for the notes will be subject to disruptions. A disruption may have a negative effect on you as a holder of the notes, regardless of our prospects or performance.

Finally, if a large number of holders of original notes do not tender original notes or tender original notes improperly, the limited amount of exchange notes that would be issued and outstanding after we complete the exchange offer could adversely affect the development of a market for the exchange notes.

**Risks Related to our Prior Auditors**

*Arthur Andersen LLP, our former auditors, audited certain financial information set forth in this prospectus. In the event such financial information is later determined to contain false statements, you may be unable to recover damages from Arthur Andersen LLP.*

Arthur Andersen LLP completed its audit of our financial statements as of December 31, 2001 and for the three years then ended and issued its report with respect to such financial statements on February 25, 2002. Subsequently, Arthur Andersen LLP was convicted of obstruction of justice for activities relating to its previous work for Enron Corp. This audit covered financial information for the 2000 and 2001 fiscal years that is included in this prospectus under Selected Historical Consolidated Financial Data.

In 2002, our board of directors approved the appointment of BKD, LLP as our independent accountants to audit our financial statements for fiscal year 2002. BKD, LLP, replaced Arthur Andersen LLP, which had previously served as our independent auditors. We had no disagreements with Arthur Andersen LLP on any matter of accounting principle or practice, financial statement disclosure, auditing scope or procedure required to be disclosed.

Arthur Andersen LLP has stopped conducting business before the SEC, has ceased accounting and audit-related practice and has limited assets available to satisfy the claims of creditors. As a result, you may be limited in your ability to recover damages from Arthur Andersen LLP under federal or state law if it is later determined that there are false statements contained in this prospectus relating to financial data audited by Arthur Andersen LLP. In addition, the ability of Arthur Andersen LLP to satisfy any claims (including claims arising from its provision of auditing and other services to us) is limited as a result of the diminished amount of assets of Arthur Andersen LLP that are now or may in the future be available to satisfy claims.

**Table of Contents****USE OF PROCEEDS**

This exchange offer is intended to satisfy our obligations under the registration rights agreement by and among us, GSI Holdings and the initial purchaser of the notes. We will not receive any proceeds from the issuance of the exchange notes in the exchange offer. We will receive in exchange original notes in like principal amount. We will retire or cancel all of the original notes tendered in the exchange offer.

On May 16, 2005, we issued and sold the original notes. The net proceeds of the offering of the original notes, after deducting the initial purchaser's fees and our other offering expenses, were approximately \$105.0 million. We used the net proceeds from the offering, together with borrowings under our refinanced credit facility, to refinance substantially all of our existing indebtedness and pay certain fees and expenses associated with the Acquisition and the Financing Transactions.

**CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our consolidated ratio of earnings to fixed charges for each of the last five years and for the three months ended April 1, 2005.

<b>Year Ended December 31,</b>					<b>Three Months Ended</b>
<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>April 1, 2005</b>
1.12	0.84	0.21	0.61	1.32	2.28

For purposes of calculating our ratio of earnings to fixed charges:

Earnings consist of (i) pretax income from continuing operations before adjustment for minority interests in consolidated subsidiaries and (ii) fixed charges.

Fixed charges consist of (i) interest expensed and capitalized, (ii) amortized premiums, discounts and capitalized expenses related to indebtedness and (iii) an estimate of the interest within rental expense.

**Table of Contents****CAPITALIZATION**

The following table sets forth our cash and cash equivalents and our capitalization as of April 1, 2005 on an actual basis and to give pro forma effect to the Acquisition and the Financing Transactions, and the application of the net proceeds therefrom, as if they had occurred on April 1, 2005.

You should read this table in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus, as well as the information set forth under the captions Use of Proceeds, Unaudited Pro Forma Consolidated Financial Data, Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and Description of Other Indebtedness.

	(Unaudited) April 1, 2005	
	Actual	Pro Forma
	(dollars in thousands)	
Cash and cash equivalents	1,987	1,987
Debt:		
Revolving credit facility and term loan(1)	30,454	19,099
Other long-term debt(2)	387	387
Stockholder loans(3)	5,000	
New 12% senior notes due 2013		110,000
10 1/4% senior subordinated notes due 2007	99,277	
Total debt	135,118	129,486
Stockholders' equity (deficit)	(44,436)	56,340
Total capitalization	90,682	185,826

- (1) As of April 1, 2005, after giving pro forma effect to the Financing Transactions as more fully described in Use of Proceeds, we would have had approximately \$30.0 million of availability under our refinanced credit facility.
- (2) Consists of secured debt of Agromarau Indústria E Comércio Ltda., our Brazilian subsidiary, which debt will remain outstanding after the closing of this offering.
- (3) Consists of loans from our former founder and selling majority stockholder, Craig Sloan. Prior to the Acquisition, Craig Sloan, who was then serving as our Chairman of the Board, advanced loans to us from time to time for general corporate purposes. As of April 1, 2005, the aggregate principal amount outstanding under the loans was \$5.0 million.

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**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA**

The following sets forth our unaudited pro forma consolidated financial data, giving effect to the Financing Transactions and the Acquisition. We derived the following unaudited pro forma consolidated financial information by applying pro forma adjustments to our historical consolidated financial statements included elsewhere in this prospectus. The unaudited pro forma consolidated balance sheet as of April 1, 2005 gives effect to the Financing Transactions and the Acquisition as if they had occurred on April 1, 2005. The unaudited pro forma consolidated statements of operations and other data for the year ended December 31, 2004 and the three months ended April 2, 2004 and April 1, 2005 give effect to the Financing Transactions and the Acquisition as if they had occurred on January 1, 2004. We describe the assumptions underlying the pro forma adjustments in the accompanying notes, which should be read in conjunction with these unaudited pro forma consolidated financial data.

As discussed in our audited consolidated financial statements included in this prospectus, certain historical information in our audited consolidated financial statements and our unaudited condensed consolidated financial statements has been restated. You should read note 18 to our audited consolidated financial statements beginning on page F-24 as well as Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information about these restatements. The unaudited pro forma consolidated financial data presented below reflects these restatements.

The pro forma adjustments are preliminary and based on information obtained to date and are subject to revision as additional information becomes available. The pro forma adjustments described in the accompanying notes will be made as of the closing date of the Financing Transactions and the Acquisition and may differ from those reflected in these unaudited pro forma consolidated financial data. The unaudited pro forma consolidated financial data set forth below should not be considered indicative of actual results that would have been achieved had the Financing Transactions and the Acquisition been consummated on the date or for the periods indicated and do not purport to indicate consolidated balance sheet data or statement of operations data or other financial data as of any future date or for any future period.

The unaudited pro forma consolidated financial data should be read in conjunction with the information contained in Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and related notes appearing elsewhere in this prospectus.

The unaudited pro forma consolidated financial data has been prepared giving effect to the Acquisition in accordance with Statement of Financial Auditing Standards (SFAS) No. 141, Business Combinations. The estimated total purchase price of the Acquisition, including related fees and expenses, was allocated to our net assets based upon our preliminary estimates of fair value based on a formal valuation performed by an independent appraisal firm. The purchase price allocation for the Acquisition is preliminary and further changes are likely to be made based upon (i) adjustments to the formal valuation analysis by a third party appraisal firm and (ii) the potential application of EITF 88-16, Basis in Leveraged Buyout Transactions, if our management team purchases shares of GSI Holdings' common stock.

**Table of Contents****The GSI Group, Inc.****Unaudited Pro Forma Condensed Balance Sheet**

April 1, 2005

	<u>Historical</u> GSI Group, Inc.	<u>Pro Forma</u> Adjustments(1)	<u>Pro Forma</u> GSI Group, Inc.
	(dollars in thousands)		
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 1,987		\$ 1,987
Accounts receivable, net	29,275		29,275
Inventories, net	51,533	5,289(1)	56,822
Prepays	1,114	734(2)	1,848
Other	3,670	(627)(3)	3,043
	<u>87,579</u>	<u>5,396</u>	<u>92,975</u>
Total current assets	87,579	5,396	92,975
Property, Plant and Equipment, net	32,165	561(1)	32,726
<b>Other Assets:</b>			
Goodwill	10,254	20,782(1)	31,036
Other intangible assets, net	1,332	56,448(1)	57,780
Deferred financing costs, net	2,443	2,785(1),(5)	5,228
Deferred taxes, net	1,254	5,041(1)	6,295
Other	101		101
	<u>135,128</u>	<u>91,013</u>	<u>226,141</u>
Total assets	\$ 135,128	\$ 91,013	\$ 226,141
<b>Liabilities and Stockholders Equity (Deficit)</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 18,383		\$ 18,383
Payroll and payroll related expenses	5,737		5,737
Accrued interest	4,374	(4,374)(4)	
Accrued warranty			
Other accrued expenses	6,811	243(5)	7,054
Customer deposits	7,581		7,581
Current maturities of long-term debt	5,116	(5,000)(6)	116
	<u>48,002</u>	<u>(9,131)</u>	<u>38,871</u>
Total current liabilities	48,002	(9,131)	38,871
Long-Term Debt, less current maturities	130,002	(632)(6)	129,370
Minority Interest	1,560		1,560
	<u>(44,436)</u>	<u>100,776(7)</u>	<u>56,340</u>
Stockholders Equity (Deficit)	(44,436)	100,776(7)	56,340
Total liabilities and stockholders equity	\$ 135,128	\$ 91,013	\$ 226,141

(1) The unaudited pro forma consolidated financial data has been prepared giving effect to the Acquisition in accordance with SFAS No. 141, Business Combinations, and reflects the push-down of GSI Holdings basis into our financial statements. The total purchase price of the

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Acquisition, including related fees and expenses, have been allocated to our net tangible assets based upon our preliminary estimates of fair value. The consideration remaining was then allocated to identifiable intangibles with a finite life and amortized over that life, as well as to goodwill and identifiable intangibles with an indefinite life, which will have to be evaluated prospectively on an annual basis to determine impairment and adjusted accordingly. The purchase price allocation for the Acquisition is preliminary and further changes may be made based upon (i) adjustments to the formal valuation analysis by a third party independent appraisal firm and (ii) the potential application of EITF 88-16, Basis in Leveraged Buyout Transactions if our management team purchases stock of our holding company.

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	(\$ in thousands)
<b>Sources:</b>	
Senior Notes due 2013	\$ 110,000
Senior Credit Facility	19,099
Equity from sponsor	56,340
<b>Total sources of funds:</b>	<b>\$ 185,439</b>
<b>Uses:</b>	
Repay existing indebtedness	\$ 135,454
Repay accrued interest and redemption premium	6,961
Estimated fees and expenses	7,356
Purchase of representation and warranty insurance	734
Purchase price to selling stockholders	34,934
<b>Total uses of funds:</b>	<b>\$ 185,439</b>
(\$ in thousands)	
<b>Total acquisition consideration:</b>	
Cash paid to selling shareholders	\$ 34,934
Repayment of indebtedness	135,454
Repayment of accrued interest & redemption premium	6,961
Liabilities assumed	40,459
Estimate of acquisition expenses (a)	2,371
<b>Total acquisition consideration</b>	<b>\$ 220,179</b>
Less: Historical net book value of tangible assets acquired	120,472
<b>Excess purchase price to be allocated</b>	<b>\$ 99,707</b>
Preliminary allocation adjustments:	
Inventory step-up (b)	(5,289)
Property, plant and equipment step-up (b)	(561)
Trade names (b)	(14,300)
Technology (b)	(5,700)
Order Backlog (b)	(3,490)
Non-compete agreement (b)	(2,890)
Customer relationships (b)	(31,400)
Deferred tax assets (c)	(5,041)
Goodwill	(31,036)
	<b>\$</b>

- (a) Total fees and expenses approximated \$7,599 of which \$2,371 are direct costs related to the acquisition and \$5,228 relate to the financing and are capitalized as deferred financing fees on the pro forma balance sheet.
- (b) Reflects management's preliminary estimate of fair value to tangible assets and identifiable intangible assets with a finite life based on a preliminary valuation performed. The purchase price allocation was performed with the assistance of an independent appraisal



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firm to determine valuations of certain tangible and identifiable intangible assets. Finite-lived assets include (i) trade names 20 years, (ii) technology (e.g. patents) 10 years, (iii) order backlog 1 year, (iv) non-compete agreements 12 years , and (v) customer relationships 11-14 years.

- (c) Reflects the estimate of the impact of the preliminary allocation of purchase price on our deferred taxes. An estimated effective income tax rate of 40% for the U.S. business has been used.

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- (2) Represents a prepaid asset related to certain insurance purchased by the Company in connection with the transaction.
- (3) Reflects the elimination of a receivable from the Yemen YCII Company. In connection with the Stock Purchase Agreement, this asset was retained by the selling shareholders and will not be an asset to the Company prospectively.
- (4) Represents accrued interest of \$4,374 on the 10 1/4% senior subordinated notes due 2007 redeemed as part of the Financing Transactions. See "Sources and Uses" for additional information.
- (5) Represents an accrued liability for \$243 related to deal fees and expenses that were not paid at closing. The corresponding adjustment was to increase deferred financing fees by the same amount.
- (6) Reflects the net impact of the Financing Transactions.
- (7) Reflects the elimination of GSI's historic shareholders' deficit and reflects the Sponsor's new equity contribution to be made in connection with the Financing Transactions.

**Table of Contents****The GSI Group, Inc.****Unaudited Pro Forma Condensed Statement of Income****Year Ended December 31, 2004**

	2004 Year		
	Historical GSI Group, Inc. Restated	Pro Forma Adjustments (1), (8)	Pro Forma GSI Group, Inc.
Sales	\$ 288,131		\$ 288,131
Cost of sales	224,027	(1,462)(2)	222,565
Gross profit	64,104	1,462	65,566
Selling, general and administrative expenses	37,551	(839)(3)	36,712
FarmPro loss	7,152		7,152
Amortization expense	649	7,051(4)	7,700
Total operating expenses	45,352	6,212	51,564
Operating income	18,752	(4,750)	14,002
Other income (expense):			
Interest expense	(14,104)	(1,040)(5)	(15,144)
Interest income	446		446
Loss on sale of fixed assets	(452)		(452)
Foreign currency transaction loss	(146)		(146)
Other, net	62		62
Income (loss) before income taxes	4,558	(5,790)	(1,232)
Income tax provision (benefit)	499	(1,016)(6)	(517)
Income (loss) from continuing operations	4,059	(4,774)	(715)
Discontinued operations:			
Gain from sale of discontinued operations	118		118
Gain (loss) from discontinued operations, net of income taxes	(93)		(93)