Tofighi Said
Form 4
May 07, 2012

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Tofighi Said

(Last) (First) (Middle)

11126 MCCORMICK ROAD

(Street)

HUNT VALLEY, MD 21031

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
TESSCO TECHNOLOGIES INC [TESS]

3. Date of Earliest Transaction (Month/Day/Year)
05/03/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Sr VP

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/03/2012		M		7,500	A	(1)	74,540	D (11)	
Common Stock	05/03/2012		M		7,500	A	(2)	82,040	D (11)	
Common Stock	05/03/2012		M		2,531	A	(3)	84,571	D (11)	
Common Stock	05/03/2012		M		6,000	A	(4)	90,571	D (11)	
Common Stock	05/03/2012		F		8,037	D	(5)	82,534	D (11)	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount Underlying Securitie (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amour or Numbe of Shar
Performance Share Unit	(6)	05/03/2012		M			7,500	(1)	(1)	Common Stock	7,50
Performance Share Unit	(6)	05/03/2012		M			7,500	(2)	(2)	Common Stock	7,50
Performance Share Unit	(6)	05/03/2012		M			2,531	(3)	(3)	Common Stock	2,53
Performance Share Unit	(6)	05/03/2012		A		24,000		(4)	(4)	Common Stock	24,00
Performance Share Unit	(6)	05/03/2012		M			6,000	(4)	(4)	Common Stock	6,00

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Tofighi Said 11126 MCCORMICK ROAD HUNT VALLEY, MD 21031			Sr VP	

Signatures

Said Tofighi by David Young by POA	05/07/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1)

A Performance Share Unit, sometimes referred to as a Performance Stock Unit or PSU, represents the conditional right to receive one share of Common Stock. PSUs granted in April 2008 resulted in the earning, with respect to the fiscal year ended March 2009 and based on the extent to which certain performance criteria were satisfied during fiscal year 2009, of the right to receive 30,000 shares of Common Stock. Once earned, the PSUs vest and are paid through the issuance of shares of Common Stock in four approximately equal annual installments commencing on or about May 1, 2009, 2010, 2011 and 2012, subject to the reporting person's continued employment or association with the Issuer on the date such shares of Common Stock are to be issued.

(2) A Performance Share Unit, sometimes referred to as a Performance Stock Unit or PSU, represents the conditional right to receive one share of Common Stock. PSUs granted in April 2009 resulted in the earning, with respect to the fiscal year ended March 2010 and based on the extent to which certain performance criteria were satisfied during fiscal year 2010, of the right to receive 30,000 shares of Common Stock. Once earned, the PSUs vest and are paid through the issuance of shares of Common Stock in four approximately equal annual installments commencing on or about May 1, 2010, 2011, 2012 and 2013, subject to the reporting person's continued employment or association with the Issuer on the date such shares of Common Stock are to be issued.

(3) A Performance Share Unit, sometimes referred to as a Performance Stock Unit or PSU, represents the conditional right to receive one share of Common Stock. PSUs granted in April 2010 resulted in the earning, with respect to the fiscal year ended March 2011 and based on the extent to which certain performance criteria were satisfied during fiscal year 2011, of the right to receive 10,125 shares of Common Stock. Once earned, the PSUs vest and are paid through the issuance of shares of Common Stock in four approximately equal annual installments commencing on or about May 1, 2011, 2012, 2013 and 2014, subject to the reporting person's continued employment or association with the Issuer on the date such shares of Common Stock are to be issued.

(4) A Performance Share Unit, sometimes referred to as a Performance Stock Unit or PSU, represents the conditional right to receive one share of Common Stock. PSUs granted in April 2011 resulted in the earning, with respect to the fiscal year ended March 2012 and based on the extent to which certain performance criteria were satisfied during fiscal year 2012, of the right to receive 24,000 shares of Common Stock. Once earned, the PSUs vest and are paid through the issuance of shares of Common Stock in four approximately equal annual installments commencing on or about May 1, 2012, 2013, 2014 and 2015, subject to the reporting person's continued employment or association with the Issuer on the date such shares of Common Stock are to be issued.

(5) $21.08 - closing market price on May 3, 2012.

(6) 1 for 1

(7) In respect of the PSUs granted in April 2008 with respect to fiscal year 2009, on April 28, 2009, the reporting person earned the right to receive 30,000 shares of Common Stock. The reporting person was associated with the Issuer on April 28, 2009, resulting in the vesting and issuance of 7,500 of the 30,000 shares of Common Stock so earned. On April 27, 2010, the reporting person continued to be associated with the Issuer, resulting in the vesting and issuance of another 7,500 shares of Common Stock so earned. On April 26, 2011, the reporting person continued to be associated with the Issuer, resulting in the vesting and issuance of another 7,500 shares of Common Stock so earned. On May 3, 2012, the reporting person continued to be associated with the Issuer, resulting in the vesting and issuance of the remaining 7,500 shares of Common Stock so earned.

(8) In respect of the PSUs granted in April 2009 with respect to fiscal year 2010, on April 27, 2010, the reporting person earned the right to receive 30,000 shares of Common Stock. The reporting person was associated with the Issuer on April 27, 2010, resulting in the vesting and issuance of 7,500 of the 30,000 shares of Common Stock so earned. On April 26, 2011, the reporting person continued to be associated with the Issuer, resulting in the vesting and issuance of another 7,500 shares of Common Stock so earned. On May 3, 2012, the reporting person continued to be associated with the Issuer, resulting in the vesting and issuance of another 7,500 shares of Common Stock so earned. The remaining 7,500 shares have been earned, but are not yet vested.

(9) In respect of the PSUs granted in April 2010 with respect to fiscal year 2011, on April 26, 2011, the reporting person earned the right to receive 10,125 shares of Common Stock. The reporting person was associated with the Issuer on April 26, 2011, resulting in the vesting and issuance of 2,531 of the 10,125 shares of Common Stock so earned. On May 3, 2012, the reporting person continued to be associated with the Issuer, resulting in the vesting and issuance of another 2,531 shares of Common Stock so earned. The remaining 5,063 shares have been earned, but are not yet vested.

(10) In respect of the PSUs granted in April 2011 with respect to fiscal year 2012, on May 3, 2012, the reporting person earned the right to receive 24,000 shares of Common Stock. The reporting person was associated with the Issuer on May 3, 2012, resulting in the vesting and issuance of 6,000 of the 24,000 shares of Common Stock so earned. The remaining 18,000 shares have been earned, but are not yet vested.

(11) All shares are owned directly, except for 169 shares which are owned indirectly, through 401(k) plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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3,693

Accrued contingent considerations

988

3,889

Other

2,515

2,690

Total

$

15,745

$

Explanation of Responses:

19,445

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Explanation of Responses:

GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

AS OF APRIL 1, 2016

(Unaudited)

9. Debt

Debt consisted of the following (in thousands):

	April 1, 2016	December 31, 2015
Senior Credit Facilities – term loan	$7,500	$ 7,500
Less: unamortized debt issuance costs	(105)	(115)
Total current portion of long-term debt	$7,395	$ 7,385
Senior Credit Facilities – term loan	$18,125	$ 20,000
Senior Credit Facilities – revolving credit facility	70,000	70,000
Less: unamortized debt issuance costs	(1,362)	(1,574)
Total long-term debt	$86,763	$ 88,426
Total Senior Credit Facilities	$94,158	$ 95,811

Senior Credit Facilities

The Company's amended and restated senior secured credit agreement (the "Amended and Restated Credit Agreement") provides for a $50.0 million, 5-year, term loan facility due in quarterly installments of $1.9 million beginning in January 2013 and a $175.0 million, 5-year, revolving credit facility (collectively, the "Senior Credit Facilities") that matures in December 2017. Quarterly installments due in the next twelve months under the term loan amount to $7.5 million and are classified as a current liability in the consolidated balance sheet.

The Company is required to satisfy certain financial and non-financial covenants under the Amended and Restated Credit Agreement. The Company was in compliance with these covenants as of April 1, 2016.

Fair Value of Debt

As of April 1, 2016 and December 31, 2015, the outstanding balance of the Company's debt approximated its fair value based on current rates available to the Company for debt of the same maturity.

10. Share-Based Compensation

The table below summarizes share-based compensation expense recorded in income from continuing operations in the consolidated statements of operations (in thousands):

	Three Months Ended	
	April 1, 2016	April 3, 2015
Selling, general and administrative	$ 1,243	$ 1,484
Research and development and engineering	25	49
Cost of revenue	74	64
Restructuring, acquisition and divestiture related costs	—	(44)
Total share-based compensation expense	$ 1,342	$ 1,553

The expense recorded during each of the three-month periods ended April 1, 2016 and April 3, 2015, respectively, included $0.5 million related to deferred stock units granted to the members of the Company's Board of Directors.

Restricted Stock Units and Deferred Stock Units

The Company's restricted stock units ("RSUs") have generally been issued with a three-year vesting period and vest based solely on service conditions. Accordingly, the Company recognizes compensation expense on a straight-line basis over the requisite

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GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

AS OF APRIL 1, 2016

(Unaudited)

service period. The Company reduces the compensation expense by an estimated forfeiture rate which is based on anticipated forfeitures and actual experience.

Deferred stock units (“DSUs”) are granted to the members of the Company’s Board of Directors. The compensation expense associated with the DSUs is recognized in full on the respective date of grant, as DSUs are fully vested and non-forfeitable upon grant.

The table below summarizes activities relating to RSUs and DSUs issued and outstanding under the Company’s Amended and Restated 2010 Incentive Plan during the three months ended April 1, 2016:

	Shares (In thousands)	Weighted Average Grant Date Fair Value
Unvested at December 31, 2015	619	$ 12.32
Granted	309	$ 13.20
Vested	(307)	$ 11.96
Forfeited	(6)	$ 11.05
Unvested at April 1, 2016	615	$ 12.75
Expected to vest as of April 1, 2016	586	

The total fair value of RSUs and DSUs that vested during the three months ended April 1, 2016 was $4.0 million based on the market price of the underlying stock on the date of vesting.

Performance Stock Units

On March 30, 2016, the Company granted 46 thousand performance stock units (“PSUs”) to certain members of the executive management team. The performance objective is measured using cumulative Non-GAAP EPS over a three-year performance cycle. The Company recognizes compensation expense for PSUs on a straight-line basis. Compensation expense is determined based on the number of shares that are deemed probable of vesting at the end of the three-year performance cycle. This probability assessment is performed each quarter. The cumulative effect of the changes in the estimated compensation expense will be recognized in the consolidated statement of operations in the period in which such determination is made.

The table below summarizes activities relating to PSUs issued and outstanding under the Company’s Amended and Restated 2010 Incentive Plan during the three months ended April 1, 2016:

	Shares (In thousands)	Weighted Average Grant Date Fair Value
Unvested at December 31, 2015	—	$ —
Granted	46	$ 14.13
Vested	—	$ —
Forfeited	—	$ —
Unvested at April 1, 2016	46	$ 14.13
Expected to vest as of April 1, 2016	46	

Stock Options

On March 30, 2016, the Company granted 193 thousand stock options to certain members of the executive management team to purchase common shares of the Company at a price equal to the closing market price of the Company’s common shares on the date of grant. The stock options vest ratably over a three-year period from the date of grant and expire on the tenth anniversary of the date of grant. We estimate the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the expected option term, the expected volatility of our common stock over the expected term of the options, the risk-free interest rate, and our expected dividend yield. The Company recognizes the compensation expense of stock options on a straight-line basis in the consolidated statement of operations over the vesting period.

The table below summarizes activities relating to stock options issued and outstanding under the Company’s Amended and Restated 2010 Incentive Plan during the three months ended April 1, 2016:

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GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

AS OF APRIL 1, 2016

(Unaudited)

	Shares (In thousands)	Weighted Average Exercise Price
Outstanding as of December 31, 2015	—	$ —
Granted	193	$ 14.13
Exercised	—	$ —
Forfeited or expired	—	$ —
Outstanding as of April 1, 2016	193	$ 14.13
Exercisable as of April 1, 2016	—	
Expected to vest as of April 1, 2016	193	

The fair value of stock options granted during the three months ended April 1, 2016 was estimated as of the grant date using the Black-Scholes valuation model with the following assumptions:

	Three Months Ended April 1, 2016
Expected option term in years (1)	6.0
Expected volatility (2)	33.8 %
Risk-free interest rate (3)	1.6 %
Expected annual dividend yield (4)	—

(1) The expected option term was calculated using the simplified method provided by Codification of Staff Accounting Bulletin Topic 14: "Share-Based Payment".
(2) The expected volatility was determined based on the historical volatility of the Company's common stock over the expected option term.
(3) Risk-free interest rate was based upon treasury instrument whose term was one year longer than the expected option term.
(4) The expected annual dividend yield is zero, as the Company does not have plans to issue dividends.

The aggregate Black-Scholes fair value of the stock options granted during the three months ended April 1, 2016 was $1.0 million.

11. Income Taxes

The Company determines its estimated annual effective tax rate at the end of each interim period based on full-year forecasted pre-tax income and facts known at that time. The estimated annual effective tax rate is applied to the year-to-date pre-tax income at the end of each interim period. The tax effect of significant unusual items is reflected in the period in which they occur. Since the Company is incorporated in Canada, it is required to use Canada’s statutory tax rate of 27.0% in the determination of the estimated annual effective tax rate.

The Company’s effective tax rate on income from continuing operations of 14.5% for the three months ended April 1, 2016 differs from the Canadian statutory rate of 27.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, losses in jurisdictions with a full valuation allowance, the Laser Quantum dividend distribution and the impact of other discrete items for the period. The Company received a tax free cash dividend of $2.3 million from Laser Quantum, which had an 18.9% favorable impact on our effective tax rate for the three months ended April 1, 2016.

The Company’s effective tax rate on income from continuing operations of 34.3% for the three months ended April 3, 2015 differs from the Canadian statutory rate primarily due to the mix of income earned in jurisdictions with varying tax rates, losses in jurisdictions with a full valuation allowance, and the impact of discrete items for the period.

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GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

AS OF APRIL 1, 2016

(Unaudited)

The Company maintains a valuation allowance on some of its deferred tax assets in certain jurisdictions. A valuation allowance is required when, based upon an assessment of various factors, including recent operating loss history, anticipated future earnings, and prudent and reasonable tax planning strategies, it is more likely than not that some portion of the deferred tax assets will not be realized.

12. Restructuring, Acquisition and Divestiture Related Costs

The following table summarizes restructuring, acquisition and divestiture related costs in the accompanying consolidated statements of operations (in thousands):

	Three Months Ended	
	April 1, 2016	April 3, 2015
2016 restructuring	$ 2,500	$ —
2015 restructuring	—	1,370
2011 restructuring	212	383
Total restructuring charges	2,712	1,753
Acquisition and related charges	246	127
Divestiture related charges	—	557
Total acquisition and divestiture related charges	246	684
Total restructuring, acquisition and divestiture related costs	$ 2,958	$ 2,437

2016 Restructuring

During the third quarter of 2015, the Company initiated the 2016 restructuring program, which includes consolidating certain of our manufacturing operations to optimize our facility footprint and better utilize resources, and reducing redundant costs due to productivity cost savings and business volume reductions. We anticipate completing the 2016 restructuring program during the second quarter of 2016. During the three months ended April 1, 2016, the Company incurred restructuring costs of $2.5 million related to the 2016 restructuring plan. Restructuring costs incurred during the three months ended April 1, 2016 of $0.5 million, $1.7 million, $0.1 million and $0.2 million related to the Laser Products, Vision Technologies, Precision Motion and Unallocated Corporate and Shared Services reportable segments, respectively. As of April 1, 2016, the Company incurred cumulative costs related to this restructuring plan totaling $5.6 million. The Company expects to incur additional restructuring charges of $1.0 million to $1.6 million related to the 2016 restructuring plan.

2015 Restructuring

During the first quarter of 2015, the Company initiated a program to eliminate redundant costs, as a result of acquisition and divestiture activities, to better align our operations to our strategic growth plans, to further integrate our business lines, and as a consequence of our productivity initiatives. During the three months ended April 3, 2015, the Company incurred $1.3 million in severance costs related to the 2015 restructuring. Restructuring costs of $0.6 million, $0.4 million, $0.1 million and $0.3 million related to the Laser Products, Vision Technologies, Precision Motion and Unallocated Corporate and Shared Services reportable segments, respectively.

2011 Restructuring

In November 2011, the Company announced a strategic initiative ("2011 restructuring"), which aimed to consolidate operations to reduce the Company's cost structure and improve operational efficiency. As part of this initiative, the Company eliminated facilities through the consolidation of certain manufacturing, sales and distribution facilities and the exit of Semiconductor and Laser Systems businesses. The Company substantially completed the 2011 restructuring program by the end of 2013. In March 2016, the Company sold our previously exited Laser Systems facility located in Orlando, Florida for a net cash consideration of $3.6 million. Restructuring costs for the three months ended April 1, 2016 included facility costs of $0.2 million related to the Orlando, Florida facility. These costs were recorded in the Unallocated Corporate and Shared Services reportable segment.

GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

AS OF APRIL 1, 2016

(Unaudited)

Rollforward of Accrued Expenses Related to Restructuring

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

	Total	Severance	Facility	Depreciation	Other
Balance at December 31, 2015	$1,882	$ 1,358	$ 406	$ —	$118
Restructuring charges	2,712	1,585	115	602	410
Cash payments	(1,330)	(975)	(28)	—	(327)
Non-cash write-offs and other adjustments	(604)	—	—	(602)	(2)
Balance at April 1, 2016	$2,660	$ 1,968	$ 493	$ —	$199

13. Commitments and Contingencies

Leases

The Company leases certain equipment and facilities under operating and capital lease agreements. There have been no material changes to the Company's leases through April 1, 2016 from those discussed in Note 15 to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Purchase Commitments

There have been no material changes to the Company's purchase commitments since December 31, 2015.

Legal Contingencies

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

Guarantees and Indemnifications

In the normal course of its operations, the Company executes agreements that provide for indemnification and guarantees to counterparties in transactions such as business dispositions, sale of assets, sale of products and operating leases. Additionally, the by-laws of the Company require it to indemnify certain current or former directors, officers, and employees of the Company against expenses incurred by them in connection with each proceeding in which he or she is involved as a result of serving or having served in certain capacities. Indemnification is not available with respect to a proceeding as to which it has been adjudicated that the person did not act in good faith in the reasonable belief that the action was in the best interests of the Company. Certain of our officers and directors are also a party to indemnification agreements with the Company. These indemnification agreements provide, among other things, that the director and officer shall be indemnified to the fullest extent permitted by applicable law against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such officer or director in connection with any proceeding by reason of his or her relationship with the Company. In addition, the indemnification agreements provide for the advancement of expenses incurred by such director or officer in connection with any proceeding covered by the indemnification agreement, subject to the conditions set forth therein and to the extent such advancement is not prohibited by law. The indemnification agreements also set out the procedures for determining entitlement to indemnification, the requirements relating to notice and defense of claims for which indemnification is sought, the procedures for enforcement of indemnification rights, the limitations on and exclusions from indemnification, and the minimum levels of directors’ and officers’ liability insurance to be maintained by the Company.

GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

AS OF APRIL 1, 2016

(Unaudited)

14. Segment Information

The Company evaluates the performance of, and allocates resources to, its segments based on revenue, gross profit and operating profit. The Company's reportable segments have been identified based on commonality and adjacency of technologies, applications and customers amongst the Company's individual product lines.

We operate in three reportable segments: Laser Products, Vision Technologies, and Precision Motion. The reportable segments and their principal activities consist of the following:

Laser Products

The Laser Products segment designs, manufactures and markets photonics-based solutions, including CO2 laser sources, laser scanning and beam delivery products, to customers worldwide. The segment serves highly demanding photonics-based applications such as industrial material processing, metrology, medical and life science imaging, and medical laser procedures. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

Vision Technologies

The Vision Technologies segment designs, manufactures and markets a range of medical grade technologies, including visualization solutions, imaging informatics products, optical data collection and machine vision technologies, RFID technologies, thermal printers, and light and color measurement instrumentation, to customers worldwide. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

Precision Motion

The Precision Motion segment designs, manufactures and markets optical encoders, precision motor and motion control technology, air bearing spindles and precision machined components to customers worldwide. The vast majority of the segment's product offerings are sold into the advanced industrial market and the medical market. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

Reportable Segment Financial Information

Revenue, gross profit, gross profit margin, operating income (loss) from continuing operations, and depreciation and amortization by reportable segments are as follows (in thousands):

	Three Months Ended	
	April 1, 2016	April 3, 2015
Revenue		
Laser Products	$ 40,358	$ 44,955
Vision Technologies	28,862	31,111
Precision Motion	21,096	18,548
Total	$ 90,316	$ 94,614

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GSI GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

AS OF APRIL 1, 2016

(Unaudited)

	Three Months Ended April 1, 2016	Three Months Ended April 3, 2015
Gross Profit		
Laser Products	$ 17,997	$ 19,375
Vision Technologies	9,579	12,513
Precision Motion	9,668	8,465
Unallocated Corporate and Shared Services	(352)	(347)
Total	$ 36,892	$ 40,006

	Three Months Ended April 1, 2016	Three Months Ended April 3, 2015
Gross Profit Margin		
Laser Products	44.6 %	43.1 %
Vision Technologies	33.2 %	40.2 %
Precision Motion	45.8 %	45.6 %
Total	40.8 %	42.3 %

	Three Months Ended April 1, 2016	Three Months Ended April 3, 2015
Operating Income (Loss) from Continuing Operations		
Laser Products	$ 6,856	$ 8,395
Vision Technologies	(3,771)	(654)
Precision Motion	5,235	4,137
Unallocated Corporate and Shared Services	(5,733)	(6,481)
Total	$ 2,587	$ 5,397

	Three Months Ended April 1, 2016	Three Months Ended April 3, 2015
Depreciation and Amortization		
Laser Products	$ 1,544	$ 1,582

Vision Technologies	3,100	2,258
Precision Motion	614	473
Unallocated Corporate and Shared Services	573	449
Total	$ 5,831	$ 4,762

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Explanation of Responses:

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Consolidated Financial Statements and Notes included in Item 1 of this Quarterly Report on Form 10-Q. The MD&A contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include, but are not limited to, expected benefits of our belief that the Purchasing Managers Index (PMI) may provide an indication of the impact of general economic conditions on our sales into the advanced industrial end market; expectations regarding the 2016 restructuring program, including our reinvestment plans; anticipated financial performance; expected liquidity and capitalization; drivers of revenue growth; management's plans and objectives for future operations, expenditures and product development and investments in research and development; business prospects; potential of future product releases; anticipated revenue performance; changes in accounting principles and changes in actual or assumed tax liabilities; and expectations regarding tax exposure. These forward-looking statements are neither promises nor guarantees, but involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including, but not limited to, the following: the PMI may not provide an indication of the impact of general economic conditions on our sales into the advanced industrial end market in any particular period or at all; economic and political conditions and the effects of these conditions on our customers' businesses and level of business activity; our significant dependence upon our customers' capital expenditures, which are subject to cyclical market fluctuations; our dependence upon our ability to respond to fluctuations in product demand; our ability to continually innovate and successfully commercialize our innovations; failure to introduce new products in a timely manner; customer order timing and other similar factors beyond our control; disruptions or breaches in security of our information technology systems; changes in interest rates, credit ratings or foreign currency exchange rates; risk associated with our operations in foreign countries; our increased use of outsourcing in foreign countries; our failure to comply with local import and export regulations in the jurisdictions in which we operate; violations of our intellectual property rights and our ability to protect our intellectual property against infringement by third parties; risk of losing our competitive advantage; our failure to successfully integrate recent and future acquisitions into our business or grow acquired businesses; our ability to make divestitures that provide business benefits; our ability to attract and retain key personnel; our restructuring and realignment activities and disruptions to our operations as a result of consolidation of our operations; product defects or problems integrating our products with other vendors' products; disruptions in the supply of certain key components and other goods from our suppliers; production difficulties and product delivery delays or disruptions; our compliance, or our failure to comply, with various federal, state and foreign regulations; changes in governmental regulation of our business or products; effects of compliance with conflict minerals regulations; our compliance, or failure to comply, with environmental regulations; our failure to implement new information technology systems and software successfully; our failure to realize the full value of our intangible assets; our exposure to the credit risk of some of our customers and in weakened markets; our reliance on third party distribution channels; changes in tax laws, and fluctuations in our effective tax rates; being subject to U.S. federal income taxation even though we are a non-U.S. corporation; any need for additional capital to adequately respond to business challenges or opportunities and repay or refinance our existing indebtedness, which may not be available on acceptable terms or at all; volatility in the market price for our common shares; our ability to access cash and other assets of our subsidiaries; the influence of certain significant shareholders over our business; provisions of our articles of incorporation may delay or prevent a change in control; our significant existing indebtedness may limit our ability to engage in certain activities; and our failure to maintain appropriate internal controls in the future. Other important risk factors that could affect the outcome of the events set forth in these statements and that could affect the Company's operating results and financial condition are discussed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 under the heading "Risk Factors." In this Quarterly Report on Form 10-Q, the words “anticipates,” “believes,” “expects,” “intends,” “future,” “could,” “estimates,” “plans,” “would,” “should,” “potential,” “ similar words or expressions (as well as other words or expressions referencing future events, conditions or circumstances) identify forward-looking statements. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they are made. Management and the Company disclaim any obligation to publicly update or revise any such statement to reflect any change in its expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those contained in the forward-looking statements.

Accounting Period

The interim financial statements of GSI Group Inc. and its subsidiaries (collectively referred to as the “Company”, “we”, “us”, “our”) are prepared for each quarterly period ending on the Friday closest to the end of the calendar quarter, with the exception of the fourth quarter which always ends on December 31.

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Business Overview

We design, develop, manufacture and sell precision photonics and motion control components and subsystems to Original Equipment Manufacturers ("OEM's") in the medical and advanced industrial technology markets. Our highly engineered enabling technologies, include laser sources, laser scanning and beam delivery products, optical data collection and machine vision technologies, medical visualization and informatics solutions, and precision motion control products. We specialize in collaborating with OEM customers to adapt our component and subsystem technologies to deliver highly differentiated performance in their applications.

Reportable Segments

We operate in three reportable segments: Laser Products, Vision Technologies, and Precision Motion. The reportable segments and their principal activities consist of the following:

Laser Products

Our Laser Products segment designs, manufactures and markets photonics-based solutions, including CO2 laser sources, laser scanning and beam delivery products, to customers worldwide. The segment serves highly demanding photonics-based applications such as industrial material processing, metrology, medical and life science imaging, and medical laser procedures. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

Vision Technologies

Our Vision Technologies segment designs, manufactures and markets a range of medical grade technologies, including visualization solutions, imaging informatics products, optical data collection and machine vision technologies, radio frequency identification ("RFID") technologies, thermal printers, and light and color measurement instrumentation, to customers worldwide. The vast majority of the segment's product offerings are sold to OEM customers. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

Precision Motion

Our Precision Motion segment designs, manufactures and markets optical encoders, precision motor and motion control technology, air bearing spindles and precision machined components to customers worldwide. The vast majority of the segment's product offerings are sold into the advanced industrial market and the medical market. The segment sells these products both directly, utilizing a highly technical sales force, and indirectly, through resellers and distributors.

End Markets

We primarily operate in two end markets: the advanced industrial market and the medical market.

Advanced Industrial Market

As of April 1, 2016, the advanced industrial market accounted for approximately 60% of the Company’s revenue. Revenue from our products sold to the advanced industrial market is affected by a number of factors, including changing technology requirements and preferences of our customers, productivity or quality investments in a manufacturing environment, the financial condition of our customers, changes in regulatory requirements and laws, and general economic conditions. We believe that the Purchasing Managers Index (PMI) on manufacturing activities specific to different regions around the world may provide an indication of the impact of general economic conditions on our sales into the advanced industrial market.

Medical Market

As of April 1, 2016, the medical market accounted for approximately 40% of the Company’s revenue. Our revenue from products sold to the medical market is generally affected by hospital and other health care provider capital spending, changes in regulatory requirements and laws, aggregation of purchasing by healthcare networks, trends in surgical procedures, changes in technology requirements, changes in customers or patient preferences, and general demographic trends.

Strategy

Our strategy is to drive sustainable, profitable growth through short-term and long-term initiatives, including:

· improving our business mix to increase medical sales as a percentage of total revenue by:
    - introducing new products aimed at attractive medical applications, such as minimally invasive and robotic surgery, ophthalmology, patient monitoring, drug delivery, diagnostic testing and life science research;
- cross selling our entire product offerings to the leading medical equipment manufacturers; and
- pursuing complementary medical technology acquisitions;
· increasing our penetration of high growth advanced industrial applications, such as laser materials processing, robotics, automation, metrology, and micromachining, by working closely with OEM customers to launch application specific products that closely match the requirements of each application;
· broadening our portfolio of enabling technologies and capabilities through increased new product development investment, expanded sales and marketing channels to reach target customers and, investments in application development to further penetrate existing customers, while expanding the applicability of our solutions to new markets;
· broadening our product and service offerings through the acquisition of innovative and complementary technologies and solutions in medical and advanced industrial applications, including increasing our recurring revenue streams such as services, spare parts and consumables;
· improving our existing operations to expand profit margins and improve customer satisfaction by implementing lean manufacturing principles and strategic sourcing across our major production sites; and
· attracting, retaining, and developing world-class talented and motivated employees.

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Explanation of Responses:

Results of Operations for the Three Months Ended April 1, 2016 Compared with the Three Months Ended April 3, 2015

The following table sets forth our unaudited results of operations as a percentage of revenue for the periods indicated:

	Three Months Ended			
	April 1, 2016		April 3, 2015	
Revenue	100.0	%	100.0	%
Cost of revenue	59.2		57.7	
Gross profit	40.8		42.3	
Operating expenses:				
Research and development and engineering	8.9		8.7	
Selling, general and administrative	23.5		23.3	
Amortization of purchased intangible assets	2.3		2.0	
Restructuring, acquisition and divestiture related costs	3.2		2.6	
Total operating expenses	37.9		36.6	
Operating income from continuing operations	2.9		5.7	
Interest income (expense), net	(1.3	)	(1.5	)
Foreign exchange transaction gains (losses), net	0.1		0.5	
Other income (expense), net	0.8		0.8	
Income from continuing operations before income taxes	2.5		5.5	
Income tax provision	0.4		1.9	
Income from continuing operations	2.1		3.6	
Loss from discontinued operations, net of tax	—		—	
Consolidated net income	2.1		3.6	

Overview of Financial Results

Revenue for the three months ended April 1, 2016 was $90.3 million, a decrease of $4.3 million, or 4.5%, versus the prior year primarily as a result of our JK Lasers divestiture, which was partially offset by our acquisitions in 2015. The net effect of these acquisition and divestiture activities was a decrease in revenue of $2.7 million, or 2.8%, year over year. In addition, foreign currency exchange rates adversely impacted our revenue by $0.3 million, or 0.3%, during the three months ended April 1, 2016. Excluding the impact of acquisitions, divestitures and changes in foreign exchange rates, revenue for the three months ended April 1, 2016 decreased 1.4% versus the prior year. Our organic revenue decline is summarized as follows:

	Three Months Ended April 1, 2016 Percentage Change	
Reported decline	(4.5	)%

Less: Change attributable to acquisitions and divestitures	(2.8	)%
Plus: Change due to foreign currency	0.3	%
Organic decline	(1.4	)%

The organic decline in our revenue for the three months ended April 1, 2016 compared to the prior year was primarily attributable to a decline in revenue in our Vision Technologies and Laser Products segments, partially offset by revenue growth in our Precision Motion segment. The decline in revenue in our Vision Technologies segment was primarily attributable to a decline in revenue of our visualization solutions products. The decline in revenue in our Laser Products segment was primary attributable to a decline in revenue from our CO2 lasers products. These decreases were partially offset by growth in our Precision Motion segment driven by an increase in revenue of our optical encoders products, partially offset by a decline in revenue from our air bearing spindles products.

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Operating income from continuing operations decreased $2.8 million, or 52.1%, from $5.4 million for the three months ended April 3, 2015 to $2.6 million for the three months ended April 1, 2016. This decrease was primarily attributable to a decrease in gross profit of $3.1 million as a result of lower revenue and a write-down of inventories related to the discontinuation of our radiology products, partially offset by a decrease in selling, general and administrative ("SG&A") expenses as a result of the JK Lasers divestiture in April 2015. Diluted earnings per share ("Diluted EPS") from continuing operations of $0.05 for the three months ended April 1, 2016 decreased $0.05 from the prior year. This decrease was primarily attributable to lower operating income from continuing operations, partially offset by a lower effective tax rate.

Revenue

The following table sets forth external revenue by reportable segment for the periods noted (dollars in thousands):

	Three Months Ended					
	April 1, 2016	April 3, 2015	Increase (Decrease)		Percentage Change	
Laser Products	$40,358	$44,955	$ (4,597	)	(10.2	)%
Vision Technologies	28,862	31,111	(2,249	)	(7.2	)%
Precision Motion	21,096	18,548	2,548		13.7	%
Total	$90,316	$94,614	$ (4,298	)	(4.5	)%

Laser Products

Laser Products segment revenue for the three months ended April 1, 2016 decreased by $4.6 million, or 10.2%, versus the prior year primarily as a result of the JK Lasers divestiture, which reduced segment revenue by $5.7 million, and a decrease in revenue of our CO2 lasers products as a result of capital spending weakness in the manufacturing sector, partially offset by an increase in revenue of our laser beam delivery products as a result of the Lincoln Laser acquisition.

Vision Technologies

Vision Technologies segment revenue for the three months ended April 1, 2016 decreased by $2.2 million, or 7.2%, versus the prior year. The decrease was primarily driven by a decline in our visualization solutions revenue as a result of our decision to discontinue our radiology products and lower demand for our surgical products as a result of customer qualification cycles and new product introduction delays, partially offset by increases in revenue of our optical data collection products. The radiology closure resulted in a $1.0 million revenue decline in our Vision Technologies revenues.

Precision Motion

Precision Motion segment revenue for the three months ended April 1, 2016 increased by $2.5 million, or 13.7%, versus the prior year. The increase was principally driven by increased revenue of our Celera Motion products as a result of an acquisition and increased demand in the advanced industrial market, partially offset by a decline in revenue of our air bearing spindles products as a result of capital spending weakness in the manufacturing sector.

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Explanation of Responses:

Gross Profit and Gross Profit Margin

The following table sets forth the gross profit and gross profit margin for each of our reportable segments for the periods noted (dollars in thousands):

	Three Months Ended	
	April 1, 2016	April 3, 2015
Gross profit:		
Laser Products	$ 17,997	$ 19,375
Vision Technologies	9,579	12,513
Precision Motion	9,668	8,465
Unallocated Corporate and Shared Services	(352)	(347)
Total	$ 36,892	$ 40,006
Gross profit margin:		
Laser Products	44.6 %	43.1 %
Vision Technologies	33.2 %	40.2 %
Precision Motion	45.8 %	45.6 %
Total	40.8 %	42.3 %

Gross profit and gross profit margin can be influenced by a number of factors, including product mix, pricing, volume, manufacturing efficiencies and utilization, costs for raw materials and outsourced manufacturing, headcount, inventory obsolescence and warranty expenses.

Laser Products

Laser Products segment gross profit for the three months ended April 1, 2016 decreased $1.4 million, or 7.1%, versus the prior year, primarily due to a decrease in revenue as a result of the JK Lasers divestiture, which decreased gross profit by $1.6 million. Laser Products segment gross profit margin was 44.6% for the three months ended April 1, 2016, versus a gross profit margin of 43.1% for the prior year. The increase in gross profit margin was primarily attributable to the divestiture of the JK Lasers business, which had a lower gross margin.

Vision Technologies

Vision Technologies segment gross profit for the three months ended April 1, 2016 decreased $2.9 million, or 23.4%, versus the prior year. The decrease was primarily attributable to a decline in visualization solutions product revenue and a $1.6 million charge related to the discontinuation of our radiology products. Vision Technologies segment gross profit margin was 33.2% for the three months ended April 1, 2016, versus a gross profit margin of 40.2% for the prior year. The decrease in gross profit margin was primarily attributable to lower revenue from our visualization solutions product line and costs associated with discontinuing our radiology products which accounted for 5.4 percentage points of the 7.0 percentage point decrease.

Precision Motion

Precision Motion segment gross profit for the three months ended April 1, 2016 increased $1.2 million, or 14.2%, versus the prior year. The increase was primarily attributable to an increase in revenue. Precision Motion segment gross profit margin was 45.8% for the three months ended April 1, 2016, versus a gross profit margin of 45.6% for the prior year. The 0.2 percentage point increase in gross profit margin was primarily attributable to productivity improvements.

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Operating Expenses

The following table sets forth operating expenses for the periods noted (in thousands):

	Three Months Ended	
	April 1, 2016	April 3, 2015
Research and development and engineering	$ 8,052	$ 8,215
Selling, general and administrative	21,187	22,068
Amortization of purchased intangible assets	2,108	1,889
Restructuring, acquisition and divestiture related costs	2,958	2,437
Total	$ 34,305	$ 34,609

Research and Development and Engineering Expenses

Research and development and engineering ("R&D") expenses are primarily comprised of employee compensation related expenses and cost of materials for R&D projects. R&D expenses were $8.1 million, or 8.9% of revenue, during the three months ended April 1, 2016, versus $8.2 million, or 8.7% of revenue, during the prior year. R&D expenses decreased in terms of total dollars primarily due to the JK Lasers divestiture, partially offset by increased costs related to prior year acquisitions.

Selling, General and Administrative Expenses

SG&A expenses include costs for sales and marketing, sales administration, finance, human resources, legal, information systems, and executive management functions. SG&A expenses were $21.2 million, or 23.5% of revenue, during the three months ended April 1, 2016, versus $22.1 million, or 23.3% of revenue, during the prior year. SG&A expenses decreased in terms of total dollars primarily due to the JK Lasers divestiture and lower compensation expense as a result of lower headcount due to restructuring initiatives, partially offset by increased costs related to prior year acquisitions.

Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets, excluding the amortization of developed technologies included in cost of revenue, was $2.1 million, or 2.3% of revenue, during the three months ended April 1, 2016, versus $1.9 million, or 2.0% of revenue, during the prior year. The increase, in terms of total dollars and as a percentage of revenue, was related to the increase in amortization of acquired intangible assets from acquisitions.

Restructuring, Acquisition and Divestiture Related Costs

We recorded restructuring, acquisition and divestiture related costs of $3.0 million during the three months ended April 1, 2016, versus $2.4 million during the prior year. The increase in restructuring, acquisition and divestiture related costs versus the prior year was due to an increase in restructuring related charges of $1.0 million and acquisition related charges of $0.1 million, partially offset by a decrease in divestiture related costs of $0.5 million as a result of the JK Lasers divestiture in the prior year. Restructuring related charges for the three months ended April 1, 2016 were primarily related to the 2016 restructuring program.

Operating Income from Continuing Operations by Segment

The following table sets forth operating income from continuing operations by segment for the periods noted (in thousands):

	Three Months Ended	
	April 1, 2016	April 3, 2015
Operating Income (Loss) from Continuing Operations:		
Laser Products	$ 6,856	$ 8,395
Vision Technologies	(3,771)	(654)
Precision Motion	5,235	4,137
Unallocated Corporate and Shared Services	(5,733)	(6,481)
Total	$ 2,587	$ 5,397

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Laser Products

Laser Products operating income from continuing operations for the three months ended April 1, 2016 decreased by $1.5 million, or 18.3%, versus the prior year. The decrease in operating income from continuing operations was primarily due to a decrease in gross profit.

Vision Technologies

Vision Technologies operating loss from continuing operations for the three months ended April 1, 2016 increased by $3.1 million versus the prior year. The increase was primarily attributable to a decrease in gross profit of $2.9 million and an increase in restructuring charges primarily related to our 2016 restructuring program of $1.3 million, partially offset by a decrease in SG&A and R&D expenses of $1.4 million and a decrease in amortization of intangibles of $0.2 million.

Precision Motion

Precision Motion operating income from continuing operations for the three months ended April 1, 2016 increased by $1.1 million, or 26.5%, versus the prior year. The increase was primarily due to the increase in gross profit.

Unallocated Corporate and Shared Services

Unallocated corporate and shared services costs primarily represent costs of corporate and shared services functions that are not allocated to the operating segments, including certain restructuring and most acquisition related costs. These costs for the three months ended April 1, 2016 decreased by $0.7 million, or 11.5%, versus the prior year primarily due to a decrease in SG&A expenses and a decrease in restructuring and acquisition related costs of $0.2 million.

Other Income and Expense Items

The following table sets forth other income and expense items for the periods noted (dollars in thousands):

	Three Months Ended	
	April 1, 2016	April 3, 2015
Interest income (expense), net	$ (1,185)	$ (1,397)
Foreign exchange transaction gains (losses), net	83	517
Other income (expense), net	743	729

Interest Income (Expense), Net

Net interest expense was $1.2 million for the three months ended April 1, 2016, versus $1.4 million in the prior year. The $0.2 million decrease in net interest expense from the prior year was primarily due to a decrease in average debt levels. The weighted average interest rate on our Senior Credit Facilities was 3.42% during both the three months ended April 1, 2016 and the three months ended April 3, 2015.

Foreign Exchange Transaction Gains (Losses), Net

Foreign exchange transaction gains (losses), net, were less than $0.1 million net gains for the three months ended April 1, 2016, versus $0.5 million net gains for the prior year due to changes in the U.S. Dollar against the Euro, British Pound and Japanese Yen.

Other Income (Expense), Net

Other income was $0.7 million during the three months ended April 1, 2016 and April 3, 2015, respectively, and was primarily earnings from our equity-method investment in Laser Quantum.

Income Taxes

The effective tax rate for the three months ended April 1, 2016 was 14.5%, versus 34.3% for the prior year. The Company's effective tax rate on income from continuing operations of 14.5% for the three months ended April 1, 2016 differs from the Canadian statutory rate of 27.0% primarily due to the mix of income earned in jurisdictions with varying tax rates, losses in jurisdictions with a

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full valuation allowance, the Laser Quantum dividend distribution and the impact of other discrete items for the period. The Company received a tax free cash dividend of $2.3 million from Laser Quantum, which had an 18.9% favorable impact on our effective tax rate for the three months ended April 1, 2016.

The Company's effective tax rate on income from continuing operations of 34.3% for the three months ended April 3, 2015 differs from the Canadian statutory rate primarily due to the mix of income earned in jurisdictions with varying tax rates, losses in jurisdictions with a full valuation allowance, and the impact of discrete items for the period.

Liquidity and Capital Resources

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing, and financing activities. Our primary ongoing cash requirements are funding operations, capital expenditures, investments in businesses, and repayment of our debt and related interest payments. Our primary sources of liquidity are cash flows from operations and borrowings under our revolving credit facility. We believe our future operating cash flows will be sufficient to meet our future operating and capital expenditure cash needs for the foreseeable future, including at least the next 12 months. The availability of borrowings under our revolving credit facility provides an additional potential source of liquidity should it be required. In addition, we may seek to raise additional capital, which could be in the form of bonds, convertible debt or equity, to fund business development activities or other future investing cash requirements, subject to approval by the lenders in the Amended and Restated Credit Agreement.

Significant factors affecting the management of our ongoing cash requirements are the adequacy of available bank lines of credit and our ability to attract long term capital with satisfactory terms. The sources of our liquidity are subject to all of the risks of our business and could be adversely affected by, among other factors, a decrease in demand for our products, our ability to integrate current and future acquisitions, deterioration in certain financial ratios, and market changes in general. See "Risks Relating to Our Common Shares and Our Capital Structure" included in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Our ability to make payments on our indebtedness and to fund our operations may be dependent upon the earnings and the distribution of funds from our subsidiaries. Local laws and regulations and/or the terms of our indebtedness restrict certain of our subsidiaries from paying dividends and transferring assets to us. We cannot assure you that applicable laws and regulations and/or the terms of our indebtedness will permit our subsidiaries to provide us with sufficient dividends, distributions or loans when necessary.

In October 2013, the Company's Board of Directors authorized a share repurchase plan under which the Company may repurchase outstanding shares of the Company's common stock up to an aggregate amount of $10.0 million. The shares may be repurchased from time to time, at the Company's discretion, based on ongoing assessment of the capital needs of the business, the market price of the Company's common stock, and general market conditions. Shares may also be repurchased through an accelerated stock purchase agreement, on the open market or in privately negotiated transactions in accordance with applicable federal securities laws. Repurchases may be made under certain SEC regulations, which would permit common stock to be purchased when the Company would otherwise be prohibited from doing so under insider trading laws. The share repurchase plan does not obligate the Company to acquire any particular amount of common stock. No time limit was set for the completion of the share repurchase program, and the program may be suspended or discontinued at any time. The Company expects to fund share repurchases through cash on hand and future cash flows from operations. As of December 31, 2015, the Company has cumulatively repurchased an aggregate of 172 thousand shares of its common stock for an aggregate purchase price of $2.2 million at an average price of $12.48 per share. There have been no share repurchases to date in 2016.

As of April 1, 2016, $39.2 million of our $67.9 million cash and cash equivalents was held by our subsidiaries outside of Canada and the United States. Generally, our intent is to use cash held in these foreign subsidiaries to fund our local operations or acquisitions by those local subsidiaries. However, in certain instances, we have identified excess cash for which we may repatriate and we have established deferred tax liabilities for the expected tax cost. Additionally, we may use intercompany loans to address short-term cash flow needs for various subsidiaries.

Amended and Restated Credit Agreement

Our amended and restated senior secured credit agreement (the “Amended and Restated Credit Agreement”) consists of a $50.0 million, 5-year term loan facility and a $175.0 million, 5-year revolving credit facility (collectively, the “Senior Credit Facilities”) that mature in December 2017. As of April 1, 2016, we had term loans of $25.6 million and revolving loans of $70.0 million outstanding under the Senior Credit Facilities.

The Amended and Restated Credit Agreement contains various covenants that we believe are usual and customary for this type of agreement, including a maximum allowed leverage ratio, and a minimum required fixed charge coverage ratio (as defined in the Amended and Restated Credit Agreement). The following table summarizes these financial covenant requirements and our compliance as of April 1, 2016:

	Requirement	Actual
Maximum consolidated leverage ratio	3.00	1.52
Minimum consolidated fixed charge coverage ratio	1.50	3.72

Cash Flows for the Three Months Ended April 1, 2016 and April 3, 2015

The following table summarizes our cash flows from continuing operations, cash and cash equivalent balances and unused and available funds under our revolving credit facility for the periods indicated (dollars in thousands):

	Three Months Ended	
	April 1, 2016	April 3, 2015
Net cash provided by operating activities of continuing operations	$8,298	$6,042
Net cash provided by (used in) investing activities of continuing operations	$1,670	$(14,775)
Net cash provided by (used in) financing activities of continuing operations	$(3,449)	$6,731

	April 1, 2016	December 31, 2015
Cash and cash equivalents	$67,892	$ 59,959
Unused and available funds under revolving credit facility	$105,000	$ 105,000

Operating Cash Flows

Cash provided by operating activities of continuing operations was $8.3 million for the three months ended April 1, 2016, versus $6.0 million for the prior year. Cash provided by operating activities of continuing operations for the three months ended April 1, 2016 increased from the prior year primarily due to a dividend of $2.3 million received from our equity-method investee, Laser Quantum.

Cash provided by operating activities of continuing operations was positively impacted by an increase in our days payables outstanding which increased from 41 days at December 31, 2015 to 46 days at April 1, 2016. Cash provided by operating activities of continuing operations was negatively impacted by an increase in our days sales outstanding which increased from 57 days at December 31, 2015 to 60 days at April 1, 2016 and by an increase in inventory as our inventory turnover ratio decreased from 3.6 at December 31, 2015 to 3.4 at April 1, 2016. The Company’s days sales outstanding was impacted by the timing of sales occurring later in the first quarter of 2016 compared to the prior year.

Cash provided by operating activities of continuing operations for the three months ended April 3, 2015 was primarily related to income from continuing operations of $3.4 million. Cash provided by operating activities of continuing operations was positively impacted by an increase in our days payables outstanding which increased from 45 days at December 31, 2014 to 49 days at April 3, 2015. Cash provided by operating activities of continuing operations was negatively impacted by an increase in our days sales outstanding which increased from 53 days at December 31, 2014 to 56 days at April 3, 2015 and by an increase in inventory as our inventory turnover ratio decreased from 3.3 at December 2014 to 3.2 at April 3, 2015.

Investing Cash Flows

Cash provided by investing activities of our continuing operations was $1.7 million during the three months ended April 1, 2016, compared to cash used of $14.8 million during the three months ended April 3, 2015. Cash provided by investing activities for the three months ended April 1, 2016 was primarily related to $3.6 million in net cash consideration received from the sale of our Orlando, Florida facility and proceeds received from the finalization of the Lincoln Laser acquisition working capital adjustments totaling $0.4 million, partially offset by $2.3 million in capital expenditures. Cash used in investing activities for the three months ended April 3, 2015 was primarily due to cash consideration paid for the Applimotion acquisition in February 2015 and $0.9 million in capital expenditures.

Cash provided by investing activities of discontinued operations was primarily related to $1.5 million released from escrow for our Scientific Lasers divestiture for the three months ended April 1, 2016.

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Financing Cash Flows

Cash used in financing activities of continuing operations was $3.4 million during the three months ended April 1, 2016, consisting of $1.9 million of contractual term loan payments, $1.3 million of payroll tax payments on stock-based awards and $0.3 million of capital lease payments.

Cash provided by financing activities of continuing operations was $6.7 million during the three months ended April 3, 2015, consisting of $13.0 million of borrowings under our revolving credit facility to fund the Applimotion acquisition, partially offset by $1.9 million of contractual term loan payments and $3.0 million of optional repayments of borrowings under our revolving credit facility. We also made payroll tax payments on stock-based awards of $1.4 million.

Off-Balance Sheet Arrangements, Contractual Obligations

Contractual Obligations

Our contractual obligations primarily consist of the principal and interest associated with our debt, operating and capital leases, purchase commitments and pension obligations. Such contractual obligations are described in our Management's Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to Consolidated Financial Statements, each included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. As of April 1, 2016, we have not entered into any material new or modified contractual obligations since December 31, 2015.

Off-Balance Sheet Arrangements

The Company has an equity method investment in Laser Quantum Ltd. ("Laser Quantum"), a privately held company located in the United Kingdom. The Company has an ownership interest of approximately 41% in the Laser Quantum business. We continue to recognize our share of the earnings of this entity under the equity method.

Through April 1, 2016, we have not entered into any other off-balance sheet arrangements or material transactions with any unconsolidated entities or other persons.

Critical Accounting Policies and Estimates

The critical accounting policies that we believe impact significant judgments and estimates used in the preparation of our consolidated financial statements presented in this periodic report on Form 10-Q are described in our Management's Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to Consolidated Financial Statements, each included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. There have been no material changes to our critical accounting policies through April 1, 2016 from those discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Recent Accounting Pronouncements

See Note 1 to Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk exposures are foreign currency exchange rate fluctuations and interest rate sensitivity. During the three months ended April 1, 2016, there have been no material changes to the information included under Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934 (the “Exchange Act”), our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of April 1, 2016, the end of the period covered by this report. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of April 1, 2016.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the fiscal quarter ended April 1, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting other than the migration of our Vision Technologies segment's visualization solutions product line and Laser Products segment's CO2 lasers product line to the Company's primary enterprise resource planning system.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

The Company's risk factors are described in Part I, Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015. There have been no material changes in the risks affecting the Company since the filing of such Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

List of Exhibits

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

		Incorporated by Reference				Filed/
Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Furnished Herewith
3.1	Certificate and Articles of Continuance of the Registrant, dated March 22, 1999.	S-3	333-180098	3.1	03/14/12	
3.2	Articles of Amendment of the Registrant, dated May 26, 2005.	S-3	333-180098	3.1	03/14/12	
3.3	By-Laws of the Registrant, as amended	10-Q	000-25705	3.2	04/13/10	
3.4	Articles of Reorganization of the Registrant, dated July 23, 2010.	8-K	000-25705	3.1	07/23/10	
3.5	Articles of Amendment of the Registrant, dated December 29, 2010.	8-K	000-25705	3.1	12/29/10	
10.1	Fifth Amendment to Amended and Restated Credit	10-K	001-35083	10.22	03/02/16	

	Agreement, dated as of January 22, 2016, by and among GSI Group Corporation, NDS Surgical Imaging, LLC, GSI Group Inc., Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto.	
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	**

32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	**
101.INS	XBRL Instance Document.	*
101.SCH	XBRL Schema Document	*
101.CAL	XBRL Calculation Linkbase Document.	*
101.DEF	XBRL Definition Linkbase Document.	*
101.LAB	XBRL Labels Linkbase Document.	*
101.PRE	XBRL Presentation Linkbase Document.	*

* Filed herewith

** Furnished herewith

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at April 1, 2016 and December 31, 2015, (ii) Consolidated Statements of Operations for the three months ended April 1, 2016 and April 3, 2015, (iii) Consolidated Statements of Comprehensive Income (Loss) for the three months ended April 1, 2016 and April 3, 2015, (iv) Consolidated Statements of Cash Flows for the three months ended April 1, 2016 and April 3, 2015, and (v) Notes to Consolidated Financial Statements.

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Explanation of Responses:

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GSI Group Inc. (Registrant)

Name	Title	Date
/s/ John A. Roush John A. Roush	Director, Chief Executive Officer	May 6, 2016
/s/ Robert J. Buckley Robert J. Buckley	Chief Financial Officer	May 6, 2016

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