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GSI LUMONICS INC
Form 8-K/A
July 28, 2004

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

FORM 8-K/A

(AMENDMENT NO. 2)

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): MAY 14, 2004

GSI LUMONICS INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW BRUNSWICK, CANADA (STATE OR OTHER JURISDICTION OF INCORPORATION)	000-25705 (COMMISSION FILE NUMBER)	NO. 98-0110412 (I.R.S. EMPLOYER IDENTIFICATION NO.)
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39 Manning Road, Billerica, Massachusetts 01821

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(978) 439-5511

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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1

Item 7 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on May 17, 2004, which was amended and restated in its entirety by Amendment No. 1 filed with the SEC on July 13, 2004 is hereby amended and restated as set forth herein:

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED.

The following documents appear as Exhibit 99.3 to this Amendment No. 2 to Current Report on Form 8-K/A and are incorporated herein by reference:

(1) Consolidated Financial Statements of MicroE Systems as of and

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for the years ended September 28, 2003 and September 29, 2002, including the Report of Independent Registered Public Accounting Firm.

- (2) Notes to Consolidated Financial Statements.

The following documents appear as Exhibit 99.4 to this Amendment No. 2 to Current Report on Form 8-K/A and are incorporated herein by reference:

- (1) Unaudited Condensed Consolidated Financial Statements of MicroE Systems as of and for the six months ended April 4, 2004 and March 30, 2003.
- (2) Notes to Unaudited Condensed Consolidated Financial Statements.

(b) PRO FORMA FINANCIAL INFORMATION.

Unaudited Pro Forma Condensed Consolidated Financial Information

On May 14, 2004, GSI Lumonics Inc. ("the Company" or "GSI") completed its acquisition of MicroE Systems Corp., a Delaware corporation ("MicroE"). The acquisition was completed by means of a merger (the "Merger") of Motion Acquisition Corporation, a Delaware corporation and an indirect wholly owned subsidiary of the Company, with and into MicroE, pursuant to an Agreement and Plan of Merger dated as of April 12, 2004 (the "Merger Agreement"). As a result of the Merger, MicroE became an indirect wholly owned subsidiary of the Company.

Pursuant to the terms of the Merger Agreement, upon the effective time of the Merger, the Company paid former MicroE security holders \$53.8 million in cash, net of cash received as part of the merger (the "Merger Consideration") in exchange for all of MicroE's outstanding capital stock. The Merger Consideration and the terms of the Merger were determined in arms-length negotiations between the parties. The Company paid the Merger Consideration from existing cash. The total purchase price, net of cash acquired and including costs of transaction, is expected to be approximately \$54.7 million.

The following unaudited pro forma condensed consolidated balance sheet as of April 2, 2004, and the unaudited pro forma condensed consolidated statements of operations for the three months ended April 2, 2004 and the year ended December 31, 2003, give effect to the Company's acquisition of MicroE. The unaudited pro forma condensed consolidated balance sheet presents the financial position of the Company as if the acquisition of MicroE had occurred on April 2, 2004. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2003 and for the three months ended April 2, 2004 have been prepared as if the acquisition occurred on January 1, 2003. MicroE's fiscal year ended on September 28, 2003. The financials for MicroE have been adjusted to reflect twelve months of activity through January

2

4, 2004 using audited twelve month information and unaudited three month information to derive the twelve months ended January 4, 2004. The use of MicroE's financial statements for the three months ended April 4, 2004 as opposed to April 2, 2004 and for the twelve months ended January 4, 2004 as opposed to December 31, 2003 had no significant impact on reported results. The acquisition has been accounted for using purchase accounting in accordance with the provisions of Statement of Financial Accounting

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Standards No. 141, Business Combinations.

These pro forma unaudited condensed consolidated financial statements have been prepared in accordance with Article 11 of Regulation S-X. The pro forma unaudited condensed consolidated financial statements are provided for informational purposes only and do not necessarily represent what our results of operations would have been had the acquisition occurred January 1, 2003, or our financial position had the acquisition occurred April 2, 2004.

Certain pro forma balances are preliminary, as the Company has allocated the estimated purchase price to the assets acquired and liabilities assumed based on a preliminary assessment made by management. The Company has not yet completed the process of conducting a valuation of the fair value of the assets acquired or liabilities assumed, including the allocation of the purchase price. This preliminary estimate of the fair value of the assets acquired, liabilities assumed and allocation of the purchase price along with the resulting pro forma amounts is subject to adjustment for any differences that might occur upon the Company's completion of the valuation process.

The unaudited pro forma condensed consolidated financial statements also do not purport to project our financial position or results of operations at any future date or for any future period.

This information should be read in conjunction with our previously filed Current Reports on Form 8-K, dated May 17, 2004 and Form 8-K/A Amendment No. 1, dated July 13, 2004; our Quarterly Report on Form 10-Q for the three months ended April 2, 2004; our Annual Report on Form 10-K for the year ended December 31, 2003 and the financial statements and accompanying notes of MicroE included as exhibits to this Amendment No. 2 to the Current Report on Form 8-K/A.

3

GSI LUMONICS INC.
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
 APRIL 2, 2004
 (U.S. GAAP AND IN THOUSANDS OF U.S. DOLLARS, EXCEPT SHARE AMOUNTS)

	GSI	MICROE	PRO FORMA ADJUSTMENTS
ASSETS			
Current			
Cash and cash equivalents.....	\$ 91,997	\$ 3,481	\$ (57,263)
Short-term investments.....	20,577	--	
Accounts receivable, net.....	63,068	4,119	
Income taxes receivable.....	1,199	--	
Inventories.....	51,686	1,656	
Deferred tax assets.....	11,527	639	
Other current assets.....	7,574	132	
	247,628	10,027	(57,263)
Property, plant and equipment, net of accumulated			

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depreciation.....	52,041	390	
Deferred tax assets.....	3,611	46	
Other assets.....	2,324	61	
Long-term investments.....	1,644	--	
Intangible assets, net of amortization.....	22,986	69	32,131
Goodwill.....	--	--	31,094
	-----	-----	-----
	\$ 330,234	\$ 10,593	\$ 5,962
	=====	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current

Accounts payable	\$ 22,488	\$ 811	
Income taxes payable	--	888	
Accrued compensation and benefits.....	8,312	594	
Other accrued expenses.....	22,407	354	1,991
	-----	-----	-----
Total current liabilities.....	53,207	2,647	1,991
Deferred compensation.....	2,343	--	
Other liability.....	--	30	
Deferred tax liability.....			12,317
Accrued minimum pension liability.....	1,616	--	
	-----	-----	-----
Total liabilities.....	57,166	2,677	14,308
Commitments and contingencies			

Stockholders' equity

Common stock, \$0.01 par value; Authorized shares: 1,200,000; Issued and outstanding: 768,858.....		9	(9)
Treasury stock, at cost, 103,501 shares.....		(1,157)	1,157
Additional paid-in capital.....		794	(794)
Common shares, no par value; Authorized shares: unlimited; Issued and outstanding: 40,976,318.....	305,840	--	
Additional paid-in capital.....	2,851	--	
Retained earnings (accumulated deficit).....	(34,501)	8,250	(8,680)
Accumulated other comprehensive income (loss).....	(1,122)	20	(20)
	-----	-----	-----
Total stockholders' equity.....	273,068	7,916	(8,346)
	-----	-----	-----
	\$ 330,234	\$ 10,593	\$ 5,962
	=====	=====	=====

See the accompanying notes to unaudited pro forma condensed consolidated balance sheet.

GSI LUMONICS INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
APRIL 2, 2004

The following footnotes correspond to the April 2, 2004 unaudited pro forma condensed consolidated balance sheet:

- a) To reflect the cash payments directly attributable to the acquisition. The Company acquired all of the capital stock of MicroE in exchange for approximately \$57.3 million in cash. In addition, acquisition-related costs of approximately \$1.0 million are expected to be incurred by the Company. These are included in other accrued expenses.

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- b) To adjust the values of assets and liabilities acquired to their estimated fair value as of the date of the acquisition.
- c) To recognize identifiable intangible assets consisting of completed technology, trademarks/tradenames and customer relationships. The Company has allocated the estimated purchase price, net of cash acquired, to the assets acquired and liabilities assumed based on a preliminary assessment made by management. The Company has not yet completed the process of conducting a valuation of the fair value of the assets acquired or liabilities assumed, including the allocation of the purchase price. This preliminary estimate of the fair value of the assets acquired, liabilities assumed and allocation of the purchase price along with the resulting pro forma amounts is subject to adjustment for any differences that might occur upon the Company's completion of the valuation process. The preliminary assessment indicates that the fair value of the assets acquired and liabilities assumed is less than the purchase price, resulting in goodwill. The following is a summary of the estimated purchase price, net of cash acquired, allocation:

	in thousands \$
Cash paid	\$ 57,263
Cash received upon acquisition	(3,506)
Acquisition-related costs	987

Total purchase price	\$ 54,744
	=====
Allocated to tangible assets acquired	\$ 7,990
Allocated to liabilities assumed	(4,653)
Deferred tax liability	(12,317)
Intangible assets	32,200
Goodwill	31,094
Purchased in process research and development	430

Total	\$ 54,744
	=====

Preliminary allocation of intangible assets is as follows:

	Estimated Fair Value in thousands \$	Estimated Useful Life
Customer relationships	\$ 8,500	8
Tradename	3,100	15
Acquired technology	20,600	10

Total purchase price	\$32,200	
	=====	

- d) To eliminate the stockholders' equity of MicroE at April 2, 2004.

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- e) To recognize estimated deferred tax liability attributable to the acquisition of MicroE. The acquisition of MicroE was structured in such a manner, that the Company is not expected to receive any tax benefit from the amortization of intangibles. As such, in accordance with US GAAP a deferred tax liability based on estimated tax rates has been established with a corresponding increase to goodwill.
- f) To reflect an estimated in-process technology charge of approximately \$0.4 million. The Company expects to record a one-time charge of approximately \$0.4 million in the second quarter of 2004 for purchased in-process technology related to development projects that have not reached technological feasibility, have no alternative future use, and for which successful development is uncertain. This in-process technology charge has not been included in the pro forma condensed consolidated statements of operations for the three months ended April 2, 2004 and the year ended December 31, 2003. The final determination of the charge for in-process technology is subject to the completion of the valuation process.

6

GSI LUMONICS INC.
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE THREE MONTHS ENDED APRIL 2, 2004
 (U.S. GAAP AND IN THOUSANDS OF U.S. DOLLARS, EXCEPT SHARE AMOUNTS)

	GSI	MICROE	PRO FORMA ADJUSTMENTS
	-----	-----	-----
Sales.....	\$ 74,853	\$ 7,653	\$
Cost of goods sold.....	45,113	2,948	
	-----	-----	
Gross profit.....	29,740	4,705	
Operating expenses:			
Research and development.....	4,759	1,168	
Selling, general and administrative.....	13,484	1,808	
Amortization of purchased intangibles.....	1,549	--	834
	-----	-----	-----
Total operating expenses.....	19,792	2,976	834
	-----	-----	-----
Income (loss) from operations	9,948	1,729	(834)
Other expense.....	(124)	(100)	
	-----	-----	-----
Income (loss) before income taxes.....	9,824	1,629	(834)
Income tax provision (benefit).....	885	410	(317)
	-----	-----	-----
Net income (loss).....	\$ 8,939	\$ 1,219	\$ (517)
	=====	=====	=====
Net income (loss) per common share:			
Basic.....	\$ 0.22		
Diluted.....	\$ 0.21		
Weighted average common shares outstanding (000's)....	40,951		
Weighted average common shares outstanding for diluted net income (loss) per common share (000's)....	42,114		

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See the accompanying notes to unaudited pro forma condensed consolidated statements of operations.

7

GSI LUMONICS INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003
(U.S. GAAP AND IN THOUSANDS OF U.S. DOLLARS, EXCEPT SHARE AMOUNTS)

	GSI	MICROE	PRO FORMA ADJUSTMENTS
	-----	-----	-----
Sales.....	\$ 185,561	\$ 21,053	\$
Cost of goods sold.....	117,084	8,806	
	-----	-----	
Gross profit.....	68,477	12,247	
Operating expenses:			
Research and development.....	13,895	5,082	
Selling, general and administrative.....	48,952	6,143	
Amortization of purchased intangibles.....	5,657	--	3,330
Restructuring.....	3,228	--	
Other.....	831	--	
	-----	-----	-----
Total operating expenses.....	72,563	11,225	3,330
	-----	-----	-----
Income (loss) from operations	(4,086)	1,022	(3,330)
Other income (expense).....	2,238	(162)	
	-----	-----	-----
Income (loss) before income taxes.....	(1,848)	860	(3,330)
Income tax provision (benefit).....	322	140	(1,219)
	-----	-----	-----
Net income (loss).....	\$ (2,170)	\$ 720	\$ (2,111)
	=====	=====	=====
Net income (loss) per common share:			
Basic.....	\$ (0.05)		
Diluted.....	\$ (0.05)		
Weighted average common shares outstanding (000's)..	40,837		
Weighted average common shares outstanding for diluted net income (loss) per common share (000's)	40,837		

See the accompanying notes to unaudited pro forma condensed consolidated statements of operations.

8

GSI LUMONICS INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED APRIL 2, 2004 AND THE YEAR ENDED DECEMBER 31, 2003

The following footnotes correspond to the unaudited pro forma condensed consolidated statements of operations for the three months ended April 2, 2004 and the year ended December 31, 2003:

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- a) To reflect the amortization of intangible assets acquired. The allocation of purchase price, net of cash acquired, to the fair value of the assets and liabilities acquired is preliminary and may change upon completion of the valuation process.

The Company expects to record a one-time charge of approximately \$0.4 million in the second quarter of 2004 for purchased in-process technology related to development projects that have not reached technological feasibility, have no alternative future use, and for which successful development is uncertain. This in-process technology charge has not been included in the pro forma condensed consolidated statements of operations for the three months ended April 2, 2004 and the year ended December 31, 2003. The final determination of the charge for in-process technology is subject to the completion of the valuation process.

See other preliminary allocations of the purchase price in footnote (c) to the Unaudited Pro Forma Condensed Consolidated Balance Sheet at April 2, 2004.

- b) To reflect the income tax provision related to the pretax income of MicroE less the effect of the tax provision related to the estimated benefit of the pro forma adjustments.

9

(c) EXHIBITS.

- 2.1(1) Agreement and Plan of Merger dated as of April 12, 2004 by and among GSI Lumonics Inc., Motion Acquisition Corporation and MicroE Systems Corp.
- 23.1* Consent of Deloitte & Touche (regarding MicroE Systems)
- 99.1(1) Press Release dated April 12, 2004.
- 99.2(2) Press Release dated May 17, 2004.
- 99.3* Financial Statements of MicroE Systems as of and for the years ended September 28, 2003 and September 29, 2002, including the Report of Independent Registered Public Accounting Firm.
- 99.4* Unaudited Condensed Financial Statements of MicroE Systems as of and for the six months ended April 4, 2004 and March 30, 2003.

(1) Incorporated herein by reference to the registrant's Current Report on Form 8-K filed on April 13, 2004.

(2) Incorporated herein by reference to the registrant's Current Report on Form 8-K filed on May 17, 2004.

* Attached herewith

10

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

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undersigned hereunto duly authorized.

GSI LUMONICS INC.

Date: July 28, 2004

By: /s/ THOMAS R. SWAIN

Thomas R. Swain
Vice President, Finance and
Chief Financial Officer

11