

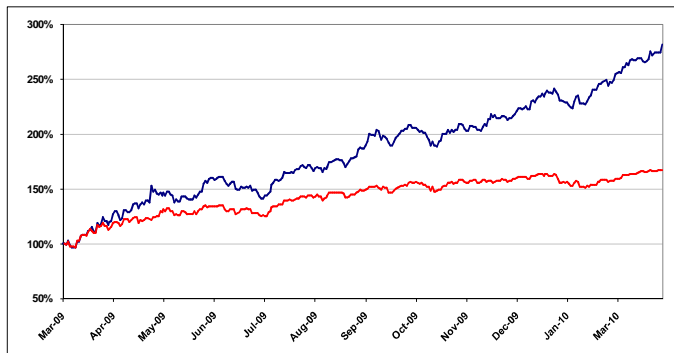
OEM CAPITAL – PHOTONICS MARKET FOCUS

MONTHLY MARKET

PERFORMANCE Closing Prices as of March 31, 2010

Current Company Name	Market Cap	Revenue	% Price Change [30 day]	% Price Change [YTD]	P/E
Advanced Photonix	14.28	22.06	(1.19)	(15.51)	NM
Agilent Technologies	12,052.81	4,528.0	10.04	11.43	77.74
Andor Technology plc	53.61	33.11	15.33	22.70	21.87
AXT Inc.	100.05	55.36	(7.43)	(0.31)	NM
Cognex Corp.	742.57	175.73	(0.95)	5.70	NM
Coherent Inc.	806.95	434.31	2.04	9.12	NM
Corning Inc.	31,264.13	5,395.0	14.41	4.45	23.11
CyberOptics Corp.	61.47	27.07	20.54	33.83	NM
Dynasil Corp.	33.68	35.53	(0.37)	7.60	20.68
EXFO Electro Optical	394.47	172.08	14.71	64.52	NM
Gooch & Housego plc	£ 34.68	£ 36.41	(7.82)	14.67	39.37
Halma plc	£ 949.38	£ 456.27	2.25	4.86	20.88
II-VI Inc.	1,024.67	264.5	18.90	4.84	48.69
Infinera Corp.	823.63	309.1	11.21	(4.96)	NM
IPG Photonics	687.44	185.89	(5.75)	(10.88)	143.08
JDS Uniphase Corp.	2,680.24	1,204.1	11.74	45.33	NM
KLA-Tencor Cor.	5,313.61	1,374.16	6.01	(14.60)	NM
Newport Corp.	450.68	366.99	17.74	35.04	NM
Oclaro, Inc.	590.27	286.8	43.30	89.12	NM
Ophir Optonics	442.64	384.36	1.64	25.76	21.01
Photonic Products	11.42	12.43	(25.93)	0.00	NM
Rofin-Sina	658.22	335.58	10.35	(4.24)	98.71
Rudolph Tech.	270.65	78.66	9.55	29.76	NM
Zygo Corp.	162.27	92.55	(4.90)	38.48	NM

OEM Photonics Index vs. S&P 500:



Photonics Industry S&P 500 Index

Selected Statistics for Index Companies:

Selected Trading Multiples	CY2007	CY2008	CY2009	Latest
TEV/Total Revenue	2.9x	2.9x	2.6x	3.5x
TEV/EBITDA	13.7x	14.7x	33.3x	25.4x
Return on Equity %	16.4%	21.4%	6.4%	6.6%
Gross Margin %	49.4%	48.3%	43.5%	42.9%
EBITDA Margin %	21.2%	19.8%	13.5%	13.8%
Net Income Margin %	17.8%	25.0%	9.8%	9.8%
Total Revenue, 1 Yr Growth %	11.6%	(0.5%)	(18.6%)	(18.1%)
Total Revenue, 2 Yr CAGR %	13.9%	5.4%	(10.1%)	(9.7%)
Total Revenue, 3 Yr CAGR %	12.6%	8.9%	(3.4%)	(3.0%)

Q1 Stock Market Performance:

Photonics Market Index Soars: The Photonics Market Index was up 15.3% for the first quarter, compared to 5.6% for the S&P 500. This was the best first quarter for stocks in a decade, all the major indices rose during Q1. Technology and energy stocks lead the recovery with the **Photonics Market Index** outperforming the major technology indexes.

Major Gainers: **Oclaro** (FKA Bookham) up 80% for the year. New shareholders who participated in Oclaro's January PIPE financing which raised \$26m of new equity should be pleased. **CyberOptics** gained 40.5% and **Rudolph**

Technologies 30.6%. **Losers:** **Infinera** down 4.6% for the year. **Photonic Products Group Inc** finished the quarter even at \$1.00 per share.

Surge Stumbles. Q1 deal volume was down 12% from the prior quarter. Quality sellers appear to be holding back, despite nostrums like "flat is the new up" profitable sellers are delaying the start of negotiations until later this year or 2011. Earn-outs are back and buyer demand for quality companies is outstripping the supply leading to some crazy multiples being paid for strategic deals.

COMMENTARY
by Michael Simon

The IPO market is heating up / Running for the doors? VCs sold 111 companies to other buyers in the first quarter, generating \$5.86 billion in disclosed value according to the National Venture Capital Association and Thomson Reuters. VC backed IPOs continued their strong showing from Q4 2009 with 9 Q1 offerings raising more than \$930 million.



Private Equity: **PitchBook** reports a revival of Private Equity investing, although significantly down from the peaks of 2007 (graph above). This is good news for small and mid-cap companies seeking financing this year.

Venture Capital Investing: **LensVector** raised \$30m. **LensVector** manufactures components that replace moving parts of tiny cameras found in mobile devices. **Nistica** raised \$6.5m in a series "C" round. **Nistica** provides optical modules and networking systems for optical system OEM vendors. **Accupix** raised \$3.6m. **Accupix** provides mobile display solutions including binocular/monocular optics engines.

Recent Transactions: **EXFO** announced the acquisition **NetHawk Oyj** for an initial consideration of €46m and a €8.7m earn-out. **NetHawk** reported sales of €28.5m, EBITDA €4.1m. **Zayo Group** agreed to buy **AGL Networks** for \$71.5m. **AU Optronics** (FKA: Acer Display) announced the acquisition of **AFPD Pte.** **BOE Technology Group** announced an agreement to acquire **K-Tronics** for \$38m

Source of financial data: Standard & Poor's, CapitalIQ, FT and Thomson Financial. U.S. dollars and cents. Stock prices current as of March 31, 2010. Copyright 2010 by OEM Capital
www.OEMcapital.com