



Our Insight, Your Growth

AEROSPACE, DEFENSE & GOVERNMENT MARKETS

CAPITAL MARKETS QUARTERLY

2ND QUARTER REVIEW - 2010

MARKET COMMENTARY

Capital markets activity in the Aerospace, Defense & Government Markets for the 2nd quarter of 2010 revealed that public transactions have been slowing to a near halt, while mergers & acquisitions have been holding steady with 70 to 85 transactions completed over each of the past four quarters.

During the 2nd quarter the capital markets demonstrated a tendency to be to unstable and unpredictable for many companies seeking to either raise capital or go public. The Dow Industrials started strong on April 1 at 10,927, but by the end of Q2 had dropped by 1,153 points closing at 9,774. Due to this instability, many of the companies that have been trying to come to market have held back pending more stable market conditions.

M&A market transactions have shown an increase in transaction value but a decrease in total deals closed. Transaction value increased this quarter mainly due to higher valuations being placed on C⁴ISR companies. C. K. Cooper & Company's IEEE Conference Briefing also revealed that the median multiple for the RF Microwave segment was ~1.1x – 1.2x revenues.

Four of the largest deals done this quarter in this sector included; Boeing's [NYSE:BA] acquisition of Argon ST [NASDAQ:STST] at 2.12x revenues; Harris Corp.'s [NYSE:HRS] acquisition of CapRock at 1.46x revenues, CGI Group's [NYSE:GIB] acquisition of Stanley, Inc. [NYSE:SXE] at 1.24x and Comtech Telecommunication's [NASDAQ:CMTL] bid for CPI International [NASDAQ:CPII] at 1.40x. These four acquisitions accounted for ~\$2.8B, or 37% of the total transaction value for the quarter.

While Prime's and Tier I companies are still acquiring businesses at a premium, other acquirer's continue to favor distressed or bankrupt opportunities. Last quarter, Special Devices, Inc., a private-equity backed specialty manufacturer who was navigating bankruptcy restructuring, sold its Defense & Aerospace division to Ensign-Bickford Aerospace & Defense for \$10.1MM according to court documents. In Q2, PEMCO World Air acquired the assets of bankrupt ExcelTech Aerospace for \$1.2MM with an additional \$400K to be paid if certain conditions were met.

Overall, this quarter was modest for M&A and poor for capital formation activities. Recovery is slow and it is likely to take some time before significant changes start to take place, particularly in the capital markets.

IPOs & New Registrations

Issuer	Annual Sales (LTM)	Latest Filing	Ticker	Exchange
Aeroflex Holding Corp.	\$ 599.3	06-Apr-2010	ARH	NYSE
Booz Allen Hamilton Corp.	\$ 5,122.6	21-Jun-2010	BAH	-
Erickson Air-Crane, Inc.	\$ 149.6	12-May-2010	EAC	NASDAQ
Freedom Group, Inc.	\$ 848.7	21-Oct-2009	-	-
Global Aviation Holdings, Inc.	\$ 1,042.6	28-Jun-2010	GLAH	NASDAQ
Space Systems/Loral, Inc.	\$ 1,008.7	10-Jun-10	-	NASDAQ

Source: FactSet & SEC Filings

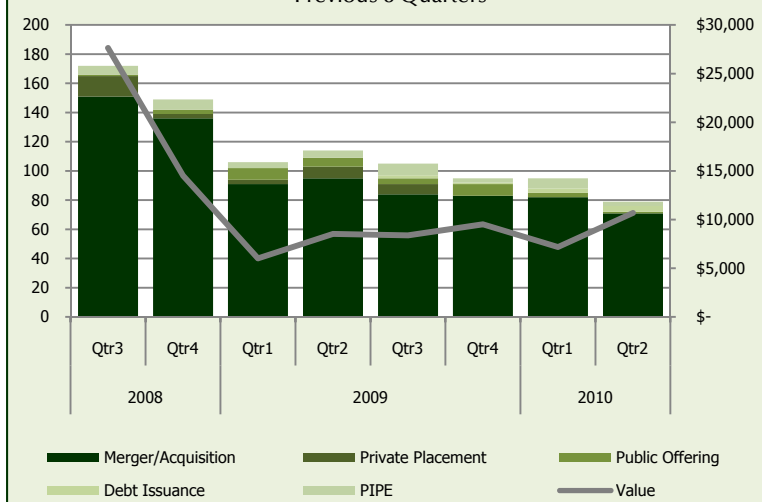
Capital Markets Scorecard

Transaction Type	Q1	Q2	Δ
Public Offering	\$ 1,235.3	\$ 90.9	\$ (1,144.43)
PIPE	332.2	1.8	(330.37)
Private Placement	-	-	-
Debt Issuance	-	2,255.0	2,255.00
Merger/Acquisition	5,610.4	7,560.4	1,950.00
Total	\$ 7,177.9	\$ 9,947.8	\$ 2,730.2

*\$USD in Millions

AD&G Transactions

Previous 8 Quarters

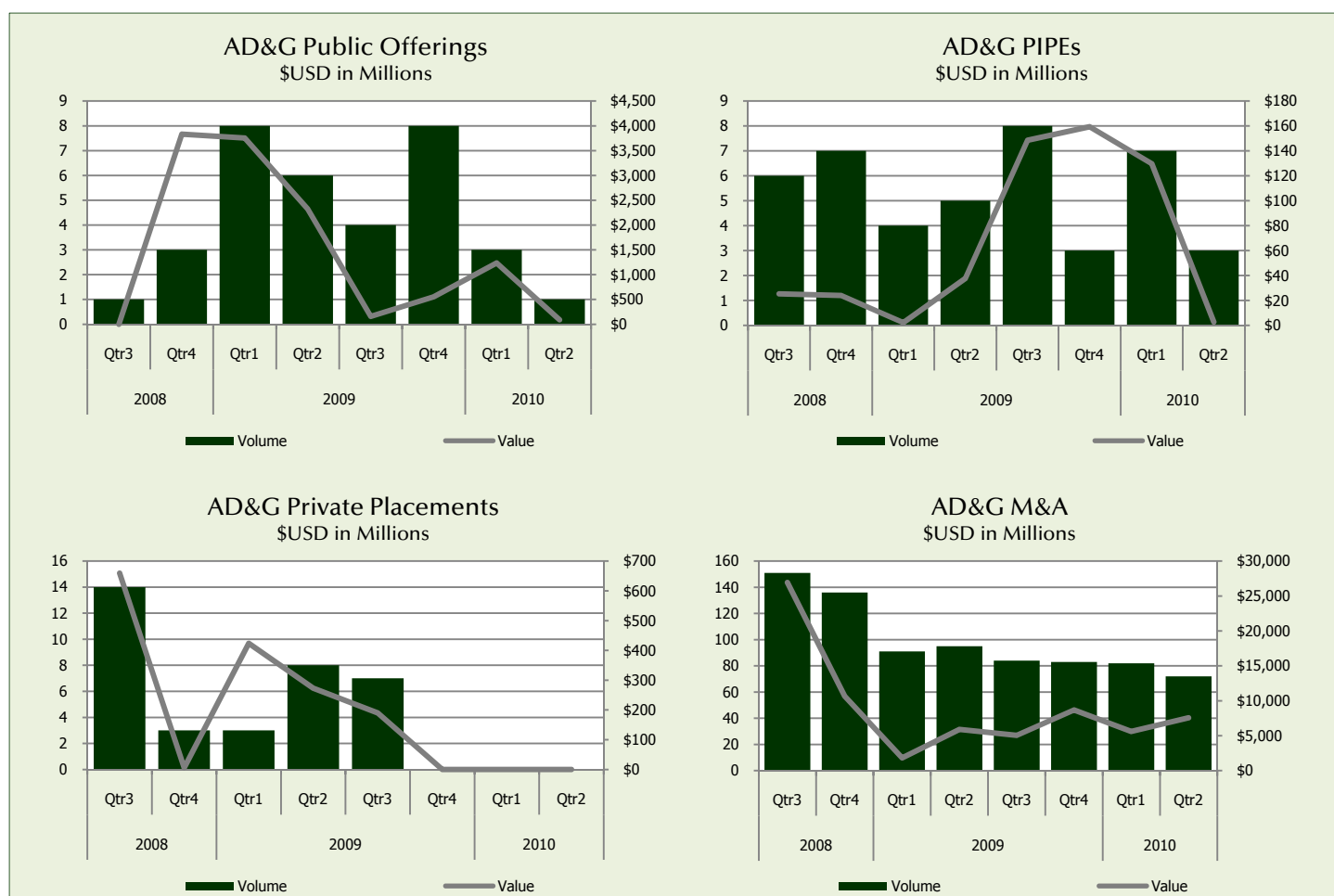


ADG CAPITAL MARKETS SNAPSHOT

Trailing 4 Quarters								
	2009 - Q3		2009 - Q4		2010 - Q1		2010 - Q2	
Transaction Type	Value	Volume	Value	Volume	Value	Volume	Value	Volume
Public Offering	\$ 157.2	2	\$ 553.1	8	\$ 1,235.3	3	\$ 90.9	1
PIPE	148.5	8	159.4	3	129.7	7	2.7	3
Private Placement	190.0	7	-	-	-	-	-	-
Debt Issuance	2828.5	2	125.0	1	202.5	3	2,255.0	4
Merger/Acquisition	5,052.3	67	8,682.0	83	5,610.4	82	8,329.8	71
Total	\$ 8,219.3	86	\$ 9,519.5	95	\$ 7,177.9	95	\$ 10,678.4	79

*\$USD in Millions

CAPITAL MARKETS DASHBOARD



PUBLIC OFFERINGS

June 16, 2010 Rubicon Technology, Inc. - \$90.9 Million Public Offering



Rubicon Technology, Inc. [NASDAQ:RBCN] issued 3.02 million shares of its common stock which was comprised of 1.8 million from Rubicon, 0.83 million from selling stockholdings and 0.39 for the overallotment. In total offering yielded ~\$90.9 million. The proceeds from the issuance will be used to expand the company's crystal growth and post crystal growth manufacturing facilities, working capital and other general corporate purposes.

Rubicon Technology, Inc. develops high quality sapphire substrates and optical windows that are used in a variety of high-volume end market applications, including: light-emitting diodes, radio frequency integrated circuits, blue laser diodes, optoelectronics and other optical applications.

PUBLIC OFFERINGS

Date	Issuer	Price	Shares Offered	Total Value	% O/S
6/16/2010	Rubicon Technology, Inc.	\$ 30.00	3,029,100	\$ 90.9	7.1%

* \$USD in Millions except per share data

PIPES

April 21, 2010 Xenonics Holding, Inc. Private Transaction for Gross Proceeds of \$1.45 Million



Xenonics Holdings, Inc. [AMEX:XNN] sold 2.9 million shares of its common stock along with 2.9 million 5 year warrants at \$0.50 per share that yielded roughly \$1.45 million in proceeds.

Xenonics Holdings, Inc. [AMEX:XNN] develops and produces advanced, lightweight and compact ultra-high-intensity illumination and low-light vision products for military, law enforcement, public safety, and commercial and private sector applications. Xenonics' NightHunter line of illumination products is used by every branch of the U.S. Armed Forces as well as law enforcement and security agencies. Its SuperVision high-definition night vision is designed for commercial and military applications. Employing patented technologies, Xenonics provides innovative solutions for customers who must see farther so they can do their jobs better and safer.

PRIVATE INVESTMENTS IN PUBLIC EQUITY

Date	Issuer	Type	Price	Shares Offered	Total Value	%O/S
4/15/2010	Irvine Sensors Corp.	Convertible Preferred Stock	\$ 30.00	27,500	\$.83	.13 %
4/21/2010	Xenonics Holdings Inc.	Common Stock	.50	2,900,000	1.45	7.30 %
6/25/2010	Irvine Sensors Corp.	Unit Offering	20.03	19,022	.40	.10 %

* \$USD in Millions except per share data

TRANSACTION HIGHLIGHTS

Issuer	Description
	Irvine Sensors Corp., [NASDAQ:IRSN] issued 27,500 shares of 10% convertible preferred stock at a purchase price of \$30 per share. These shares will be convertible into 100 shares of common stock at a conversion price equal to \$0.30. Irvine Sensors Corp. manufactures and develops miniaturized infrared and electro-optical cameras, ultra high speed image processors, 3D laser imaging systems and stacked chip assemblies.
	Irvine Sensors Corp., [NASDAQ:IRSN] issued 19,022 shares of common stock at a purchase price of \$20.025 per unit in an initial closing of a private placement. Each unit was comprised of (1) 100 shares of common stock and (2) one 5 year warrant to purchase 20 shares. Irvine Sensors Corp. manufactures and develops miniaturized infrared and electro-optical cameras, ultra high speed image processors, 3D laser imaging systems and stacked chip assemblies.

Debt Capital Markets

May 21, 2010 L-3 Communications Issues Series B Senior Notes to Raise ~\$1,000.0 Million



L-3 Communications [NYSE:LLL] issued Series B Senior Notes that raised ~1.0 billion. The net proceeds of which will be used to redeem all \$750 million of L-3's outstanding 7^{5/8}% Senior Subordinated Notes due 2012, and together with the company's current cash on hand will be used to repay their outstanding \$650 million term loan.

L-3 Communications is a leading provider of intelligence, surveillance and reconnaissance (ISR) systems, secure communications systems, aircraft modernization, training and government services and is a merchant supplier of a broad array of high technology products. Their customer base includes the Department of Defense, Department of Homeland Security, selected U.S. Government intelligence agencies and aerospace prime contractors.

DEBT ISSUANCES

Date	Issuer	Type	Coupon	\$ Raised	Maturity Date	Rating
5/5/2010	KEMET Corp.	Senior Note	10.5%	\$ 230.0	5/1/2018	B1 (Moody's)
5/8/2010	L-3 Communications	Senior Note – Series B	5.20%	1,000.0	10/15/2019	Baa3 (Moody's)
5/19/2010	Kratos Defense & Security Solutions, Inc.	Senior Note	10.0%	225.0	6/1/2017	B3 (Moody's)
5/21/2010	L-3 Communications	Senior Note - Unsecured	4.75%	800.0	7/15/2020	Baa3 (Moody's)

* \$USD in Millions except per share data

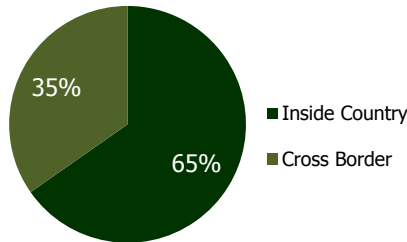
TRANSACTION HIGHLIGHTS

Issuer	Description
	KEMET Corp. [AMEX:KEM] completed its issuance of \$230.0 million in 10.5% Senior Notes due in 2018. The company used a portion of the proceeds to repay all of their outstanding debt and will use the remaining proceeds to fund a \$40.5 million buy back of the company's 2.25% Convertible Senior Notes due in 2026.
	Kratos [NASDAQ:KTOS] issued \$225.0 million in 10% Senior Secured Notes due in 2017. Kratos received ~\$216 million in net cash proceeds, and used ~\$133 million of the proceeds to fund the acquisition of Gichner Holdings, Inc., ~\$54 million to retire existing debt and the remaining cash proceeds slated for general corporate purposes.
	L-3 Communications [NYSE:LLL] issued \$800.0 million in aggregate principal amount of 4.75% senior notes due 2020. The senior notes will be unsecured senior obligations of L-3 and will rank equally with all of their existing and future unsecured senior indebtedness.

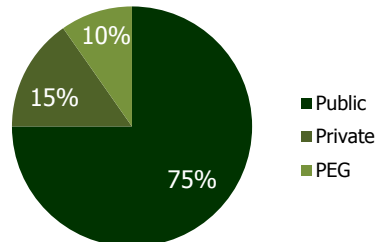
AD&G MERGERS & ACQUISITIONS SNAPSHOT

VOLUME & VALUATION DASHBOARD

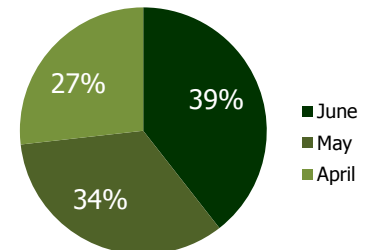
Cross Border Transactions



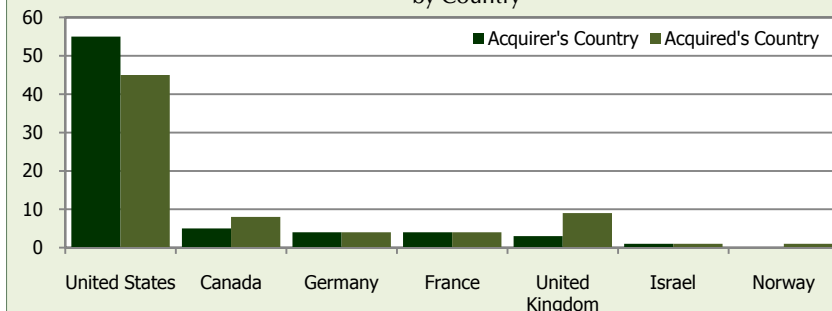
Acquirer's by Type



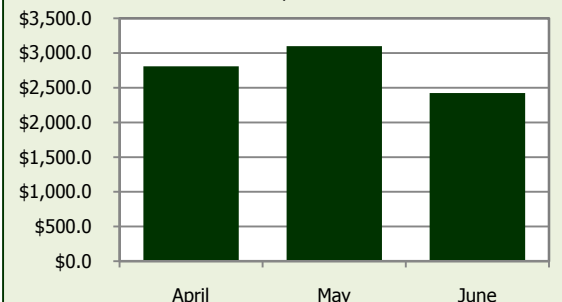
Deals by Month



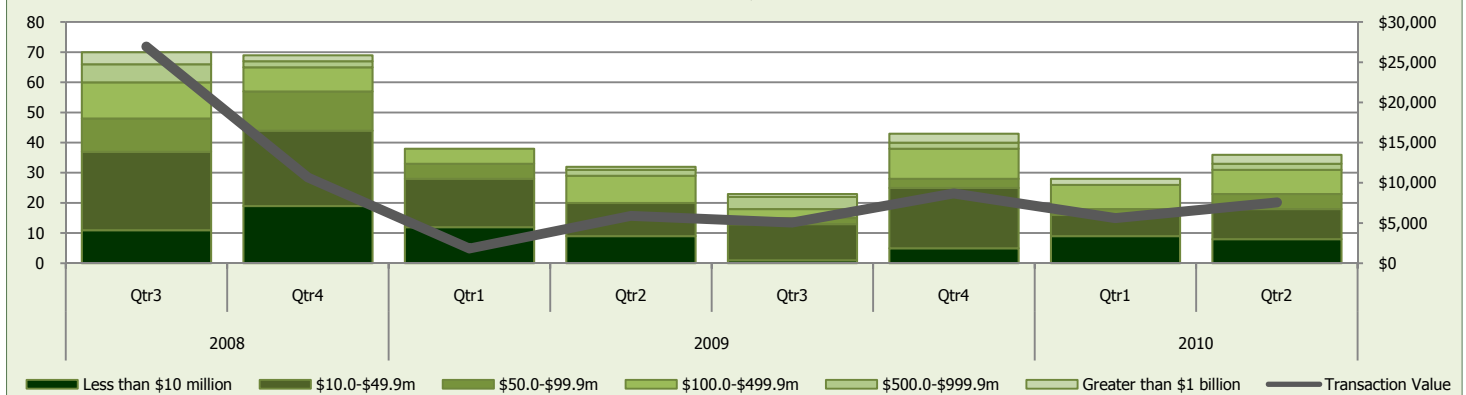
Acquirer's & Acquired by Country



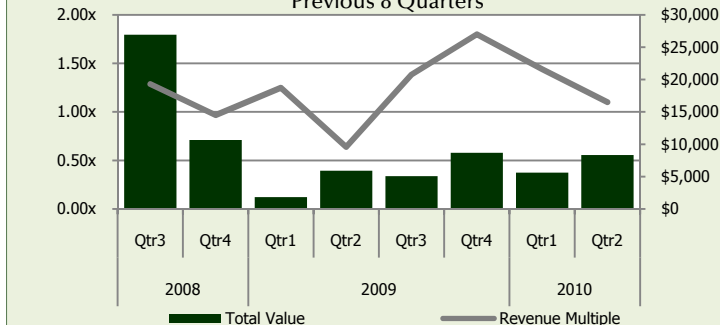
Disclosed Transaction Value by Month



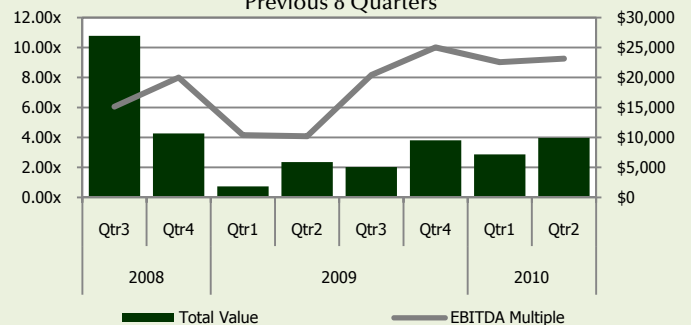
AD&G M&A Disclosed Transactions Previous 8 Quarters



Revenue Multiples Previous 8 Quarters



EBITDA Multiples Previous 8 Quarters



M&A DISCLOSED TRANSACTION MULTIPLES

Date	Buyer	Acquired	Price/TEV	Revenues	EBITDA	Revenue Multiple	EBITDA Multiple
4/12/2010	Cerberus Capital Management, L.P.	DynCorp International, Inc.	\$ 1,500.0	\$ 3,101.0	\$ 217.5	0.48x	6.90x
6/7/2010	Providence Equity Partners [Altegrity Inc.]	Kroll, Inc.	1,130.0				
5/7/2010	CGI Group, Inc.	Stanley, Inc.	1,070.0	865.3	91.5	1.24x	11.70x
6/30/2010	Boeing Co.	Argon ST, Inc.	775.0	366.1	44.7	2.12x	17.34x
4/15/2010	L-3 Communications Corp.	Insight Technology, Inc.	613.0	290.0	68.0	2.11x	9.01x
5/21/2010	Harris Corp.	CapRock Communications, Inc.	525.0	359.0	54.0	1.46x	9.72x
5/10/2010	Comtech Telecommunications Corp.	CPI International, Inc.	472.3	338.5	56.4	1.40x	8.37x
4/1/2010	The Morgan Crucible Co. Plc	NP Aerospace Ltd. [10% Stake]	415.7	284.6	44.4	1.46x	9.36x
5/18/2010	BAE Systems plc	Atlantic Marine Holding Co.	352.0	308.0	38.0	1.14x	9.26x
6/28/2010	CoorsTek, Inc.	Saint-Gobain Advanced Ceramics	245.0	165.0		1.48x	
4/7/2010	AAR Corp.	Aviation Worldwide Services	200.0	175.0		1.14x	
5/17/2010	FLIR Systems, Inc.	Raymarine Holdings Limited	178.2	170.0		1.05x	
5/13/2010	Honeywell International, Inc.	Matrikon, Inc.	138.7	80.7	5.2	1.72x	26.67x
5/19/2010	Kratos Defense & Security Solutions, Inc.	Gichner Systems Group, Inc.	133.0	166.8	18.7	0.80x	7.11x
5/6/2010	Rheinmetall AG	Simrad Optronics ASA	98.2	101.3	15.2	1.10x	6.46x
6/24/2010	Chemring Group plc	Allied Defense Group, Inc., The	69.6	142.4		0.49x	
6/4/2010	Jacobs Engineering Group, Inc.	TechTeam Government Solutions, Inc.	59.0	76.0		0.78x	
4/1/2010	Orbital Sciences Corp.	General Dynamics Corp. [spacecraft business]	55.0				
5/11/2010	Elbit Systems, Ltd.	Azimuth Technologies Ltd. [Remaining 51% Stake]	51.2				
6/16/2010	Teledyne Technologies, Inc.	Intelek plc	43.8	55.9	5.0	0.78x	8.77x
5/17/2010	Francisco Partners	EF Johnson Technologies, Inc.	40.2	92.3		0.44x	
5/4/2010	Slicom Aero SAS	Auvergne Aeronautique SAS	35.2	47.6		0.74x	
6/11/2010	3M Co.	MTI PolyFab, Inc.	24.8				
6/22/2010	Curtiss-Wright Corp.	Specialist Electronics Services, Ltd.	22.0	9.0		2.44x	
6/8/2010	Aeroflex, Inc.	Advanced Control Components, Inc.	20.0	19.1	3.0	1.05x	6.67x
6/1/2010	Curtiss-Wright Corp.	Hybricon Corp.	19.0	17.0		1.12x	
4/13/2010	East Coast Diversified Corp.	EarthSearch Communications International, Inc.	17.9				
6/8/2010	Heli-Welders Canada Ltd.	Nampa Valley Helicopter Inc.	6.7	4.9		1.37x	
6/18/2010	Spectrum Control, Inc.	Sage Laboratories, Inc.	6.5	12.0		0.54x	
4/30/2010	R. Stahl AG	Digital Angel Corp. /Clifford & Snell Unit/	3.5	5.7		0.60x	
5/26/2010	AvStar Aviation Group, Inc.	Twin Town Leasing Co.	3.5			0.18x	
4/28/2010	Integral Systems, Inc.	Sophia Wireless, Inc.	2.5				
4/15/2010	COM DEV International Ltd.	Routes AstroEngineering Ltd.	1.7				
6/15/2010	Revision Eyewear, Inc.	Pacific Safety Headborne Systems Div.	1.3				
5/18/2010	EDAC Technologies	Accura Technics	0.3	1.6		0.19x	
Max			\$1,500.0	\$3,101.0	\$217.5	2.44x	26.67x
Mean			238.0	209.4	53.6	1.09x	10.57x
Median			55.0	55.9	44.6	1.10x	9.01x
Min			0.3	1.6	3.0	0.18x	6.46x

*Sources: FactSet, Dacis, SEC Filings & CKCC Estimates

M&A HIGHLIGHTS

Buyer	Transaction Summary	Seller
	<p>Date: April 12, 2010 Price: \$1,500.0MM Description: DynCorp International [NYSE:DCP] entered into a definitive agreement to be acquired by Cerberus Capital Management, L.P. in a transaction with a total value of ~\$1.5 billion, including the assumption of debt. DynCorp is a global government services provider in support of U.S. national security and foreign policy objectives, delivering support solutions for defense, diplomacy, and international development.</p>	
	<p>Date: June 7, 2010 Price: \$1,130.0MM Description: Providence Equity Partners affiliate Altegrity, Inc. entered into a definitive agreement to acquire Kroll, Inc. for ~1.13 billion in cash. Kroll, inc. provides corporate restructuring, forensic accounting, intelligence and investigation, background screening and security services. The U.S. Government is one of the company's largest customer.</p>	
	<p>Date: May 7, 2010 Price: \$1,070.0MM Description: CGI Group, Inc. [NYSE:GIB] entered into a definitive agreement to acquire Stanley, Inc. [NYSE:SXE] for \$1.07 billion. Stanley offers its customers systems integration solutions and expertise to support their mission-essential needs at any stage of program, product development or business lifecycle through five service areas: systems engineering, enterprise integration, operational support, business process management, and advanced engineering and technology.</p>	
	<p>Date: June 30, 2010 Price: \$775.0MM Description: The Boeing Co. [NYSE:BA] entered into a definitive agreement to acquire Argon ST, Inc. [NASDAQ:STST] for ~\$775 million. Argon ST designs, develops, and produces systems and sensors for the C³ISR markets including SIGINT (Signals Intelligence), ESM (Electronic Support Measures), EW (Electronic Warfare), IO (Information Operations), imaging, and acoustic systems serving domestic and international markets.</p>	
	<p>Date: May 21, 2010 Price: \$525.0MM Description: Harris Corp. [NYSE:HRS] entered into a definitive agreement to acquire CapRock Communications for ~\$525 million. CapRock Communications, Inc. is a global provider of mission-critical managed satellite communications solutions for the energy, government and maritime industries.</p>	
	<p>Date: May 10, 2010 Price: \$472.3MM Description: Comtech Telecommunications Corp. [NASDAQ:CMTL] entered into a definitive agreement to acquire CPI International, Inc. [NASDAQ:CPII] for ~\$472.3 million. CPI International, Inc. is a provider of microwave, radio frequency, power and control solutions for critical defense, communications, medical, scientific and other applications.</p>	
	<p>Date: May 18, 2010 Price: \$352.0MM Description: BAE Systems plc. [LSE:BA.L] entered into a definitive agreement to acquire Atlantic Marine Holding Co. for ~\$352 million. Atlantic Marine is a privately held vessel maintenance, repair, overhaul and conversion (MROC), marine fabrication, and ship construction services provider with operations at Mayport and Jacksonville, Florida; Moss Point.</p>	
	<p>Date: June 28, 2010 Price: \$245.0MM Description: CoorsTek, Inc. a privately held company entered into a definitive agreement to acquire Advanced Ceramics from Saint-Gobain for ~\$245 million. Advanced Ceramics is a leading supplier of materials and components made from ceramics, grains and powers.</p>	

UNDISCLOSED TRANSACTIONS

April

Date	Buyer	Acquired
4/1/2010	ComVest Capital, LLC; CEO Capital Corp.	Atlantis Systems Corp.
4/5/2010	L-1 Identity Solutions, Inc.	Retica Systems, Inc.
4/6/2010	Le Carbone Lorraine SA	Boostec SA
4/8/2010	Heroux-Devtek, Inc.	Eagle Tool & Machine Co.; E-2 Precision Products
4/8/2010	Pangea Petroleum Corp.	San Diego Airmotive
4/12/2010	Alliant Techsystems, Inc.	Blackhawk Industries Products Group Unlimited, LLC
4/12/2010	Nexeya SA	BTS Industrie SAS
4/20/2010	IPG Photonics Corp.	Cosytronic KG
4/23/2010	Rheinmetall AG	Verseidag Ballistic Protection GmbH
4/27/2010	North American Vehicle Components LLC	Truck Equipment Manufacturing Co., Inc.

May

Date	Buyer	Acquired
5/6/2010	Nortech Systems, Inc.	TriVirix International, Inc.
5/7/2010	Honeywell International, Inc.	Akuacom
5/7/2010	Moog, Inc.	Pieper GmbH
5/10/2010	Dover Corp.	BSC Filters Ltd.
5/12/2010	General Dynamics Corp.	EBV Explosives Environmental Co.
5/17/2010	Harris Corp.	SignaCert, Inc.
5/18/2010	Cubic Corp.	Impeva Labs, Inc.
5/18/2010	Thermacore, Inc.	Pittsburgh Materials Technology, Inc.
5/21/2010	Kontron AG	AP Labs Group
5/28/2010	Ensign-Bickford Industries, Inc.	NEA Electronics

June

Date	Buyer	Acquired
6/1/2010	Vought Defense Systems Corp.	Quality Performance, Inc.
6/2/2010	AerSale	Great Southwest Aviation
6/4/2010	Emtec, Inc.	Secure Data, Inc.
6/7/2010	Teledyne Technologies, Inc.	Optimum Optical Systems, Inc.
6/10/2010	Goodrich Corp.	Crompton Technology Group, Ltd.
6/10/2010	The Jordan Company [Reinhold Industries, Inc.]	Enpro Engineered Products, Inc.
6/10/2010	Textron, Inc.	MillenWorks, Inc.
6/16/2010	CIBER, Inc.	Segmenta A/S
6/21/2010	Groupe Zodiac S.A.	Cantwell Cullen & Co., Inc.
6/22/2010	Cubic Corp.	Safe Harbor Holdings, Inc.
6/22/2010	General Dynamics Corp.	Kylmar (KMC) Limited
6/23/2010	Monument Capital Group LLC (MCG)	Vortex Systems LLC / Monitor, Inc.
6/23/2010	SAS Institute, Inc.	Memex Technology Ltd.
6/29/2010	Frontenac Co., LLC [Salient Federal Solutions, Inc.]	SGIS



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AEROSPACE, DEFENSE & GOVERNMENT MARKETS INVESTMENT BANKING PRACTICE



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Daniel E. Sirvent is the Director of Corporate Finance for C. K. Cooper & Company's Aerospace, Defense and Government Markets (AD&G) industry group. C. K. Cooper & Company is a research driven, institution focused investment banking boutique providing the full range of capital market and advisory services to public and private companies.

In this role, Mr. Sirvent is responsible for facilitating the investment banking activities of the firm including business development, capital formation, mergers and acquisitions, corporate advisory, valuation and fairness opinions, and strategic consulting services. His team's focus addresses the investment banking needs of Aerospace, Defense and Government Market companies to assist them in achieving their strategic objectives for growth, liquidity and value creation.



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In this role, Mr. Alessi is responsible for transaction execution, industry research, and financial valuation supporting the investment banking activities of the firm. In addition, Mr. Alessi is an important member of the firm's AD&G group which provides tailored solutions for both public and private middle-market businesses and private equity groups.

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