

UNITED STATES DISTRICT COURT
DISTRICT OF NEW HAMPSHIRE

IN RE: STOCKERYALE, INC.
SECURITIES LITIGATION.

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Master File No. 1:05cv00177-SM

CIVIL ACTION

NOTICE OF PENDENCY AND SETTLEMENT OF CLASS ACTION

**If you acquired common stock of StockerYale, Inc.
between April 19, 2004 through May 24, 2005 (inclusive),
you could get a payment from a class action settlement.**

A federal court authorized this notice. This is not a solicitation from a lawyer.

- The settlement will provide \$3,400,000 in cash, plus interest, to pay claims from investors who acquired common stock of StockerYale, Inc. (“StockerYale Stock”) between April 19, 2004 and May 24, 2005 (inclusive). The settlement represents an average recovery of \$0.21 per share of common stock (for the 16 million outstanding shares available for purchase). These averages are estimates and are before deduction of any Court approved fees and expenses. See Question 8 below for a more detailed explanation.
- Attorneys for the Lead Plaintiffs intend to ask the Court to award them fees up to one-third of the settlement, and reimbursement of litigation expenses not to exceed \$75,000, and an award to each of the five Lead Plaintiffs not to exceed \$1,500 per person. Collectively, the fees and expenses are estimated to average \$0.07 per share of common stock. If approved by the Court, these amounts will be paid from the Settlement Fund. Therefore, the approximate recovery, after deduction of attorneys fees and expenses approved by the Court, is an average of \$0.14 per share of common stock. These are estimates. Your actual recovery, if any, may vary depending on your purchase price and sales price (if any) and the number of Proof of Claim forms that are filed. See Question 8 below for a more detailed explanation.
- The settlement resolves a lawsuit concerning whether StockerYale and four of its principal officers and directors misled investors about the Company’s sale of lasers to BAE Systems, Inc. in furtherance of a Homeland Security contract, and whether two of the Company’s officers and directors traded StockerYale Stock on inside information. Defendants deny the allegations in the lawsuit, and deny any wrongdoing. The parties disagree on the liability and damage issues. See Question 4 below for a more detailed explanation.
- Your legal rights are affected whether you act, or do not act. Read this notice carefully and in its entirety.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

SUBMIT A CLAIM FORM	The only way to get a payment from this Settlement.
EXCLUDE YOURSELF	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against Defendants about the legal claims in this case.
OBJECT	Write to the Court about why you don’t like the settlement.
GO TO A HEARING	Ask to speak in Court about the fairness of the settlement.
DO NOTHING	Get no payment. Give up rights.

LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

- These rights and options—**and the deadlines to exercise them**—are explained in this notice.
- The Court in charge of this case still has to decide whether to approve the settlement. Payments will be made if the Court approves the settlement and after appeals are resolved and claims are processed. Please be patient.
- Further information regarding this Settlement may be obtained by contacting Plaintiffs’ Lead Counsel: Laurence Rosen, Esq., The Rosen Law Firm PA, 350 5th Avenue, Suite 5508, New York, NY 10118.

WHAT THIS NOTICE CONTAINS

	PAGE
BASIC INFORMATION	2
1. Why did you get this Notice package?	2
2. What is this lawsuit about?	3
3. Why is this a class action?	3
4. Why is there a settlement?	3
WHO IS IN THE SETTLEMENT	4
5. How do I know if I am part of the settlement?	4
6. Are there exceptions to being included?	4
7. I'm still not sure if I am included.	4
THE SETTLEMENT BENEFITS—WHAT YOU GET	4
8. What does the settlement provide?	4
HOW YOU GET A PAYMENT—SUBMITTING A CLAIM FORM	5
9. How can I get a payment?	5
10. When would I receive my payment?	5
11. What am I giving up to get a payment or stay in the Class?	5
EXCLUDING YOURSELF FROM THE SETTLEMENT	6
12. How do I get out of the settlement?	6
13. If I do not exclude myself, can I sue Defendants for the same thing later?	7
14. If I exclude myself, can I receive money from this settlement?	7
THE LAWYERS REPRESENTING YOU	7
15. Do I have a lawyer in this case?	7
16. How will the lawyers be paid?	7
OBJECTING TO THE SETTLEMENT	7
17. How do I tell the Court that I do not like the settlement?	7
18. What is the difference between objecting and requesting exclusion?	7
THE COURT'S FAIRNESS HEARING	8
19. When and where will the Court decide whether to approve the settlement?	8
20. Do I have to come to the hearing?	8
21. May I speak at the hearing?	8
IF YOU DO NOTHING	8
22. What happens if I do nothing at all?	8
GETTING MORE INFORMATION	8
23. How do I obtain more information about the Settlement?	8
24. UNDERSTANDING YOUR PAYMENT—THE PLAN OF ALLOCATION	8
25. SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES	9
26. INQUIRIES	9

BASIC INFORMATION

1. Why did you get this Notice package?

You or someone in your family may have acquired the common stock (“Stock”) of StockerYale, Inc. (“StockerYale”) during the period from April 19, 2004 through May 24, 2005 (inclusive).

The Court in charge of the case is the United States District Court for the District of New Hampshire and the case is known as *In re: StockerYale, Inc. Securities Litigation*, Master File No. 1:05cv00177-SM (D.N.H.) (the “Action”). U.S. District Judge Steven McAuliffe is in charge of this class action. The people who sued are called Plaintiffs, and the company and individuals they sued—StockerYale, Inc., Mark W. Blodgett, Lawrence W. Blodgett, Francis J O'Brien, and Ricardo Diaz—are called Defendants.

The Court sent you this notice because you have a right to know about a proposed settlement of this class action lawsuit, and about all of your options, before the Court decides whether to approve the settlement. If the Court approves the settlement, and resolves any objections to the settlement submitted by Class Members, as explained below, or appeals, then an administrator appointed by the Court will process the claims received and distribute the payments to Class Members with valid claims. You can track the progress of the settlement by visiting: <http://www.rosenlegal.com>.

This package explains the lawsuit, the settlement, your legal rights, the benefits that are available, who is eligible for them, and how to obtain them.

2. What is this lawsuit about?

The lawsuit involves whether StockerYale and four of its officers and directors misled investors about StockerYale's sale of lasers to BAE Systems, Inc. in furtherance of a Department of Homeland Security contract, and whether two of the Company's officers and directors traded StockerYale Stock on inside information. All Defendants deny they did anything wrong.

The lawsuit asserts that defendants falsely announced that StockerYale was developing a customized laser for a missile countermeasure system to protect commercial jetliners, that it was developing the aforementioned laser pursuant to a Department of Homeland Security project, and that StockerYale had received an order from BAE Systems to deliver such lasers to protect commercial jetliners. The lawsuit also alleges that two of the defendants engaged in insider trading based on the allegedly false information. The lawsuit asserts that the alleged materially false statements and insider trading were violations of Sections 10(b), 20(a) and 20(A) of the Securities Exchange Act of 1934.

Defendants steadfastly deny the allegations in the lawsuit and have vigorously defended the claims. Among other things, the defendants deny that they intentionally made any false or misleading statements, deny that they sold Stock while in possession of any material, nonpublic information, and deny that any of the alleged misstatements were responsible for the changes in the market price of StockerYale stock of which Lead Plaintiffs complain. In sum, the defendants contend that have no liability under the federal securities laws or otherwise.

3. Why is this a class action?

In a class action, one or more persons and/or entities called Class Representatives or Lead Plaintiffs sue on behalf of all persons and/or entities who have similar claims. All of these persons and/or entities are referred to as a Class, or individually, as Class Members. One court resolves all of the issues for all Class Members, except for those Class Members who exclude themselves from the Class.

4. Why is there a settlement?

The Court did not decide in favor of Plaintiffs or Defendants. Instead, Plaintiffs and Defendants have agreed to settle the lawsuit. Plaintiffs have agreed to settle the lawsuit based on the facts they have discovered during the litigation, the risks that will be involved in taking this case to trial, and their conclusions that the proposed settlement is fair, reasonable and adequate, and serves the best interests of the litigation and Class Members. Counsel for Plaintiffs have determined that by settling, they avoid the cost and risks of a trial, while at the same time providing substantial compensation to the Class. The Class Representatives and the Counsel for the Class believe that the settlement is best for all Class Members.

Lead Plaintiffs and Defendants do not agree regarding the merits of Plaintiffs' allegations with respect to liability or the average amount of damages per share that would be recoverable if Lead Plaintiffs were to prevail on each claim asserted. The issues on which the parties disagree include: (1) whether Defendants made any false and misleading statements; (2) whether the statements made were false, material or otherwise actionable under the federal securities laws; (3) whether Defendants made the statements with the requisite knowledge; (4) the appropriate economic model for determining the amount by which StockerYale Stock was allegedly artificially inflated (if at all) during the Class Period; (5) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading (if at all) influenced and artificially inflated (if at all) the trading price of StockerYale Stock at various times during the Class Period; and (6) the extent to which external factors, such as general market conditions, influenced the trading price of StockerYale Stock at various times during the Class Period.

While Plaintiffs' Counsel were prepared to go to trial, and were confident in the merits of their case, they recognize that litigation and a trial are risky propositions and that Plaintiffs and the Class may not have prevailed on any or all of their claims. In addition, Plaintiffs' Counsel believe that this Settlement provides a substantial cash recovery to the Class, and believe that they may not have obtained a greater recovery even if they had gone to trial. Throughout the settlement negotiations, Defendants continued to deny liability, contended that Plaintiffs and the Class could not demonstrate provable damages asserting instead that the decline in the price of StockerYale Stock was attributable to other factors. This dispute regarding damages would be subject to expert testimony, and therefore, it would be impossible to predict with certainty which side's arguments would find favor with the jury. As a result, in a trial, Plaintiffs could have recovered nothing or substantially less than the amount of the Settlement. Further, even assuming that

Plaintiffs could have won at trial, any verdict would inevitably be the subject of appeal, and the Class' recovery would have remained uncertain and been further delayed. In this case, even if Plaintiffs had won a verdict greater than the settlement at trial, and that verdict had withstood Defendants' challenge on appeal, Plaintiffs may not have been able to collect the judgment.

The Stipulation and all related documents are not and shall not be construed or be deemed to be evidence or an admission or a concession on the part of any of the Defendants of any fault or liability or damages whatsoever, and Defendants do not concede any infirmity in the defenses that they have asserted or could have asserted in the Litigation.

WHO IS IN THE SETTLEMENT

To see if you will get money from this settlement, you first have to decide if you are a Class Member.

5. How do I know if I am part of the settlement?

Judge McAuliffe decided that everyone who fits the following description is a Class Member:

All persons who purchased or otherwise acquired StockerYale common stock during the period from April 19, 2004 through and including May 24, 2005.

6. Are there exceptions to being included?

You are not a Class Member if you are a Defendant, any officer or director of a Defendant, members of the immediate family of any individual defendant, any entity in which any Defendant has a controlling interest, and the legal representatives, heirs, successors, or assigns of any such excluded party, and any persons who have separately filed actions against one or more of the Defendants based in whole or in part on any claim arising out of or relating to any of the acts, omissions, misrepresentations, facts, events, matters, transactions or occurrences referred to in the Action or otherwise alleged, asserted or contended in the Action. Also excluded from the Class are those persons who file valid and timely requests for exclusion, as described below.

If one of your mutual funds owns StockerYale Stock, that alone does not make you a Class Member. You are a Class Member only if you purchased StockerYale Stock. Contact your broker to see if you owned or held StockerYale Stock.

To be a Class Member, you must have suffered a net loss in the shares of StockerYale Stock that you purchased during the Class Period. Class Members who earned a profit in the purchase of StockerYale Stock during the Class Period are ineligible to participate in the Settlement Fund.

7. I'm still not sure if I am included.

If you are still not sure whether you are included in the Class, you can ask for free help, by calling Strategic Claims Services at (866) 274-4004 for more information. Or you can fill out and return the claim form attached to this Notice to see if you qualify.

THE SETTLEMENT BENEFITS—WHAT YOU GET

8. What does the settlement provide?

On June 26, 2007, the parties in the lawsuit arrived at a proposed settlement of the lawsuit and signed a Stipulation of Settlement. The parties' agreement, by itself, is not sufficient for the settlement to be official—the proposed settlement requires the Judge's approval. The terms of the proposed settlement are summarized below, and the full settlement terms are contained in a Stipulation and Agreement of Settlement ("Stipulation") dated June 26, 2007. You can obtain a copy of the Stipulation by writing to Plaintiffs' Lead Counsel: Laurence Rosen, Esq., The Rosen Law Firm PA, 350 5th Avenue, Suite 5508, New York, NY 10118 or by email at lrosen@rosenlegal.com.

a. What is the Settlement Fund?

The proposed settlement calls for defendants to create a settlement fund in the amount of \$3,400,000 in cash. This \$3,400,000 will be deposited into an interest-bearing account, the "Gross Settlement Fund." It is estimated that approximately 16 million outstanding shares of StockerYale common stock were issued and outstanding during the Class Period, and were available for purchase. Thus, Class Counsel estimate that the \$3,400,000 recovery represents an average recovery of \$0.21 per share of common stock. The same share may be owned more than once during the Class Period. The indicated average recovery would be the aggregate for all purchasers of a share. These average recoveries are only estimates and can vary as explained below.

Subject to the Court's approval, a portion of the Gross Settlement Fund also will be used to pay Plaintiffs' attorneys' fees and reasonable litigation expenses. See Question 16 below for a more detailed explanation. A portion of the Gross Settlement Fund will also be used to pay taxes due on interest earned by the Gross Settlement Fund if

necessary, and any notice and claims administration expenses permitted by the Court or the Stipulation. After the foregoing deductions from the Gross Settlement Fund have been made, the amount remaining (the “Net Settlement Fund”) will be distributed to Class Members who submit valid claims.

b. What can you expect to receive under the proposed settlement?

Your share of the Net Settlement Fund will depend on: (1) the number of claims filed; (2) your “Aggregate Recognized Loss” from purchases of StockerYale Stock; (3) whether you sold your StockerYale Stock during the Class Period, or held your StockerYale Stock past the end of the Class Period; (4) the amount of administrative costs, including the costs of notice; and (5) the amount awarded by the Court for attorneys’ fees, costs and expenses, and awards to the Lead Plaintiffs.

By following the Plan of Allocation in Paragraph 24 of this notice, you can calculate your “Aggregate Recognized Loss.” The Claims Administrator will distribute the Net Settlement Fund, according to the Plan of Allocation, after the deadline for submission of Proof of Claim and Release forms has passed and all claims have been processed.

HOW YOU GET A PAYMENT—SUBMITTING A CLAIM FORM

9. How can I get a payment?

To qualify for payment, you must send in a Proof of Claim and Release form. This claim form is attached to this Notice. You may also obtain a claim form on the Internet at <http://www.rosenlegal.com>. Read the instructions carefully, fill out the form, sign it in the two locations indicated, include all the documents the form asks for and mail the claim form and documentation postmarked no later than December 3, 2007 to:

Claims Administrator
StockerYale Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
Media, PA 19063

The Claims Administrator will process your claim and advise you if you are an “Authorized Claimant”—meaning that your claim satisfies the requirements approved by the Court.

10. When would I receive my payment?

The Court will hold a hearing on December 18, 2007 at 10:30 a.m. in Courtroom 2, to decide whether to approve the Settlement. Even if Judge McAuliffe approves the Settlement, there may be appeals that would delay the implementation of the Settlement. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. After the approval, and the resolution of any appeals, the Claims Administrator must process all of the claim forms. Everyone who sends in a claim form will be informed of the approval or disapproval of their claim. Please be patient. You can also track the progress of the settlement by visiting: <http://www.rosenlegal.com>.

11. What am I giving up to get a payment or stay in the Class?

Unless you exclude yourself, you will remain in the class. That means that if the settlement is approved, you and all Class Members will release (i.e., cannot sue, continue to sue, or be part of any other lawsuit over) all “Settled Claims” against Defendants and the “Released Parties.” It also means that all of the Court’s orders will apply to you and legally bind you. Please see the definitions of all of the terms that are in quotations below. If you sign the claim form, you are agreeing to a “Release of Claims,” attached to the claim form, which describes exactly the legal claims that you give up if you receive settlement benefits.

“Released Parties” means the Defendants and any of their current, former or future parents, subsidiaries, affiliates, partners, joint venturers, officers, directors, principals, shareholders, members, agents (acting in their capacity as agents), employees, attorneys, advisors, accountants, associates and any other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants and the current, former and future legal representatives, heirs, successors in interest or assigns of the Defendants.

“Settled Claims” means any and all claims, debts, demands, liabilities, rights and causes of action of every nature and description whatsoever (including but not limited to, any claims for damages, interest, attorneys’ fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class or individual in nature, including both known claims and Unknown Claims (as defined below), (i) that have been asserted in this Action by the Class Members or any of them against any of the Released Parties, including without limitation any claim arising out of or relating to any of the acts, omissions, misrepresentations, facts, events, matters, transactions or occurrences referred to in the Action or otherwise alleged, asserted or contended in the Action; or (ii) that could have been

alleged, asserted or contended in any forum by the Class Members or any of them against any of the Released Parties which arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Complaint or which relate to the purchase of StockerYale common during the Class Period, including, without limitation, claims for fraud, negligent misrepresentation, negligence, gross negligence, breach of fiduciary duty, breach of duty of care, breach of duty of loyalty, or violations of any state or federal statutes, rules, or regulations, or based upon or related in any way to the purchase, acquisition, sale or holding of StockerYale Stock, by Plaintiffs or any Class Member, on behalf of themselves, their heirs, executors, administrators, successors, and assigns against the Defendants or the Released Parties or any of them. Settled Claims also include any and all claims arising out of, relating to, or in connection with the Settlement or resolution of the Action against the Released Parties (including Unknown Claims), except claims to enforce any of the terms of this Stipulation.

“Unknown Claims” means any Settled Claim which any Lead Plaintiff or member of the Class does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, which if known by him, her or it, might have affected his, her or its decision with respect to the Settlement, including, but not limited to, the decision not to object to the Settlement, and any Settled Defendants’ Claims which any Defendant does not know or expect to exist in his, her or its favor, which if known by him, her, or it might have affected his, her, or its decision(s) with respect to the Settlement. With respect to any and all Settled Claims and Settled Defendants’ Claims, the Parties stipulate and agree that, upon the Effective Date, Lead Plaintiffs and Defendants shall expressly, and each of the members of the Class shall be deemed to have, and by operation of the Order and Final Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542 which provides: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.” Lead Plaintiffs and Class Members may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Settled Claims, but the Lead Plaintiffs shall expressly fully, finally, and forever settle and release, and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Order and Final Judgment shall have, fully, finally, and forever settled and released, any and all Settled Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiffs and Defendants acknowledge, and the members of the Class by operation of the Order and Final Judgment shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definitions of “Settled Claims” and “Settled Defendants’ Claims” was separately bargained for and was a key element of the Settlement of which this release is a part.

Also, Lead Plaintiffs and all Class Members on behalf of themselves, their current and former heirs, executors, administrators, successors, attorneys, and assigns, expressly covenant not to assert any claim or action against any of the Defendants derivatively on behalf of StockerYale that (i) arises out of or relates to any of the acts, omissions, misrepresentations, facts, events, matters, transactions or occurrences referred to in the Action or otherwise alleged, asserted or contended in the Action or (ii) that could have been alleged, asserted or contended in any forum by the Class Members or any of them against any of the Released Parties which arise out of, relate to, or are based upon allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Complaint, and shall forever be enjoined from commencing, instituting or prosecuting any such claim.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want to receive a payment from this settlement, and you want to keep the right to sue or continue to sue Defendants on your own about the legal issues in this case, then you must take steps to get out of the Settlement. This is called “excluding yourself”—or is sometimes referred to as “opting out” of the Class.

12. How do I get out of the settlement?

To exclude yourself from the settlement, you must send a letter by mail stating that you want to be excluded as a Class member from *In re StockerYale, Inc. Securities Litigation*, Master File No. 1:05cv00177-SM (D.N.H.). Be sure to include your name, address, telephone number, and your signature, along with your purchases and sales in StockerYale Stock in order to indicate your membership in the Class. You must mail your exclusion request postmarked no later than October 19, 2007 to:

Claims Administrator
StockerYale Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
Media, PA 19063

You can't exclude yourself on the phone or by e-mail. If you ask to be excluded, you will not receive a settlement payment, and you cannot object to the settlement. You will not be legally bound by anything that happens in this lawsuit.

13. If I do not exclude myself, can I sue Defendants for the same thing later?

No. Unless you exclude yourself, you give up any right to sue Defendants for the claims that this settlement resolves. If you have a pending lawsuit, speak to your lawyer in that case immediately. You may have to exclude yourself from *this* Class to continue your own lawsuit.

14. If I exclude myself, can I receive money from this settlement?

No. If you exclude yourself, do not send in a claim form to ask for any money.

THE LAWYERS REPRESENTING YOU

15. Do I have a lawyer in this case?

The Court appointed the law firms of The Rosen Law Firm PA and Mallory and Friedman PLLC, to represent you and the other Class Members. These lawyers are called Plaintiffs' Counsel or Class Counsel. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

16. How will the lawyers be paid?

Plaintiffs' Counsel have expended considerable time litigating this Action on a contingent fee basis, and have advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Settlement Fund, as is customary in this type of litigation. Therefore, Plaintiffs' Counsel will file a motion asking the Court at the Fairness Hearing (see Question 19 below) to make an award of attorneys' fees in an amount not to exceed one-third of the Gross Settlement Fund and for reimbursement of litigation expenses in an amount not to exceed \$75,000. The requested fees and expenses are estimated to be an average of \$0.07 per share of common stock. (These averages are estimates based on approximately 16 million shares of StockerYale common stock that were available for purchase during the Class Period.) The Court may award less than these amounts. Any amounts awarded by the Court will come out of the Gross Settlement Fund.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the settlement, any part of the settlement, or the motion for attorneys fees.

17. How do I tell the Court that I do not like the settlement?

If you are a Class Member, you can object to the settlement if you do not like any part of it. You can state why you think the Court should not approve it. The Court will consider your views. To object, you must send a letter stating that you object to the Settlement in *In re StockerYale, Inc. Securities Litigation*, Master File No. 1:05cv00177-SM (D.N.H.). Be sure to include your name, address, telephone number, your signature, your purchases and sales of StockerYale Stock in order to indicate your membership in the Class and all of the reasons for your objection to the settlement. Be sure to mail the objection to the five different places stated below, postmarked no later than October 19, 2007.

COURT	CLASS COUNSEL	DEFENSE COUNSEL
Clerk of the Court United States District Court District of New Hampshire 55 Pleasant Street, Room 110 Concord, NH 03301-3941	Laurence Rosen, Esq. Phillip Kim, Esq. The Rosen Law Firm PA 350 Fifth Avenue Suite 5508 New York, NY 10118 and Mark Mallory, Esq. Mallory & Friedman, PLLC 8 Green Street Concord, NH 03001	R. Todd Cronan, Esq. Inez H. Friedman-Boyce, Esq. Goodwin Procter LLP 53 State Street Boston, MA 02109 and Alexander J. Walker, Esq. Devine Millimet & Branch PA 111 Amherst Street Manchester, NH 03101

18. What is the difference between objecting and requesting exclusion?

Objecting is simply telling the Court that you do not like something about the settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S SETTLEMENT HEARING

The Court will hold a hearing to decide whether to approve the settlement. You may attend and you may ask to speak.

19. When and where will the Court decide whether to approve the settlement?

The Court will hold a Settlement Hearing at 10:30 a.m. on December 18, 2007, at the United States District Court for the District of New Hampshire, 55 Pleasant Street, Courtroom 2, Concord, NH 03301-3941. At this Settlement Hearing the Court will consider whether the settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. Judge McAuliffe will listen to people who have asked to speak at the Settlement Hearing. The Court may also decide how much to pay Plaintiffs' Counsel for attorneys' fees and expenses and how much to award Lead Plaintiffs. After the hearing, the Court will decide whether to approve the settlement. We do not know how long these decisions will take.

20. Do I have to come to the Settlement Hearing?

No. Class Counsel will answer any questions Judge McAuliffe may have. But you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

21. May I speak at the Settlement Hearing?

You may ask the Court for permission to speak at the Settlement Hearing. To do so, you should send a letter saying that it is your "Notice of Intention to Appear in *In re: StockerYale, Inc. Securities Litigation*, Master File No. 1:05cv00177-SM (D.N.H.)." Be sure to include your name, address, telephone number, and your signature. Your Notice of Intention to Appear must be postmarked no later than October 19, 2007, and be sent to the Clerk of the Court, Class Counsel, and Defense Counsel, at the five addresses listed in question 17.

IF YOU DO NOTHING

22. What happens if I do nothing at all?

If you do nothing, you will not receive any money from this settlement. But, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against Defendants about the legal issues in this case, ever again.

GETTING MORE INFORMATION

23. How do I obtain more information about the Settlement?

You can: (1) call the Claims Administrator at (866) 274-4004; (2) write to the Claims Administrator, at Strategic Claims Services, P.O. Box 230, Media, PA 19063, or (3) visit the website at www.rosenlegal.com, where you will find answers to common questions about the settlement, a claim form, plus other information to help you determine whether you are a Class Member and whether you are eligible for a payment.

24. UNDERSTANDING YOUR PAYMENT — THE PLAN OF ALLOCATION

1. The Net Settlement Fund will be allocated among the Authorized Claimants in accordance with this "Plan of Allocation."

2. The Net Settlement Fund will be allocated to Class Members based on the relative total losses suffered by each Class Member.

3. For Class Members who conducted multiple transactions in StockerYale Stock during the Class Period, the earliest subsequent sale shall be matched first against those shares in the Claimant's opening position on the first day of the Class Period, and then matched chronologically thereafter against each purchase made during the Class Period.

4. Any Class Members that earned a profit in the purchase of StockerYale Stock during the Class Period, or did not have a Net Recognized Loss shall not be entitled to any distribution from the Settlement Fund.

5. The purchase and sales prices do not include any brokerage commissions, transfer taxes or other fees.

6. The covering purchase of a short sale is not an eligible purchase. Gifts and transfers are not eligible purchases.

7. The Recognized Loss of each Authorized Claimant shall be calculated as follows:

A. For common stock of StockerYale purchased and sold between April 19, 2004 through and including May 24, 2005, the "Recognized Loss" shall be the difference between the amount paid (excluding commissions and transfer taxes) less the amount received before commissions.

B. For common stock of StockerYale purchased between April 19, 2004 and through and including May 24, 2005 and held at the close of business on May 24, 2005, the "Recognized Loss" shall be the difference between the amount paid (excluding commissions and transfer taxes) and \$0.83 per share, the 90-day average closing price of StockerYale common stock after the Class Period.

8. "Aggregate Recognized Loss" in StockerYale Stock during the Class Period, is the sum total of the Claimant's Recognized Losses per share multiplied by the number of shares associated with each purchase during the Class Period as described above.

9. To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's Aggregate Recognized Loss described above. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants.

25. SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you purchased StockerYale common stock ("StockerYale Stock") during the Class Period as nominee for a beneficial owner, then within ten (10) days after you receive this Notice, you must either: (a) send a copy of this Notice and the accompanying Proof of Claim and Release form by first-class mail to all such beneficial owners; or (b) provide a list, electronically if possible, of the names and addresses of such beneficial owners to the Claims Administrator:

Claims Administrator
StockerYale Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
Media, PA 19063

If you chose option (a) above, you may request enough forms from the Claims Administrator (at no charge) to complete your mailing. You may seek reimbursement of your reasonable expenses actually incurred in complying with these directives, subject to approval of Plaintiffs' Counsel or the Court. All communications concerning this matter should be addressed to the Claims Administrator.

26. INQUIRIES

All inquiries concerning this Notice, the Proof of Claim form, or any other questions by Class Members should be directed to:

Claims Administrator
StockerYale Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
Media, PA 19063

PLEASE DO NOT CONTACT THE COURT REGARDING THIS NOTICE

DATED: August 21, 2007

BY ORDER OF THE DISTRICT COURT:
STEVEN MCCAULIFFE, C.J.

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**UNITED STATES DISTRICT COURT
DISTRICT OF NEW HAMPSHIRE**

IN RE: STOCKERYALE, INC.
SECURITIES LITIGATION.

X
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:
:
X

Master File No. 1:05cv00177-SM

CIVIL ACTION

PROOF OF CLAIM AND RELEASE

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF STOCKERYALE, INC. ("STOCKERYALE") DURING THE PERIOD FROM APRIL 19, 2004 THROUGH MAY 24, 2005, INCLUSIVE.

I. GENERAL INSTRUCTIONS

1. To recover as a Member of the Class based on your claims in the action entitled *In re: StockerYale, Inc. Securities Litigation*, Master File No. 1:05cv00177-SM (D.N.H.), you must complete and, on page 5 hereof, sign this Proof of Claim and Release. If you fail to file a properly completed and addressed (as set forth in ¶3 below) Proof of Claim and Release, your claim may be rejected, and you may be precluded from any recovery from the Net Settlement Fund created in connection with the proposed settlement of the Litigation.

2. Submission of this Proof of Claim and Release, however, does not assure that you will share in the proceeds of settlement in the Litigation.

3. YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM AND RELEASE POSTMARKED ON OR BEFORE DECEMBER 3, 2007, ADDRESSED AS FOLLOWS:

Claims Administrator
StockerYale Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
Media, PA 19063

If you are NOT a Member of the Class (as defined below and in the Notice of Pendency and Proposed Settlement of Class Action), DO NOT submit a Proof of Claim and Release form.

4. If you are a Member of the Class and you do not timely request exclusion, you are bound by the terms of any judgment entered in the Litigation, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM AND RELEASE.

II. DEFINITIONS

1. "Class" or "Settlement Class" mean all persons who purchased any common stock of StockerYale during the period from April 19, 2004 through May 24, 2005, inclusive. Excluded from the Class are all Defendants, or members of their immediate families or Defendants' legal representatives, heirs, predecessors, successors and assigns and any entity in which any defendant has or had a controlling interest or is a parent or subsidiary of or is controlled by StockerYale, or any persons who have separately filed actions against one or more of the Defendants based in whole or in part on any claim arising out of or relating to any of the acts, omissions, misrepresentations, facts, events, matters, transactions or occurrences referred to in the Action or otherwise alleged, asserted or contended in the Action. Also excluded from the Class are those Persons who timely and validly request exclusion from the Class pursuant to the Notice of Pendency and Proposed Settlement of Class Action to be sent to the Class.

2. "Class Period" means the period commencing on April 19, 2004 through and including May 24, 2005.

3. "Class Member" or "Member of the Class" means a Person who falls within the definition of the Class as set forth in ¶A.6 of the Stipulation.

4. "Defendants" means Mark W. Blodgett, Lawrence W. Blodgett, Francis J. O'Brien, Ricardo A. Diaz, and StockerYale, Inc.

6. "Person" means an individual, natural person, corporation, partnership, limited partnership, association, joint stock company, joint venture, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

7. "Released Persons" means Defendants and any of their current, former or future parents, subsidiaries, affiliates, partners, joint venturers, officers, directors, principals, shareholders, members, agents (acting in their capacity as agents), employees, attorneys, advisors, accountants, associates and any other individual or entity in which any

Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the current, former and future legal representatives, heirs, successors in interest or assigns of the Defendants .

8. "Settling Parties" means collectively the Defendants and the Released Parties, Members of the Class, Lead Plaintiffs in the Litigation, and Lead Plaintiffs' Counsel.

III. CLAIMANT IDENTIFICATION

1. If you purchased or otherwise acquired StockerYale Stock during the Class Period and held the certificate(s) in your name, you are the beneficial purchaser as well as the record purchaser. If, however, you purchased or otherwise acquired StockerYale Stock during the Class Period and the certificate(s) were registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial purchaser and the third party is the record purchaser.

2. Use Part I of this form entitled "Claimant Identification" to identify each purchaser of record ("nominee"), if different from the beneficial purchaser of StockerYale Stock which forms the basis of this claim. **THIS CLAIM MUST BE FILED BY THE ACTUAL BENEFICIAL PURCHASER OR PURCHASERS, OR THE LEGAL REPRESENTATIVE OF SUCH PURCHASER OR PURCHASERS, OF THE STOCKERYALE STOCK UPON WHICH THIS CLAIM IS BASED.**

3. All joint purchasers must sign this claim. Executors, administrators, guardians, conservators and trustees must complete and sign this claim on behalf of Persons represented by them and their authority must accompany this claim and their titles or capacities must be stated. The Social Security (or taxpayer identification) number and telephone number of the beneficial owner may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

IV. CLAIM FORM

1. Use Part II of this form entitled "Schedule of Transactions in StockerYale Stock." to supply all required details of your transaction(s) in StockerYale Stock. If you need more space or additional schedules, attach separate sheets giving all of the required information in substantially the same form. Sign and print or type your name on each additional sheet.

2. On the schedules, provide all of the requested information with respect to all of your purchases or acquisitions and all of your sales of StockerYale Stock which took place at any time beginning April 19, 2004 through and including May 24, 2005, whether such transactions resulted in a profit or a loss. Failure to report all such transactions may result in the rejection of your claim.

3. List each transaction in the Class Period separately and in chronological order, by trade date, beginning with the earliest. You must accurately provide the month, day and year of each transaction you list.

4. The term "Purchase Price" means the amount paid for the securities (excluding commissions and transfer taxes) and the term "Sales Price" means the amount realized on the sale of the securities (excluding commissions and transfer taxes). The date of the purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date. The covering purchase of a short sale of StockerYale Stock is not an eligible purchase for purposes of the Settlement.

5. Broker confirmations or other documentation of your transactions in StockerYale Stock should be attached to your claim. Failure to provide this documentation could delay verification of your claim or result in rejection of your claim.

6. The above requests are designed to provide the minimum amount of information necessary to process the most simple claims. The Claims Administrator may request additional information as required to efficiently and reliably calculate your losses. In some cases where the Claims Administrator cannot perform the calculation accurately or at a reasonable cost to the Class with the information provided, the Claims Administrator may condition acceptance of the claim upon the production of additional information and/or the hiring of an accounting expert at the Claimant's cost.

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW HAMPSHIRE**

In re: StockerYale, Inc. Securities Litigation, Master File No. 1:05cv00177-SM (D.N.H.)

PROOF OF CLAIM

Must be Postmarked No Later Than: December 3, 2007

Please Type or Print

PART I: CLAIMANT IDENTIFICATION

--

Beneficial Owner's Name (First, Middle, Last)

--

Joint Owner's Name (First Middle, Last)

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Record Owner's Name (if different from Beneficial Owner list above)

--

Street Address

	State	Zip Code	-	
--	-------	----------	---	--

City

--

Foreign Province

Foreign Country

Social Security Number:	-	-	OR	Taxpayer Identification Number:	-	-
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Area Code	-	-	Area Code	-	-	Area Code	-	-
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Telephone Number (Day)

Telephone Number (Evening)

Facsimile Number

--

E-Mail Address

Check appropriate box:

Individual/Sole Proprietor
 Corporation
 Partnership
 Trust
 IRA
 Pension Plan
 Other _____

PART II: SCHEDULE OF TRANSACTIONS IN STOCKERYALE STOCK

A. Number of shares of StockerYale Stock held at the beginning of trading on April 19, 2004:

Shares of Common Stock:

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B. Purchases or Acquisitions (April 19, 2004 – May 24, 2005, inclusive) of StockerYale Stock:

	Date(s) of Purchase <i>(List Chronologically)</i> (Month / Day / Year)	Number of Shares Purchased or Acquired	Price Per Share (excluding commissions and transfer taxes)	Total Purchase Price (excluding commissions and transfer taxes)																
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IMPORTANT: Identify by number listed above all purchases in which you covered a "short sale": _____

C. Sales (April 19, 2004 – May 24, 2005, inclusive) of StockerYale Stock:

	Date(s) of Purchase <i>(List Chronologically)</i> (Month / Day / Year)	Number of Shares Sold	Price Per Share (excluding commissions and transfer taxes)	Total Sale Price (excluding commissions and transfer taxes)																
1.	<table border="1" style="display:inline-table; border-collapse: collapse;"><tr><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td></tr></table>				<table border="1" style="display:inline-table; border-collapse: collapse;"><tr><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td></tr></table>						\$ <table border="1" style="display:inline-table; border-collapse: collapse;"><tr><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td></tr></table>					\$ <table border="1" style="display:inline-table; border-collapse: collapse;"><tr><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td><td style="width:20px; height: 20px;"></td></tr></table>				
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D. Number of StockerYale shares held at close of trading on May 24, 2005:

Shares of Common Stock:

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If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.

YOU MUST READ THE RELEASE AND SIGN ON PAGE 5.

V. SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I (We) submit this Proof of Claim and Release under the terms of the Stipulation of Settlement described in the Notice. I (We) also submit to the jurisdiction of the United States District Court for District of New Hampshire, with respect to my (our) claim as a Class Member and for purposes of enforcing the release set forth herein. I (We) further acknowledge that I am (we are) bound by and subject to the terms of any judgment that may be entered in the Litigation. I (We) agree to furnish additional information to support this claim if required to do so. I (We) have not submitted any other claim covering the same purchases or acquisitions of StockerYale Stock during the Class Period and know of no other Person having done so on my (our) behalf.

VI. RELEASE

1. I (We) hereby acknowledge full and complete satisfaction of, and do hereby fully, finally and forever settle, release and discharge from the Settled Claims each and all of the Defendants and all other Released Parties, defined as the Defendants and any of their current, former or future parents, subsidiaries, affiliates, partners, joint venturers, officers, directors, principals, shareholders, members, agents (acting in their capacity as agents), employees, attorneys, advisors, accountants, associates and any other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants and the current, former and future legal representatives, heirs, successors in interest or assigns of the Defendants.

2. "Settled Claims" means any and all claims, debts, demands, liabilities, rights and causes of action of every nature and description whatsoever (including but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or unmatured, whether class or individual in nature, including both known claims and Unknown Claims (as defined in ¶3 below), (i) that have been asserted in this Action by the Class Members or any of them against any of the Released Parties, including without limitation any claim arising out of or relating to any of the acts, omissions, misrepresentations, facts, events, matters, transactions or occurrences referred to in the Action or otherwise alleged, asserted or contended in the Action; or (ii) that could have been alleged, asserted or contended in any forum by the Class Members or any of them against any of the Released Parties which arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Complaint or which relate to the purchase of StockerYale Stock during the Class Period, including, without limitation, claims for fraud, negligent misrepresentation, negligence, gross negligence, breach of fiduciary duty, breach of duty of care, breach of duty of loyalty, or violations of any state or federal statutes, rules, or regulations, or based upon or related in any way to the purchase, acquisition, sale or holding of StockerYale common stock, by Plaintiffs or any Class Member, on behalf of themselves, their heirs, executors, administrators, successors, and assigns against the Defendants or the Released Parties or any of them. Settled Claims also include any and all claims arising out of, relating to, or in connection with the Settlement or resolution of the Action against the Released Parties (including Unknown Claims), except claims to enforce any of the terms of this Stipulation.

3. "Unknown Claims" means any Settled Claims which any Lead Plaintiff or member of the Class does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its decision with respect to the settlement, including, but not limited to, the decision not to object to the settlement, and any Settled Defendants' Claims which any Defendant does not know or expect to exist in his, her or its favor, which if known by him, her, or it might have affected his, her, or its decision(s) with respect to the Settlement. With respect to any and all Settled Claims and Settled Defendants' Claims, the Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiffs and Defendants shall each expressly, and each member of the Class shall be deemed to have, and by operation of the Order and Final Judgment shall have, expressly waived the provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law or international or foreign law, which is similar, comparable and equivalent to California Civil Code § 1542, which provides: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." Lead Plaintiffs and Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Settled Claims, but the Lead Plaintiffs shall expressly fully, finally, and forever settle and release, and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Order and Final Judgment shall have, fully, finally, and forever settled and released any and all Settled Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiffs and Defendants acknowledge, and shall be deemed by operation of the Order and Final Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

4. This release shall be of no force or effect unless and until the Court approves the Stipulation of Settlement and the Stipulation becomes effective on the Effective Date (as defined in the Stipulation).

5. I (We) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.

6. I (We) hereby warrant and represent that I (we) have included information about all of my (our) transactions in StockerYale Stock which occurred during the Class Period as well as the number of shares of StockerYale Stock held by me (us) at the opening of trading on April 19, 2004 and at the close of trading on May 24, 2005.

SUBSTITUTE FORM W-9

Request for Taxpayer Identification Number ("TIN") and Certification

PART I

NAME: _____

Check appropriate box: Individual/Sole Proprietor Corporation Partnership Trust
 IRA Pension Plan Other _____

Enter TIN on appropriate line.

For individuals, this is your Social Security Number ("SSN").

For sole proprietors, you must show your individual name, but you may also enter your business or "doing business as" name. You may enter either your SSN or your Employer Identification Number ("EIN").

For other entities, it is your EIN.

____ - ____ - ____ or ____ - ____ - ____
Social Security Number Employer Identification Number

PART II

For Payees Exempt from Backup Withholding

If you are exempt from backup withholding, enter your correct TIN in Part I and write "exempt" on the following line: _____

PART III

Certification

UNDER THE PENALTY OF PERJURY, I (WE) CERTIFY THAT:

- 1. The number shown on this form is my (our) correct TIN; and
- 2. I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406 (a)(1)(C) of the Internal Revenue Code because: (a) I am (we are) exempt from backup withholding; or (b) I (we) have not been notified by the Internal Revenue Service that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends; or (c) the Internal Revenue Service has notified me (us) that I am (we are) no longer subject to backup withholding.

NOTE: If you have been notified by the Internal Revenue Service that you are subject to backup withholding, you must cross out Item 2 above.

SEE ENCLOSED FORM W-9 INSTRUCTIONS

The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

I (We) declare under penalty of perjury under the laws of the United States of America that the foregoing information supplied by the undersigned is true and correct. Executed this _____ day of _____ (month) _____ (year), in _____, _____ (City), _____ (State/Country).

(Sign your name here)

(Type or print your name here)

Signature of Joint Claimant, if any

(Print your name here)

Signature of person signing on behalf of claimant

(Print your name here)

(Capacity of person(s) signing, e.g., Beneficial Purchaser, Executor or Administrator)

**ACCURATE CLAIMS PROCESSING TAKES A SIGNIFICANT AMOUNT OF TIME.
THANK YOU FOR YOUR PATIENCE.**

StockerYale Securities Litigation
c/o Strategic Claims Services
P.O. Box 230
Media, PA 19063

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PLEASE FORWARD—IMPORTANT LEGAL NOTICE

Reminder Checklist:

1. Please sign the above release and declaration.
2. Remember to attach supporting documentation.
3. Do not send original of stock certificates.
4. Keep a copy of your claim form for your records.
5. If you desire an acknowledgment of receipt of your claim form, please send it Certified Mail, Return Receipt Requested.
6. If you move, please send us your new address.