# Quarterly Report

April 30, 2010

Roumell Asset Management, LLC

## First Quarter Summary

### Performance Summary

| | | Annualized as of 3/31/10 | | | | | Total Return |
|---|---|---|---|---|---|---|---|
| | 1Q 2010 | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception* | Since Inception* |
| **Roumell Equity (Net)** | **4.58%** | **63.54%** | **-0.45%** | **5.05%** | **8.19%** | **11.42%** | **237.65%** |
| S&P 500 | 5.39% | 49.77% | -4.16% | 1.92% | -0.65% | 1.33% | 15.97% |
| Russell 2000 | 8.85% | 62.76% | -3.99% | 3.36% | 3.68% | 5.69% | 86.42% |
| Russell 2000 Value | 10.02% | 65.08% | -5.71% | 2.75% | 8.90% | 8.09% | 139.90% |
| **Roumell Balanced (Net)** | **3.88%** | **45.40%** | **-1.29%** | **3.74%** | **6.85%** | **8.24%** | **143.75%** |
| Thomson US Bal Index | 3.81% | 35.35% | -0.82% | 2.86% | 2.05% | 2.79% | 36.36% |
| **Roumell Fixed Income (Net)** | **3.34%** | **43.20%** | **N/A** | **N/A** | **N/A** | **32.88%** | **42.67%** |
| Barclays US Aggregate Bond | 1.78% | 7.69% | N/A | N/A | N/A | 6.21% | 7.82% |
| Barclays US Corp Hi Yield | 4.62% | 56.18% | N/A | N/A | N/A | 49.65% | 65.52% |

**Inception of Roumell Equity and Roumell Balanced is 1/1/99. Inception of Roumell Fixed Income is 1/1/09.*

*Roumell Asset Management, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Ashland Partners & Co. LLP, our independent verifier, completed its examination of the composite performance returns for the period of 1999 (inception) through December 31, 2009. All returns include reinvested dividends and interest. Please refer to the annual disclosure presentations at the end of this letter.*

As we look to opportunistically deploy capital on a bottom-up fundamental basis, with a deep-value bias, we want to take into account, in some measure, the macroeconomic environment that surrounds us. In a recent letter, we discussed the stressed nature of consumer balance sheets. In this letter, we highlight another macro issue, namely government debt levels. We conclude with how our security selection process is influenced by our thinking on this important matter. Hint—we are cautious and paying attention to the potential consequences of current fiscal policies.

The national economic debate today seems to be centered on our government's response to the challenges of the past two years. To wit, should the government "deficit spend" in the absence of sufficient private demand to stop a further economic free fall (an idea promulgated by John Maynard Keynes) or should it stand by, let the scene play out, and perhaps even aggressively cut taxes (further) to stimulate economic activity (supply-side economics, originally put forth to combat the stagflation, or inflation with no growth, of the 1970s)? Well, to quote a recent Hollywood movie title, "It's complicated." Nonetheless, we would argue that the government's response has been, by and large, necessary, prudent, and effective. How many governments faced with a similar set of circumstances chose a fundamentally different response? None. Are they all wrong? Certainly, we have created new problems that will need to be solved, but as the saying goes, you have to put out the fire first.

Political courage and intellectual honesty are in short supply and, thus, more noteworthy when they appear. Bruce Bartlett was a domestic policy adviser to President Ronald Reagan, a staffer to Jack Kemp,



2 Wisconsin Circle, Suite 660 • Chevy Chase, Maryland 20815 • P: 301-656-8500 F: 301-656-8501 • www.roumellasset.com

and is considered one of the originators of Reaganomics, the supply-side theory that conservatives have long championed. Today, Bartlett is a bit more nuanced in his thinking and believes that there is no magic economic formula but rather solutions that are designed to solve certain economic problems. He's no longer in the "one size fits all" camp. In his book *The New American Economy: The Failure of Reaganomics and a New Way Forward,* Bartlett argues convincingly that while supply-side ideas helped solve the crisis of stagflation in the 1970s, Keynesian theory helped drive a successful response to the 1930s Depression and was an appropriate one to the current crisis as well. Unfortunately, economic ideas tend to overstay their welcome as adherents come to believe in their persistent utility. According to Bartlett, "Keynesian economics worked in the 1930s because it was designed for deflationary conditions. But applied when deflation wasn't a problem, it stimulated inflation." Regarding the economic framework he helped develop, Bartlett now says, "In my opinion, it is time for supply-side economics as a distinctive school of thought to go peacefully into the night.... The things that were right about supply-side economics have been fully incorporated into mainstream economics."

Similarly, Gregory Mankiw, Chairman of President George W. Bush's Council of Economic Advisers and now a visiting fellow at the conservative American Enterprise Institute, has contributed to the debate about government intervention in a thoughtful and reasonable manner that is too often lacking. In 1992, while an economist at Harvard University, Mankiw said, "[A]fter fifty years of additional progress in economic science, *The General Theory* (Keynes' landmark effort) is an outdated book. We are in a much better position than Keynes was to figure out how the economy works." In November 2008, however, faced with conditions that were, in fact, reminiscent of the 1930s, Mankiw wrote a piece in the *New York Times* in which he asserted, "If you were going to turn to only one economist to understand the problems facing the economy, there is little doubt that the economist would be John Maynard Keynes. Although Keynes died more than a half-century ago, his diagnosis of recessions and depressions remains the foundation of modern macroeconomics. His insights go a long way toward explaining the challenges we now confront." How many policymakers, intellectuals, or politicians correct themselves? Few Democrats are willing to entertain the notion that pushing homeownership rates from levels below 65% up toward 70% played a role in the current crisis. And few Republicans are willing to come clean about the consequences of deregulation.

Whether in the United States, Europe, or China, the answer to plunging private demand has been strikingly similar—government spending. Critics rightly highlight the liabilities associated with the practice but rarely note that a given nation acquires assets as well that will also be passed on to future generations (i.e., balance sheets have two sides). Further, critics often fail to note that 40% of the Administration's stimulus package went toward tax cuts. Ben Bernanke, Chairman of the Federal Reserve, seems to us to have gotten it right when he recently said, "In the current episode, in contrast to the 1930s, policymakers around the world worked assiduously to stabilize the financial system. As a result, although the economic consequences of the financial crisis have been painfully severe, the world was spared an even worse cataclysm that could have rivaled or surpassed the Great Depression." So far, the results speak for themselves:

- High yield spreads over U.S. Treasuries have dropped from 2,100 basis points to roughly 600.
- The U.S. stock market has risen 70% off its low.
- Unemployment has stabilized.
- Banks' equity-to-asset ratio is the highest it has been since 1938—11%.
- Banks have paid back roughly 75% of their debt to taxpayers.

These are not small accomplishments. Market responses to the Administration's efforts have led to much needed private "animal spirits" resulting from a rise in confidence. In March 2009, as the stock market plunged and credit spreads widened, critics often argued that the market was effectively "voting" its view of the Administration's policies. Are the critics willing to concede the vote tally today?

What will all this cost? Taxes must be raised and spending must be cut, principally by reforming entitlement programs, to ensure a sounder future economy. This shouldn't kill us. In fact, total federal tax receipts as a percentage of Gross Domestic Product (GDP) have consistently ranged between 15% and 20% for the past sixty years (regardless of marginal tax rates) and now stand at just under 16%. Moreover, a meaningful federal tax increase has not been enacted in the United States since 1993. Charges of "redistributionism" from Wall Streeters who cloak their arguments in the need to incentivize capital formation are self-serving. Hedge fund managers enjoy a reduced 15% tax rate on their fees since these fees are characterized as capital gains—*that's* redistributive. Where are the New York congresspeople (principally Democrats) who are typically populist in their rhetoric but absolutely AWOL on this giveaway?

There is little question that rising national debt levels raise serious risks to mid- and long-term economic prospects and should in no way be discounted. The U.S. federal debt as a percentage of GDP is at levels not seen since World War II. However, unlike then, we do not have the tailwinds of a youthful population or the task of rebuilding Europe. Our debt-to-GDP is now at roughly 84%; it is believed to have a material impact on growth at 90%. Further, the debt crisis could hardly be happening at a worse time for the United States. The first boomers turn sixty-five years old in 2011, which will no doubt be accompanied by pressure to increase federal spending on Social Security and Medicare.

Our country's budget problems are compounded by our past failure to save during the boom times. Among other things, we went to war without asking our citizens to pay for it: the nation's total public debt stood at $5.7 trillion when George W. Bush took office; it was $10.6 trillion when he left office; it's at $12.8 trillion today. Ideally, a country works like a well-managed company or family: you squirrel away savings during the good times (because they never last) to help you through the challenging ones.

The problem could worsen when interest rates rise. Creditors are beginning to demand a greater return for financing our debt needs. Most economists believe that rising rates are an inevitable outcome of rising debt levels. In fact, the thirty-year decline in the cost of borrowing appears to be coming to an end.

Will we enact initiatives that bend the curve on deficit spending to put the nation on firmer economic footing? It's questionable. Larry Diamond, a Stanford University democracy expert, says, "If you don't get governance right, it is very hard to get anything else right that government needs to deal with. We have to rethink in some basic ways how our political institutions work, because they are increasingly incapable of delivering effective solutions any longer." Our inability to craft real solutions that require tough choices about taxes, spending, and entitlements will not be judged well by history. When George H. W. Bush's economic advisers convinced him that tax increases were necessary to combat Reagan-era debt, he reluctantly went along even though the move was counter to a strongly worded campaign promise. Bush's actions serve as an example of real political leadership. Will President Obama break any campaign pledges, or challenge his own party, because his economic advisers say he must do so in order to strengthen our economic prospects?

Help in crafting legislation may be on the way from the old bulls. In 2007, four former Senate majority leaders, Democrats Tom Daschle and George Mitchell, and Republicans Howard Baker and Bob Dole, came together to found the Bipartisan Policy Center (BPC), which seeks to "develop and promote solutions that can attract public support and political momentum in order to achieve real progress. The BPC

acts as an incubator for policy efforts that engage top political figures, advocates, academics and business leaders in the art of principled compromise." In addition, former Republican Sen. Alan Simpson accepted the President's appointment to the bipartisan National Commission on Fiscal Responsibility and Reform. Hopefully, these efforts will overtake the "food fight" theatrics with sound, responsible solutions to our fiscal challenges.

In the meantime, what does all this mean for how we construct portfolios and, specifically, select securities? First, we are not buying into the headlines populating the financial press. For example, *Barron's* March 22 cover confidently states, "Double Dip? Hell, No!" Second, in our bond selections, we look for mispricing in high yield corporate debt and are, therefore, less concerned about rising interest rates than investors in U.S. Treasury or investment grade bonds. That said, we are cognizant of the effect of rising interest rates on bond prices, particularly on longer-term maturities. For this reason, most of our bond holdings have maturities of seven years or less. Finally, we patiently wait for mistakes — mispricing — to occur in specific securities. The one stock among our top purchases in the first quarter, Great Lakes, illustrates this point well. Great Lakes is an asset-rich company we have been watching for about two years. It dropped 25% in one week because disappointed growth investors who had expected better fourth quarter 2009 earnings dumped the stock. We believe caution, patience, and a healthy skepticism about the market's current euphoria will serve us well. We remain mindful of what can go wrong while looking for specific investments that meet a high margin of safety requirement.

## Our Top Purchases

**Stone Energy Corp. 8.625% 2/1/2017 Bonds.** We acquired the newly-issued Stone Energy 2017 bonds at a slight discount to par and a yield-to-maturity of 9% in tandem with tendering our position in the 8.25% 2011 notes at a slight premium to par. Our Stone Energy bond investment thesis has not changed materially from when we first wrote about the investment in our first quarter 2009 letter. For a more detailed discussion, please refer to last year's letter, available on our website on the "Quarterly Update" page.

**O'Charley's Inc. 9% 11/1/2013 Bonds.** O'Charley's is a casual dining restaurant company that operates under the O'Charley's, Ninety Nine, and Stoney River Legendary Steaks trade names. We purchased the O'Charley's bonds at a slight premium to par and a yield-to-worst of 8.9% assuming the bonds are called in November 2011.

Our outlook on O'Charley's bonds is based on blending a hard asset value appraisal of its 102 restaurant properties and an earnings-based approach looking at adjusted net debt (including the net present value of operating leases) as a multiple of EBITDA. We value O'Charley's company-owned restaurant properties at $1.5 million per property, implying a $155 million value for the entire company-owned portfolio, or about 1.4x the company's net debt of $110 million. In late 2009, roughly half of the company-owned restaurants, fifty, were appraised at $96 million as part of the renegotiation of O'Charley's credit facility. We are confident that the implied $1.92 million per property value assigned by the lending group is reasonable for the fifty specific properties. Given that the remaining fifty-two properties could be significantly less attractive than those appraised by the lending group and thus not as valuable, we conservatively assign a $1 million valuation per property for this subset. Combining the bank-appraised and remaining portion of the company-owned real estate portfolio results in a blended average value per restaurant of roughly $1.5 million. Of note, this valuation approach assigns no value to O'Charley's brand names or to the operations of the other roughly 260 restaurants that are leased. O'Charley's is also attractive on a pure net debt (including the present value of operating leases)/TTM EBITDA basis of 3.6x.

In early 2009, O'Charley's brought in new management led by Phil Hickey, former Chairman and CEO of Rare Hospitality, who assumed the position of Chairman. Mr. Hickey has an impressive restaurant industry track record, evidenced by the increase of Rare Hospitality's earnings per share by fourfold under his leadership from 1998 to 2006, before its sale to Darden Restaurants for roughly $1.4 billion in 2007. Current management appears to be taking an intelligent approach to managing the business by cutting costs and almost completely eliminating new store openings. The new approach has already yielded improved results at O'Charley's, with free cash flow increasing from $7 million in 2008 to $34 million in 2009, driven primarily by reduced capital expenditures.

**Reddy Ice Holdings 10.5% 11/1/2012 Bonds.** Reddy Ice is a manufacturer and distributor of packaged ice in the southern and mid-Atlantic regions of the United States. Its packaged ice is sold in supermarkets, big-box retailers, convenience stores, and to wholesale ice and food distributors for commercial and industrial use. We acquired the Reddy Ice bonds at an average price of $982.50 per $1,000 principal for a yield-to-maturity of 11.4%.

Reddy Ice, admittedly, is one of our more highly leveraged investments at 5.6x net debt of $390 million/2010 EBITDA estimate of $70 million. Although packaged ice was once believed to be insulated from the effects of economic cycles, the current recession has disproved the notion that sales from this industry are not exposed to macroeconomic lulls, as evidenced by Reddy Ice's top line results falling by 8% and EBITDA falling 20% in 2009 from peak 2007 results. We view Reddy Ice's 2009 financial results as trough performance and believe that with any improvement in demand by consumer, industrial, or commercial end users, sales and profitability will improve meaningfully.

**Great Lakes Dredge & Dock, GLDD.** The company's 2009 annual report says it best: "Great Lakes operations span the period between 1890 and the present day, and have helped shape the living environment and transportation resources of communities across the world, including America's largest cities and their ports. Great Lakes has played a major role in creating shorelines and water-ways through its dredging and construction activities. During this period, Great Lakes has grown to be the largest dredging contractor in the U.S., and a major international competitor."

This company owns real assets: hydraulic cutter suction dredges, hopper and mechanical dredges, and tugboats. In 2009, GLDD was awarded U.S. contracts totaling $533 million, roughly 47% of a market total in excess of $1 billion. The company's average market share for the previous three years was 42%. The company is currently involved in the deepening of the Panama Canal, which in time will result in the need for East Coast and Gulf Coast ports to be deepened and widened as well. Additionally, the Harbor Maintenance Trust Fund will present significant bidding opportunities as that money is unlocked, although the timing is difficult to handicap.

GLDD represents an equity we are willing to purchase on an opportunistic basis in the current environment: an asset-rich company standing in front of favorable long-term business prospects. We are comfortable with what we paid for the assets even though we cannot time the cash flows to be ultimately generated from such assets. The company's annual report estimates the replacement value of its equipment at $1.5 billion. Assuming a 50% discount to the company's replacement value estimate, we still purchased our GLDD shares at a 50%+ discount to intrinsic value.

Disclosure: The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. The top securities purchased in the quarter are based on the largest absolute dollar purchases made in the quarter.

## Roumell Asset Management, LLC
## Balanced Composite
## Annual Disclosure Presentation

| YEAR END | TOTAL FIRM ASSETS (MILLIONS) | COMPOSITE ASSETS | | ANNUAL PERFORMANCE RESULTS | | |
|---|---|---|---|---|---|---|
| | | USD (MILLIONS) | NUMBER OF ACCOUNTS | COMPOSITE NET | THOMSON US BALANCED MUTUAL FUND | COMPOSITE DISPERSION |
| 2009 | 249 | 55 | 124 | 33.19% | 23.19% | 5.79% |
| 2008 | 166 | 40 | 121 | -22.82% | -26.97% | 5.01% |
| 2007 | 270 | 75 | 154 | -7.58% | 5.76% | 3.71% |
| 2006 | 280 | 87 | 158 | 14.00% | 10.47% | 3.69% |
| 2005 | 199 | 73 | 142 | 8.56% | 4.22% | 2.67% |
| 2004 | 123 | 66 | 119 | 16.48% | 7.79% | 3.82% |
| 2003 | 66 | 42 | 100 | 28.26% | 18.60% | 3.94% |
| 2002 | 41 | 27 | 79 | -9.70% | -11.36% | 3.77% |
| 2001 | 31 | 17 | 39 | 21.18% | -4.19% | 4.75% |
| 2000 | 19 | 10 | 23 | 8.47% | 1.95% | 4.53% |
| 1999 | 16 | 9 | 22 | 12.53% | 8.35% | 2.63% |

**Balanced Composite** contains fully discretionary balanced accounts (consisting of equity, fixed income, and cash investments) and for comparison purposes is measured against the Thomson US Balanced Mutual Fund Index. In presentations shown prior to March 31, 2006, the composite was also compared against the Lipper Balanced Index. Additionally, in presentations prior to December 2006, the composite was measured against the Vanguard Balanced Index Fund. The Thomson US Balanced Mutual Fund Index is a blend of more than 500 balanced mutual funds and is therefore deemed to more accurately reflect the strategy of the composite.

Roumell Asset Management, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Roumell Asset Management, LLC is an independent registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results.

The U.S. dollar is the currency used to express performance. Returns are presented net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. Net returns are reduced by all fees and transaction costs incurred. Wrap fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes investment management, portfolio monitoring, consulting services, and in some cases, custodial services. Prior to and post 2006, there were no wrap fee accounts in the composite. For the year ended December 31, 2006, wrap fee accounts made up less than 1% of the composite. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Returns include the effect of foreign currency exchange rates. Exchange rate source utilized by the portfolios within the composite may vary. Composite performance is presented net of foreign withholding taxes. Withholding taxes may vary according to the investor's domicile.

The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite for the entire year. Dispersion calculations are greater as a result of managing accounts on a client relationship basis. Securities are bought based on the combined value of all portfolios of a client relationship and then allocated to one account within a client relationship. Therefore, accounts within a client relationship will hold different securities. The result is greater dispersion amongst accounts. Additional information regarding the policies for calculating and reporting returns is available upon request.

The investment management fee schedule for the composite is as follows: for Direct Portfolio Management Services: 1.75% on the first $200,000, 1.50% on the next $300,000, and 1.00% on assets over $500,000; for Sub-Adviser Services: determined by adviser; for Wrap Fee Services: determined by sponsor. Actual investment advisory fees incurred by clients may vary.

The Balanced Composite was created January 1, 1999. Roumell Asset Management, LLC's compliance with the GIPS® standards has been verified for the period January 1, 1999 through December 31, 2009 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the Balanced Composite beginning January 1, 1999. A copy of the verification report is available upon request.

## Roumell Asset Management, LLC
## Fixed Income Composite
## Annual Disclosure Presentation

| | | Composite Assets | | Annual Performance Results | | | |
|---|---|---|---|---|---|---|---|
| Year End | Total Firm Assets (Millions) | USD (Millions) | Number of Accounts | Composite Net | Barclays US Aggregate Bond | Barclays US Corp High Yield | Composite Dispersion |
| 2009 | 249 | 5 | 11 | 38.06% | 5.94% | 58.21% | N/A |

*N/A—Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.*

**Fixed Income Composite** contains fully discretionary fixed income accounts (consisting of closed-end bond funds, individual bonds, and open-end bond funds) and for comparison purposes is measured against the Barclays Capital US Aggregate Index and Barclays Capital US Corporate High Yield Index.

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The U.S. dollar is the currency used to express performance. Returns are presented net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. For certain of these accounts, net returns have been reduced by a performance-based fee of 20% of profits, paid annually in the first quarter. Net returns are reduced by all fees and transaction costs incurred. Returns include the effect of foreign currency exchange rates. Exchange rate source utilized by the portfolios within the composite may vary. Composite performance is presented net of foreign withholding taxes. Withholding taxes may vary according to the investor's domicile.

The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite for the entire year. Dispersion calculations are greater as a result of managing accounts on a client relationship basis. Securities are bought based on the combined value of all portfolios of a client relationship and then allocated to one account within a client relationship. Therefore, accounts within a client relationship will hold different securities. The result is greater dispersion amongst accounts. Additional information regarding the policies for calculating and reporting returns is available upon request.

The investment management fee schedule for the composite is as follows: for Direct Portfolio Management Services: 1.00% on all assets; for Sub-Adviser Services: determined by adviser. Actual investment advisory fees incurred by clients may vary.

The Fixed Income Composite was created and incepted January 1, 2009. Roumell Asset Management, LLC's compliance with the GIPS® standards has been verified for the period January 1, 1999 through December 31, 2009 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the Fixed Income Composite beginning January 1, 2009. A copy of the verification report is available upon request.

# Roumell Asset Management, LLC
# Equity Composite
# Annual Disclosure Presentation

| | | COMPOSITE ASSETS | | ANNUAL PERFORMANCE RESULTS | | | | |
|---|---|---|---|---|---|---|---|---|
| YEAR END | TOTAL FIRM ASSETS (MILLIONS) | USD (MILLIONS) | NUMBER OF ACCOUNTS | COMPOSITE NET | S&P 500 | RUSSELL 2000 | RUSSELL 2000 VALUE | COMPOSITE DISPERSION |
| 2009 | 249 | 153 | 414 | 42.19% | 26.47% | 27.18% | 20.57% | 5.57% |
| 2008 | 166 | 104 | 413 | -27.35% | -36.99% | -33.79% | -28.93% | 3.40% |
| 2007 | 270 | 178 | 549 | -7.67% | 5.49% | -1.57% | -9.78% | 2.68% |
| 2006 | 280 | 176 | 458 | 16.89% | 15.79% | 18.37% | 23.48% | 2.18% |
| 2005 | 199 | 111 | 312 | 12.38% | 4.91% | 4.55% | 4.71% | 2.59% |
| 2004 | 123 | 47 | 125 | 20.18% | 10.88% | 18.33% | 22.25% | 2.69% |
| 2003 | 66 | 15 | 46 | 32.13% | 28.69% | 47.25% | 46.03% | 4.04% |
| 2002 | 41 | 8 | 44 | -10.15% | -22.10% | -20.48% | -11.43% | 4.33% |
| 2001 | 31 | 5 | 30 | 32.76% | -11.89% | 2.49% | 14.02% | 6.33% |
| 2000 | 19 | 2 | 12 | 7.97% | -9.10% | -3.02% | 22.83% | 4.05% |
| 1999 | 16 | 2 | 9 | 26.02% | 21.04% | 21.26% | -1.49% | 3.92% |

**Equity Composite** contains fully discretionary equity accounts and for comparison purposes is measured against the S&P 500, Russell 2000, and Russell 2000 Value Indices. The S&P 500 Index is used for comparative purposes only and is not meant to be indicative of the Equity Composite performance. In presentations shown prior to March 31, 2005, the composite was also compared against the Nasdaq Index. The benchmark was eliminated since it did not represent the strategy of the composite.

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Roumell Asset Management, LLC is an independent registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results.

The U.S. dollar is the currency used to express performance. Returns are presented net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. Net returns are reduced by all fees and transaction costs incurred. Wrap fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes investment management, portfolio monitoring, consulting services, and in some cases, custodial services. Wrap accounts are included in the composite. As of December 31, 2006, 2007, 2008, and 2009, wrap fee accounts made up 33%, 36%, 31%, and 33% of the composite, respectively. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Returns include the effect of foreign currency exchange rates. Exchange rate source utilized by the portfolios within the composite may vary. Composite performance is presented net of foreign withholding taxes. Withholding taxes may vary according to the investor's domicile.

The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite for the entire year. Dispersion calculations are greater as a result of managing accounts on a client relationship basis. Securities are bought based on the combined value of all portfolios of a client relationship and then allocated to one account within a client relationship. Therefore, accounts within a client relationship will hold different securities. The result is greater dispersion amongst accounts. Additional information regarding the policies for calculating and reporting returns is available upon request.

The investment management fee schedule for the composite is as follows: for Direct Portfolio Management Services: 1.75% on the first $200,000, 1.50% on the next $300,000, and 1.00% on assets over $500,000; for Sub-Adviser Services: determined by adviser; for Wrap Fee Services: determined by sponsor. Actual investment advisory fees incurred by clients may vary.

The Equity Composite was created January 1, 1999. Roumell Asset Management, LLC's compliance with the GIPS® standards has been verified for the period January 1, 1999 through December 31, 2009 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the Equity Composite beginning January 1, 1999. A copy of the verification report is available upon request.