Quarterly Report

July 31, 2010

Roumell Asset Management, LLC

Second Quarter Summary

Performance Summary

		Annualized as of 6/30/10						Total Return
	2Q 2010	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Since Inception*
Roumell Equity (Net)	**-3.71%**	**0.70%**	**25.99%**	**-2.95%**	**3.60%**	**7.51%**	**10.80%**	**225.12%**
S&P 500	-11.43%	-6.65%	14.43%	-9.81%	-0.79%	-1.59%	0.23%	2.72%
Russell 2000	-9.92%	-1.95%	21.48%	-8.61%	0.37%	3.00%	4.61%	67.92%
Russell 2000 Value	-10.60%	-1.64%	25.07%	-9.85%	-0.52%	7.48%	6.86%	114.47%
Roumell Balanced (Net)	**-3.06%**	**0.70%**	**20.21%**	**-3.05%**	**2.56%**	**6.16%**	**7.76%**	**136.29%**
Thomson US Bal Index	-6.42%	-2.85%	12.72%	-4.18%	1.16%	1.48%	2.14%	27.60%
Roumell Fixed Income (Net)	**-0.28%**	**3.05%**	**16.83%**	**N/A**	**N/A**	**N/A**	**26.49%**	**42.27%**
Barclays US Aggregate Bond	3.49%	5.33%	9.49%	N/A	N/A	N/A	7.58%	11.58%
Barclays US Corp Hi Yield	-0.11%	4.50%	26.77%	N/A	N/A	N/A	39.83%	65.34%

**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 March 31, 2010. All returns include reinvested dividends and interest. Please refer to the annual disclosure presentations at the end of this letter.

Our North Star

How do we cut through the current economic and market noise to arrive at judicious decisions about how to allocate capital? At Roumell Asset Management, we excel at digging deeply into specific securities (stocks or bonds), assessing underlying value, and remaining highly disciplined about what we are willing to pay. We seek to practice our detailed bottom-up approach with an informed picture of economic trends. We follow statistics such as employment figures, savings rates, and consumer confidence. However, we do not attempt to be economic forecasters because we see little evidence that macroeconomic judgments translate into consistent and reliable investment results. **Investing is about price versus value, plus patience.** The best way to manage overall economic or market risk is to simply remain highly price conscious.

For sure, there are conflicting macroeconomic data in the public square. Bears and bulls are both out in full force with their arguments. Both camps have good data points, well-reasoned arguments and historical precedents that serve to buttress their thesis. However, both sides often anchor their positions in the dubious belief that they are in receipt of particular information allowing them to "call" the market's direction. This seems unlikely.

The bear thesis seems to rest on some combination of the following data points:

- Sovereign debt in the developed world is rising to unsustainable levels that will ultimately short-circuit private investment and undermine economic vitality.

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- Consumer deleveraging has not run its course and will continue to dampen private demand.
- United States taxes are sure to rise, along with regulation, and both will hamper an economic recovery.
- The number of long-term jobless, as a share of the workforce, is at its highest since 1948 and looks to be a particularly stubborn trend to reverse.

The bull thesis prefers a different set of data points:

- The economy is beginning to heal. Job losses have subsided, private sector job creation is on the rise, albeit modestly, credit spreads have tightened and the stock market has rallied—all suggestive of a bottoming phase that logically precedes a full-fledged recovery.
- Valuations are attractive. The spread between the earnings yield of the S&P 500 and the corporate bond yield is at a six-decade high.
- Corporations are sitting on massive amounts of cash. America's non-financial companies collectively hold $1.8 trillion in cash, the highest horde as a percentage of assets in nearly 50 years.
- Sentiment, a contrarian indicator, is poor. "Sophisticated" hedge fund cash is high and the American Association of Individual Investors reports sentiment at a low 21% bullish reading.

In our minds, here's what the bears seem to miss from an investment point of view: What's so great about a strong economic outlook? At the end of the Clinton Administration (January 1, 2001), our country's economic outlook appeared quite strong: unemployment was below 4%, GDP growth was solid, and the nation's balance sheet was experiencing its first budget surpluses in thirty years. The market proceeded to drop 30% in the following 24 months. Conversely, at the end of the Bush Administration (January 1, 2009), our country's outlook was decidedly poor: unemployment was at 10%, GDP was declining, and we had a $455 billion domestic budget deficit with the full expectation it was on its way to being over $1 trillion. The market responded to these dire statistics by rising 25% in the following 18 months.

Here's what we think the bulls miss: There are huge global imbalances never seen before at a time of unprecedented world-wide economic interdependence, rendering forecasting more difficult than ever before. Moreover, the seemingly cheap overall market ratios are predicated on atypical profit margins. For instance, S&P 500 revenue growth for 2011 is estimated to be a mere 6%, but profits are predicted to grow by 17%.

Each camp can buttress its arguments from the economy's front line players. The bears can point to a recent comment made by Wal-Mart's CFO, Thomas W. Schoewe: "More than ever, our customers are living paycheck to paycheck. They're very concerned about their own personal finances." Bulls would prefer to quote Intel CEO Paul S. Otellini's second quarter comments: "Intel posted its best quarter in the company's 42-year history." Otellini went on to note that the "…economies of the world continue to reflect renewed economic momentum."

The marketplace seems filled with investors, newsletter writers and cable television talking heads who feel capable of making the "big macro call." Their chances of success seem doubtful. Yes, it is true that some markets offer more investment opportunities than others because markets themselves can be analyzed. Nonetheless, even if the macroeconomic call is roughly correct, it by no means translates into a correct market call. Further, it is even less probable that such theorizing contributes meaningfully to a bottom-up oriented value investor.

What does make sense, and has proven effective as an investment narrative — with a real measure of reliability — is well stated by Benjamin Graham: "The field of analytical work may be said to rest upon a two-fold assumption: first, that the market price is frequently out of line with the true value; and, second, that there is an inherent tendency for these disparities to correct themselves." Any quality investment and its price versus value disparity ought to be visible to the naked eye. If you need a microscope to see the investment thesis, something is probably wrong. Historically, we asked the question, "Would we take this company private at its current market price?" Today, given some of the unique, and frankly not seen before, economic challenges, we have a slightly different question, "Would we take this company private at its current price *in a heartbeat?"* In our minds, "in a heartbeat" serves as our **"North Star"** allowing us to act boldly, and hopefully wisely, when presented with a compelling investment opportunity in the current environment. In the end, we believe an exceptional investment (stock or bond), dependent as it is on the price paid, will trump broad market movements, notwithstanding the occasional black-eye that the market may deliver us during our holding period. In effect, we are demanding a greater than normal margin of safety.

What exactly is a margin of safety? We analogize making an investment with taking a trip to outer space. The call often comes unexpectedly and for reasons you failed to account for, but it goes like this: "Houston, we have a problem." When that call comes from ground control (or the market), your comfort level depends upon the answer to one question — was this craft well constructed with sufficient redundancy? Redundancy is as important to us as it is for NASA engineers. In other words, if one investment thesis fails to materialize, there should be other ways for the investment to work out favorably; i.e., a different product line, a monetizable business unit or intellectual property, or perhaps an outright sale of the company. Arthur Rudolph, the Apollo scientist who developed the Saturn 5 rocket that launched the first lunar mission, noted, "You want a valve that doesn't leak and you try everything possible to develop one. But the real world provides you with a leaky valve. You have to determine how much leaking you can tolerate." Chances are Mr. Rudolph would have made a fine investor.

In terms of where precisely we are finding value opportunities, we would note that we are far more comfortable being in front of corporate balance sheets, rich as they are in cash, than consumer ones, stretched as they are. Companies are spending money on increasing productivity and technology investments are often how they accomplish this objective. We remain concerned that many consumers must continue to repair broken balance sheets and have entered a sustained period of budget tightening. Consequently, we are reticent to actively pursue companies overly dependent on consumers unless presented with particularly attractive pricing. Our investment thesis in Sierra Wireless (SWIR), discussed below, highlights our desire to emphasize extremely well-capitalized smaller companies positioned in front of strong secular growth trends as opposed to more mature GDP dependent companies.

There is little question from reviewing our current holdings that we are cautious. As a firm we have roughly 45% of our total assets invested in bonds, albeit higher yielding ones with equity-like returns in many instances. We continue to pursue such instruments as the discussion of this quarter's top purchases illustrate. That said, we are quite excited about our individual equity holdings, accounting for roughly 32% of our current portfolio, and believe they possess the "in a heartbeat" quality highlighted earlier, as do our individual bond investments.

Lastly, no combination of overall strategy and implementation tactics can be separated from individual temperament, particularly in the current environment. We believe our analytical and research strengths are anchored by emotional intelligence, mental toughness, imagination and conservative judgment. We believe our approach is straightforward and sensible.

Given our interest in corporate technology spending, we recently hired Richard J. Sherman, Jr. to our analytical team. Rich comes well prepared to assist us in these efforts. Rich has been a technology analyst since 1996. He built and managed the equity research team at MKM Partners, LLC from 2007-2009. Prior to MKM, Rich managed the institutional equity sales organization at Janney Montgomery Scott where he was a leading technology analyst principally covering software companies. Prior to becoming an equity analyst, he served as a Naval Intelligence Officer. Rich holds an MBA from Georgetown University, where he was a Master Scholar, and a BA in Economics and International Relations from Lehigh University.

Our Top Purchases

Transocean Ltd., RIG. Transocean is the market leader in the deepwater offshore drilling contracting industry. Our purchase of Transocean common stock in the second quarter was a mistake. We did not adequately assess all the risks inherent in the story post the Deepwater Horizon tragedy. This error led to an under weighting of the potential downside to our investment thesis and thus we decided to sell the position at a loss. However, we believe RIG's debt is a solid investment because the business remains sufficiently intact to cover the interests of bondholders. We do not believe that deepwater drilling is going away, only that the economics of the business and the valuation multiples applied to the business have been reduced. In buying RIG's debt, we leveraged our research effort to help mitigate our equity loss by acquiring the 1.5% convertible bonds with a put date of December 15, 2011 at a 7.6% yield-to-put.

This particular "headline risk" situation did not work out. In the past, other headline risk investments have been quite successful. For example, we invested in Merck and Pfizer in the aftermath of the Vioxx crisis in late 2004 over heightened heart-attack risk associated with anti-inflammatory drugs. In the instance of Merck, we modeled up to $15 billion in potential costs; actual costs came in at about $5 billion. We also purchased Berkshire Hathaway in late 2005 in the aftermath of Hurricanes Katrina and Rita when the market sold-off even the strongest property and casualty business in the world. Once headline risk subsided, Berkshire stock rallied back to normal historic valuation levels and our clients profited. Thus, clients have, in fact, benefited considerably in the past from purchasing panic situations—but not this time. We still believe that exploiting headline risk situations warrants our attention on a case-by-case basis.

Sierra Wireless, Inc., SWIR. Sierra Wireless is a leading developer and marketer of wireless communication solutions in the mobile computing and machine-to-machine ("M2M") markets. Sierra's products are used by industrial, commercial, government and individual end users. SWIR's revenue is about evenly divided between its mobile computing and higher growth M2M segment. In April 2009, Sierra acquired Wavecom for approximately $130 million net of cash acquired. The Wavecom acquisition meaningfully increased and improved Sierra's M2M product line. Current M2M products enable automotive broadband connectivity and vehicle tracking (e.g., buses and cabs). These products are also likely components in the smart grid power movement.

We believe that SWIR is an ideal example of a well-capitalized deep value investment that stands in front of a large secular growth trend in wireless connectivity solutions. Not only are we encouraged by

Sierra's business prospects, but, as with all of our purchases, we believe we are acquiring the stock at a cheap price. Currently, SWIR has a market capitalization of roughly $220 million and no debt. After subtracting the company's cash of $122 million, we arrive at an enterprise value of about $100 million. As mentioned in the preceding paragraph, Sierra purchased Wavecom in the first half of 2009, in the midst of the stock market trough, for $130 million. If we assume this was a fair price for Wavecom and subtract $130 million from our $100 million enterprise value, we get a *negative* stub value for SWIR's legacy business that generated an estimated $450 million of trailing twelve month revenue. In other words, the market is paying us $30 million to own Sierra's legacy business.

Another method we like to employ in our quest to ascertain intrinsic value of technology companies such as Sierra Wireless is calculating an internally generated adjusted book value. Our calculation of adjusted book value attempts to capture the net asset value of the business or, in other words, how much it would cost to replicate if we were creating the company from scratch. In calculating adjusted book value, we start with the company's stated book value, $10.20/share, add back three years of expensed research & development costs to ascribe value to what is basically a technology company's capital investments, roughly $5.70/share, and, lastly, assign some value to the company's investment in sales and marketing. These components sum to an $18/share adjusted book value. We acquired our position in SWIR at about a 55% discount to our adjusted book value calculation. SWIR represents for us a "non-traditional" deep value investment characterized by an outstanding capital structure coupled with an identifiable growth narrative and a substantial discount to our calculation of intrinsic value.

Mercer International, Inc. 9.25% 2/15/13 Bonds. Mercer International owns and operates three soft kraft paper mills with just under 1.5 million metric tons of production capacity. Two of the mills are located in Germany and mainly service the European end-market; the third is located in British Columbia, Canada. Mercer primarily markets its soft kraft to global customers that produce high quality printing and writing paper in addition to tissue producers. Upon first glance at Mercer's balance sheet, it appears that the company is highly leveraged with over 833 million Euros of debt financing roughly 1.1 billion Euros of assets. However, about 500 million Euros of Mercer's debt is actually non-recourse debt that is secured solely by the Stendal plant in Germany. In other words, the banks that financed the Stendal plant's construction can only take ownership of that specific asset in the event of a default. Therefore, although it is unsecured, the Mercer bond (which is U.S. dollar denominated) that we purchased would be in line to acquire the other two plants (referred to as the restricted group in financial disclosures) if the company were to go through a financial restructuring.

We estimate that Mercer's restricted group should be able to generate roughly $100 million of EBITDA in 2010. At just over $300 million of net debt, Mercer's restricted group leverage is a modest 3x. Our investment in Mercer bonds was made at roughly a 10% YTM for bonds that mature in less than three years and is an example of our focus on investing in the debt of companies that possess hard assets.

Pertinent securities laws require us to make available to you every year the latest version of our ADV brochure (filed with the SEC), which has been prepared in accordance with current regulations. If you would like to receive a copy, please contact us via email or letter.

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 three 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

		COMPOSITE ASSETS		ANNUAL PERFORMANCE RESULTS		
YEAR END	TOTAL FIRM ASSETS (MILLIONS)	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.

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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. 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 March 31, 2010 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 March 31, 2010 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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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.

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