

Roumell Asset Management, LLC

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This brochure provides information about the qualifications and business practices of Roumell Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 301-656-8500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Use of the term “registered investment advisor” does not imply any particular level of skill or training.

Additional information about Roumell Asset Management also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

The March 31, 2012 annual update to this brochure contains no material changes.

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I. Advisory Business

Roumell Asset Management, LLC (hereinafter “RAM” or the “Firm”) is an investment adviser registered with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). RAM provides discretionary portfolio management services to a mutual fund and to separate account clients. The Firm was founded in 1998 by James C. Roumell, who is the majority owner. RAM manages all investment advisory accounts on a discretionary basis, and, as of December 31, 2011, RAM has \$306,184,074 of assets under management.

RAM considers itself to be an opportunistic capital allocator (OCA) with a deep value bias in selecting individual securities. As an OCA investor, RAM sits patiently until an investment situation is presented wherein the odds of success are highly favorable relative to the risks. In the absence of such situations, RAM will stay on the sidelines invested in cash. Deep value investors are generally understood to comprise a camp within the value investing community demanding a greater discount, or margin of safety, in their investment selections. Deep value is associated with a process that emphasizes looking past macroeconomic factors and the vagaries of the market, and instead focuses on a rigorous analysis of a company’s assets, earnings power, and possible conversion events in light of a particular price. RAM considers itself to be a deep value investor, but distinguishes itself in three important respects from traditional deep value investors: (1) When its target price is met, RAM sells; (2) RAM pays attention to economic trends; and (3) RAM is interested in finding growing companies.

RAM conducts initial and subsequent consultations with the client to ascertain the investment objective and investment parameters, policies and guidelines, including any investment restrictions, of the client. Clients may impose restrictions on investing in certain securities or types of securities. RAM reserves the right to advise clients on any type of investment that it deems appropriate based on the client’s stated goals and objectives. RAM may also provide advice on any type of investment held in a client’s portfolio at the inception of the advisory relationship.

Investment Company Services. The Roumell Opportunistic Value Fund (hereinafter the “Fund”) has engaged RAM to provide day-to-day investment management on a discretionary basis and administrative oversight services pursuant to an Investment Advisory Agreement.

Separate Account Services. Separate Accounts (defined below in “IV. Types of Clients”) may engage RAM directly to provide discretionary portfolio management services. RAM will manage clients’ portfolios in accordance with the clients’ individualized needs, objectives and restrictions and in accordance with the basic investment philosophy and portfolio options discussed above. In consultation with the client, RAM will assist the client with basic overall allocation to determining the appropriate portfolio option. That said, RAM does not provide comprehensive financial planning services. As a condition to accepting a Separate Account, RAM typically will require the client to deposit his or her funds and securities in a securities brokerage account at Raymond James Financial Services, Inc. (“Raymond James”). Raymond James will act as the qualified custodian of the client’s assets and will execute the purchase and sale transactions in the client’s account. As explained further in “IX. Brokerage Practices” below, RAM has determined that the fees Raymond James charges are reasonable and competitive in view of the quality of execution and access to research that Raymond James provides. Nevertheless, RAM may execute client trades through other broker-dealers if the circumstances warrant. Furthermore, in limited cases, and always at RAM’s discretion, RAM may permit clients to direct that their assets be custodied at, and trades for their accounts be effected through, broker-dealers of their own choosing.

Sub-Adviser Services. From time to time RAM may enter into sub-advisory agreements with independent investment adviser firms to provide portfolio management services to the other firms’ clients. Under such

an arrangement, the independent adviser (IA) is responsible for managing the client relationship, and RAM is responsible for the discretionary management of the client's portfolio. Generally, the IA will make a recommendation to the client with regard to the suitability of RAM's investment style based on factors including, but not limited to, the client's financial needs/situation, long-term goals, and investment objectives. If the client chooses to act on the IA's recommendation, the client will sign an agreement with RAM for portfolio management services only.

Wrap Fee Services. From time to time RAM may enter into an agreement to act as a portfolio manager in a wrap program. Participants in these programs will receive the wrap sponsors' separate disclosure statement, the Appendix 1 to Part 2A, and will also sign the applicable wrap sponsor contract. Participants in a wrap program will not be required to sign an agreement with RAM.

Participants in a wrap program can choose from a number of portfolio managers. In order to determine which portfolio manager(s) best suit a participant's needs, a representative of the wrap program assists the participant in identifying their investment objectives by assessing risk tolerance, age, income, need for cash flows, investment goals, and emotional tolerance for volatility. Where the participant chooses RAM as a manager of his assets, the firm will manage those assets on a discretionary basis taking into account the information provided by the wrap program. Participant accounts are managed in the same manner as RAM's Separate Accounts.

RAM is not responsible for collecting the advisory fees under this arrangement, as all fees paid for participation in the wrap program are remitted directly to wrap program sponsor. The wrap program sponsor is then responsible for compensating RAM for its services as the portfolio manager. For complete information about a wrap program, please refer to the Appendix 1 to Part 2A disclosure and account agreements provided by the program's sponsor.

Management fees and billing arrangements are disclosed on individual client advisory agreements. Additionally, clients can review the ADV of their IA for further information regarding their IA's policies and procedures.

II. Fees and Compensation

RAM is compensated for its advisory services using either an asset-based fee schedule or a performance-based fee schedule.

Asset-Based Fee Schedule. RAM's asset-based fees for its Separate Accounts are payable quarterly in advance and are based on the following annualized fee schedule as a percentage of assets:

<u>Equity and Balanced Accounts</u>	<u>Fixed Income Accounts</u>
First \$200,000 1.75%	All assets 1.00%
Next \$300,000 1.50%	
Assets over \$500,000 1.00%	
(Fees on Balanced 30/70 account: 1.50% on first \$500,000 and 1.00% on assets over \$500,000)	

Fees for Separate Accounts are computed on the value of the account on the last day of the preceding quarter. The fee is prorated for a partial quarter. The foregoing represents the fees the Firm generally charges. However, fees are negotiable, in *limited* circumstances, and at RAM's sole discretion. Although RAM believes its advisory fees are competitive, lower fees for comparable services may be obtained from other sources.

RAM's asset based fee for the Fund (defined below under "IV. Types of Clients") is based on the Fund's average daily net assets and is payable monthly in arrears at the annual rate of 0.92%.

In most cases, the client's qualified custodian will debit the client's account for the amount of the invoice and remit the fees to RAM on a quarterly basis for Separate Accounts and on a monthly basis for the Fund. An account will not be debited for advisory fees in this fashion unless the client has first given written authorization for such an arrangement. If Separate Account clients agree to pay within 30 days of receipt, invoices for advisory fees may be sent to clients directly on a quarterly basis. Furthermore, on at least a quarterly basis, the custodian shall provide the client with account statements reflecting the deduction of advisory fees. Clients are encouraged to review their account statements carefully for accuracy.

A client may terminate its investment advisory agreement with RAM, without penalty, within five days of signing the agreement. After the five-day period, for Separate Accounts, either party may terminate the agreement at any time. RAM will return to the Separate Account client the unused portion of prepaid management fees. Any such refund is credited directly to the client's account no later than the following quarter after termination, and is calculated based on the pro-rata fee at the time the account is terminated. For the Fund, the investment advisory contract terminates automatically upon assignment and may be terminated without penalty on 60 days' written notice at the option of either party thereto or by the vote of the shareholders of the Fund.

Performance-Based Fee Schedule. As an alternative to the asset based fee schedule above, RAM also offers a performance based fee for its Separate Accounts to "qualified clients" as defined in the Advisers Act. RAM charges a performance-based fee of 20% of the profits on the client's account. RAM's fees are payable annually and are calculated based on the value of the account at the end of each calendar year. This fee is non-negotiable. The fee will be calculated as 0.2% for each 1% increase in the value of the account from the prior year end after deduction of the prior year's performance fee, if any, paid directly from the account. Fees will be calculated based on the amount of increase, if any, in the net market value of the account in the preceding year (adjusting for deposits and withdrawals), after deduction of all fees and commissions paid (including fees and commissions charged by the broker-dealer or other custodian of the account, and accounting for all net investment income and gains, whether realized or unrealized). There is no minimum fee.

In the event that there is a net loss at the end of a year, no fee will be charged that year. Any such losses will be carried forward and applied against any profits accrued in the following year for purposes of calculating fees in such following year. There will be no retroactive refunds of any previous fees due the Adviser. Each invoice for profits accrued will be based on the profit calculated from the client's statements from the qualified custodian of the client's account.

In most cases, the client's qualified custodian will debit the client's account for the amount of the invoice and remit the fees to RAM. An account will not be debited for advisory fees in this fashion unless the client has first given written authorization for such an arrangement. If Separate Account clients agree to pay within 30 days of receipt, invoices for advisory fees may be sent to clients directly on an annual basis. All fees paid to RAM will be reported to the client on the regular statements provided by the custodian. The client should be aware that the amount of any performance-based fee deducted from the client's account will be deducted from the year-end value of the account upon which the following year's performance fee calculation will be based. As a result, the deduction of such performance fee will decrease the "high water mark" used in determining whether a performance based fee is due the following year.

A client may terminate its investment advisory agreement with RAM, without penalty, within five days of signing the agreement. After the five-day period, for clients who entered into an investment advisory agreement that includes performance-based compensation, either party may terminate the agreement at any time. In the event that such a client terminates the agreement prior to the end of a calendar year, (i.e., prior to the close of a billing cycle), the client agrees, pursuant to its investment advisory agreement with RAM, to pay RAM the fee based on the market value of the account on the date the agreement is terminated.

Other Fees. Clients may also pay other fees in connection with the advisory services provided by RAM. These fees may include fees charged by the custodian, mutual fund expenses and brokerage and other transaction costs. See “IX. Brokerage Practices” below for more information regarding brokerage.

III. Performance-Based Fees and Side-by-Side Management

See “II. Fees and Compensation” above for more information about the performance-based fees charged by the Firm. Because RAM manages accounts that pay an asset-based fee alongside accounts that pay a performance-based fee, conflicts of interest may arise in the management of client accounts. Clients should understand that performance-based fee arrangements may create certain risks for clients, including:

1. The fee arrangement may create an incentive for RAM to make investments that are riskier or more speculative than might be the case in the absence of a fee based on performance. To prevent this, investments made in these accounts are the same as those that are asset-based fee accounts.
2. RAM may receive increased compensation (compared to its asset-based fee) based on unrealized appreciation as well as realized gains on assets in the client’s account. RAM invests only in publicly-traded securities, and market quotations for such securities are readily available.
3. The fee arrangement may create an incentive for RAM to allocate more favorable trades to the accounts of performance-based fee clients. To prevent any such favorable allocation, RAM employs a “randomization” process with respect to allocating trades. For more information on RAM’s trade allocation practices, please see “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” below.

IV. Types of Clients

Investment Companies. RAM currently is the investment adviser to the Roumell Opportunistic Value Fund (the “Fund”), a series of the Starboard Investment Trust (the “Trust”). For the Fund, RAM provides day-to-day investment management on a discretionary basis and administrative oversight services pursuant to an Investment Advisory Agreement. The Investment Advisory Agreement will remain in effect from year to year if approved annually (a) by the Board of Trustees of the Trust or by a majority of the outstanding shares of the Fund and (b) by a majority of the Trustees who are not parties to such contract or interested persons (as defined in the Investment Company Act of 1940) of any such party. RAM also provides certain managerial services for the Fund and personnel to perform its duties.

Separate Accounts. The portfolio management services provided to separate account clients (“Separate Accounts”) is done through four programs, as described more fully in “V. Methods of Analysis, Investment Strategies and Risk of Loss” below. RAM manages Separate Accounts on a discretionary basis and generally imposes a minimum account size of \$500,000 to open and maintain a Separate Account. RAM may, in its discretion, waive this requirement.

V. Methods of Analysis, Investment Strategies and Risk of Loss

As mentioned under “I. Advisory Business” above, RAM considers itself to be an opportunistic capital allocator (OCA) with a deep value bias in selecting individual securities. RAM’s approach can easily be compared to the children’s game of tag. When you played tag as a child, a big tree was typically designated as home base, where you were safe and could not be tagged. Playmates wanting to motivate you to leave the tree would move from ten to twenty feet away, at which point the odds shifted decidedly in your favor to come off base without being tagged. Played perfectly, you could just wait, move away from the tree at the appropriate time, return safely, and then wait again. Conceptually, that’s what RAM does. RAM’s time away from the tree may be a month, a year, or several years, but the objective is the same: when its calculation of intrinsic value has been reached, RAM sells and returns to home base, a.k.a. cash, and waits for another compelling opportunity to arise. In this way, it can be said that RAM stands apart from traditional deep value investors who typically subscribe to a strict buy and hold philosophy.

As an OCA investor, RAM has the luxury of doing nothing in the absence of compelling ideas where the odds are squarely in its favor. The vast majority of mutual fund managers are required to be fully invested at all times. In RAM’s approach to opportunistic investing, it emphasizes understandable businesses with safe capital structures (i.e., not overly leveraged), managed by honest and competent people, and purchased at quantifiable discounts to its calculation of intrinsic value. Further, RAM is willing to focus its deep value bias to concentrate on its best ideas (again, unlike many mutual funds, where a typical position is often limited to no more than 1%–3% of the portfolio).

RAM excels at digging deeply into specific securities (bonds or stocks), assessing underlying value, and remaining highly disciplined about what it is willing to pay. RAM seeks to practice its detailed bottom-up approach with an informed picture of economic trends. RAM follows statistics such as employment figures, savings rates, and consumer confidence, because such trends have a disproportionate effect on various industries (e.g., higher savings rates and lower income growth will likely result in fewer consumer goods purchases). However, RAM is not an economic forecaster because it sees little evidence that macroeconomic judgments translate into consistent and reliable investment results. For RAM, investing is about price versus value, plus patience, as it pertains to very specific securities purchased at very specific prices. Benjamin Graham stated, “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.” No doubt, some markets offer more opportunities than others. In any event, the best way to manage overall economic or market risk is to simply remain highly price conscious at the point of purchase.

Further, RAM is not looking to mirror a particular index; such an approach can readily be found elsewhere. Rather, RAM is seeking to rigorously and relentlessly exercise its discipline and believes that over time it will generate a meaningful absolute risk-adjusted rate of return. That said, RAM cannot guarantee a certain level of return.

A company’s public market security price may fluctuate widely, particularly over the short term. However, a company’s intrinsic value is a much less volatile number as measured by what a knowledgeable strategic or financial buyer might pay to acquire it. RAM’s approach revolves around the belief that a company’s assets and its enterprise value can be evaluated independent of the stock market. As deep value-oriented investors who think as business people, RAM pursues success by demanding a purchase price that represents a significant discount to its estimate of corporate value. Typically, RAM demands a 30% to 50% discount. The question RAM is most interested in answering is: Would it take this business private— at its current price—in a heartbeat?

Unlike some traditional deep value investors who only focus on identifying “hidden asset” stories, RAM is very much interested in finding growth companies. Such companies must be exceptionally well-capitalized and have quantifiable investment attributes that provide a measure of protection to the firm’s valuation. Thus, RAM describes itself as having a “deep value bias” to highlight the fact that although it is rooted in underwriting balance sheets (what are the company’s assets worth today), it is excited to find the right growth opportunities (what might the company’s earnings be tomorrow). As in all of its investments, redundancy is very important to RAM. In other words, if one investment thesis fails to materialize there are other ways for the investment to work out favorably; i.e., a different product line, a monetizable business unit, saleable intellectual property, or perhaps an outright sale of the company.

How does RAM find such situations? First, it focuses its attention away from the crowd. RAM’s investments are often not followed or only modestly followed by research analysts. This means that the securities it purchases are less likely to reflect a “sales premium” resulting from Wall Street’s selling machine. RAM likes undiscovered ideas because they allow it to more fully leverage its in-house research process which is most often driven by company and industry visits and in-depth company analysis. RAM prides itself on having a rich and varied portfolio of key industry contacts to call upon as part of its research process. Second, RAM searches for events in the market, in an industry or in a particular company that depress the publicly traded security price below its estimate of intrinsic value.

RAM typically invests in smaller and mid-sized companies because of its desire to find companies that are less followed by Wall Street and are more likely to be inefficiently priced. Nonetheless, RAM is an all-cap equity investor.

Securities possessing deep value characteristics can be found in various asset classes, not just equities. Although the majority of press headlines are dedicated to the stock market’s daily activities, RAM believes that, at times, corporate bonds can provide a superior risk adjusted return given their senior position in a company’s capital structure. Therefore, RAM is impartial as to where in a company’s capital structure it is investing. RAM’s ultimate goal is to buy securities (common stocks, corporate bonds, closed-end funds, etc.) at a meaningful discount to its estimate of underlying intrinsic value. RAM believes that following such a flexible course increases the odds of providing its clients with compelling returns while reducing risk.

The discount RAM demands from its estimated intrinsic value depends upon the strength and number of key attributes—a strong firm requires a smaller discount than a weaker firm due to characteristics that suggest a safer investment. Roumell assesses key investment attributes such as: balance sheet strength; business outlook; management competence; industry secular trends; stability of cash flow; and resource conversion events and uses these to determine the appropriate discount required to hold a security.

RAM’s goal is to arrive at a reasonable estimate of a company’s value, independent of its current stock price. Whether RAM is interested in a company’s equity or debt, it arrives at these estimates primarily by using three techniques: Net Asset Value analysis, Private Market Value analysis, and Going Concern Value analysis.

A tremendous body of literature has, in RAM’s view, incorrectly argued for years that investors ought to simply buy and hold stocks. This argument has been forcefully put forth even in the face of extended periods of no to low returns from such an approach. RAM, on the other hand, does not subscribe to buy-and-hold dogma when securities prices tell it otherwise. RAM sets a target price for each security that it owns that is updated based on its analysis of all relevant information. When that price target is met, even if much sooner than expected, RAM sells. When new analysis calls for a reduction in that target price to the point where the potential upside from the current price is no longer attractive, RAM also sells.

That said, RAM willingly holds positions for several years when it is convinced that the intrinsic value of a company is steadily rising and that a quantifiable discount persists. RAM also tries to be tax-efficient, looking to reach the 12-month holding period required in order to establish a less costly gain. RAM will experience periods, however, of realizing short-term gains.

RAM strives to align itself with quality people in all of its activities. In selecting investments, the Firm asks itself: Does it want to partner with this management team? Are they honest? Are they smart operators? RAM believes it is well worth its time to talk to managers, to visit with them over time, and to interview their colleagues, competitors, and other industry experts to the fullest extent possible. Company visits are often an important and critical part of RAM's process when it is evaluating small companies.

No combination of overall strategy and implementation tactics can be separated from individual temperament. RAM believes its analytical and research strengths are anchored by conservative judgment, mental toughness, and imagination.

As RAM looks to build and preserve wealth, it seeks clients who share this temperament and value the steady—if unpredictable—creation of wealth resulting from a disciplined approach practiced over time.

RAM sees professional investors facing increased obstacles as their assets under management grow to billions of dollars. RAM intends to keep its assets at a size that enables it to remain nimble and participate in less liquid segments of the market that can have a substantial impact on portfolio performance.

When an account opens, RAM does not invest 100% of the funds on day one. RAM will purchase only those securities in the portfolio that it believes still offer a compelling risk/reward profile. It may take three to six months or longer to become “fully invested.” This time horizon is purely a function of RAM's assessment of individual investment opportunities.

The partners of RAM have 100% of their investment assets in one of the Firm's Portfolio Options.

Separate Accounts. For its Separate Accounts, RAM principally constructs four types of portfolios: Standard Equity, Concentrated Equity, Balanced, and Fixed Income. In each of these programs, investments for client accounts may include common and preferred stocks, bonds, American Depositary Receipts (“ADRs”), mutual funds, Exchange Traded Funds (“ETFs”), closed-end funds, Unit Investment Trusts (“UITs”), Real Estate Investment Trusts (“REITs”), and/or interest-bearing instruments, including, but not limited to, treasury bills, other U.S. government obligations and bonds, collateralized repurchase contracts, money market instruments and money market funds (collectively, “Cash and Cash Equivalents”). All of the advisory services RAM provides to clients adhere to the same basic investment philosophy.

Standard Equity accounts can have up to 100% of their assets invested in stocks. Historically, these accounts have emphasized common stocks. However, RAM will also selectively purchase a mixture of high-yield individual bonds and discounted closed-end bond funds if it believes that these securities offer a favorable risk/reward profile. When fully invested, RAM will typically hold about 35 positions with a target maximum individual security concentration of 5% at initial purchase. In the absence of sufficient investment opportunities, RAM will hold cash.

Concentrated Equity accounts are managed similarly to Standard Equity accounts except that it holds fewer positions. When fully invested, RAM will typically hold about 25 positions with a target maximum individual security concentration of 7% at initial purchase. As a result, Concentrated Equity accounts should experience greater volatility than Standard Equity accounts. As with Standard Equity accounts,

RAM will remain in cash in the absence of compelling investment opportunities albeit to a lesser extent than in Standard Equity accounts.

Balanced accounts combine stocks, bonds, and cash. Investors can choose between four allocation models: 65% equity and 35% fixed-income and cash is the most common. However, three other models ranging from a low of 30% equity exposure to a high of 75% are also available.

Fixed Income accounts can have up to 100 percent of their assets invested in individual bonds and closed-end bond funds. Fixed Income accounts are designed to generate meaningful current income and experience principal appreciation by buying at a discount to stated par value. RAM's focus is to identify attractive high yield, non-investment grade, corporate debt, and discounted closed-end bond funds. However, RAM will invest in other forms of fixed income securities (investment grade corporate debt, sovereign debt, etc.) if the investment opportunity meets its opportunistic deep value emphasis.

Please note that the above synopsis is a summary of RAM's primary portfolio offerings; however, RAM retains the right to construct portfolios uniquely tailored to client situations and needs. Furthermore, RAM may engage in short-sale or margin transactions on behalf of managed portfolios in appropriate circumstances with specific client approval. Because these investment strategies involve an elevated degree of risk, they will be undertaken only when consistent with the client's tolerance for risk.

The Fund. Investments for the Fund's account will primarily consist of (i) domestic and foreign equity securities ("Equity Securities"); (ii) domestic and foreign fixed income securities including, but not limited to, government and corporate debt securities, high yield bonds, municipal securities and REITs ("Fixed Income Securities"); and (iii) interest-bearing instruments, including, but not limited to, treasury bills, other U.S. government obligations and bonds, collateralized repurchase contracts, money market instruments and money market funds (collectively, "Cash and Cash Equivalents"). The Fund's emphasis will be on domestic equity and domestic high yield corporate debt; however, there is no predetermined allocation of the Fund's assets among Equity Securities, Fixed Income Securities and Cash and Cash Equivalents. RAM will allocate the Fund's assets as it deems appropriate in accordance with the Fund's investment objective and investment strategy.

Risks. Investments are subject to certain investment risks, including the possible loss of some or the entire principal amount invested. Clients should be prepared to bear this risk of loss before investing. Generally, investments will also be subject to the following material risks:

General Risks:

- *Market risk.* Market risk refers to the possibility that the value of securities held by clients may decline due to daily fluctuations in the securities markets. Stock prices change daily as a result of many factors, including developments affecting the condition of both individual companies and the market in general. The price of a stock may even be affected by factors unrelated to the value or condition of its issuer, such as changes in interest rates, national and international economic and/or political conditions and general equity market conditions. In a declining stock market, prices for all companies (including those in a client's portfolio) may decline regardless of their long-term prospects. The performance of client accounts will change daily in response to such factors.
- *Opportunistic Investment Strategy Risk.* There are risks associated with RAM's opportunistic investment strategy. The Firm is expected to be conservative with its opportunistic investing of client accounts, particularly with respect to the price it is willing to pay for the securities in which it is considering investing, and, as a result, may miss out on opportunities that have a reasonable

risk/reward trade off. In addition, in periods of overall rising market levels (whether those rises are the result of speculative bubbles or the confirmation of underlying fundamentals), clients may not fully participate in market gains when they are heavily invested in Cash and Cash Equivalents. In such periods, investors that are fully invested in equity securities will likely receive superior returns.

Equity Securities Risks:

- *Small-Cap and Mid-Cap Securities Risk.* Client accounts may be invested in securities of small-cap and mid-cap companies, which involves greater volatility than investing in larger and more established companies. Small-cap and mid-cap companies can be subject to more abrupt or erratic share price changes than larger, more established companies. Securities of these types of companies have limited market liquidity, and their prices may be more volatile. Clients should expect that the value of their accounts will be more volatile than if they were invested exclusively in large-capitalization companies.
- *Micro-Cap Securities Risk.* Some of the small companies in which client accounts may be invested in may be micro-cap companies. Micro-cap stocks may offer greater opportunity for capital appreciation than the stocks of larger and more established companies; however, they also involve substantially greater risks of loss and price fluctuations. Micro-cap companies carry additional risks because of the tendency of their earnings and revenues to be less predictable (and some companies may be experiencing significant losses), their share prices to be more volatile and their markets to be less liquid than companies with larger market capitalizations. The shares of micro-cap companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the future ability to sell these securities. Also, it may take a long time before client accounts realize gains, if any, on an investment in a micro-cap company.

Fixed-Income Securities Risks:

- *Interest Rate and Credit Risk.* Interest rates may rise resulting in a decrease in the value of the fixed income securities held by clients or may fall resulting in an increase in the value of such securities. Fixed income securities with longer maturities generally involve greater risk than those with shorter maturities. Issuers of fixed income securities might be unable to make principal and interest payments when due.
- *Maturity Risk.* Maturity risk is another factor that can affect the value of debt holdings in client accounts. In general, the longer the maturity of a fixed income instrument, the higher its yield and the greater its sensitivity to changes in interest rates. Conversely, the shorter the maturity, the lower the yield but the greater the price stability.
- *Inflation Risk.* Fixed income securities are subject to inflation risk. Because inflation reduces the purchasing power of income produced by existing fixed income securities, the prices at which fixed income securities trade will be reduced to compensate for the fact that the income they produce is worth less. This potential decrease in market value of fixed income securities would result in a loss in the value of a client's portfolio.
- *Investment-Grade Securities Risk.* Fixed income securities are generally rated by NRSROs. While fixed income securities rated BBB by Standard & Poor's® Rating Services ("S&P") or Baa by Moody's Investor Services, Inc. ("Moody's") are considered investment-grade securities, they

are somewhat riskier than higher rated investment-grade obligations because they are regarded as having only an adequate capacity to pay principal and interest and are considered to lack outstanding investment characteristics and may be speculative. Fixed income securities with lower ratings are subject to higher credit risk and may be subject to greater fluctuations in value than that of higher rated fixed income securities.

- *Lower-rated Securities or High Yield Risk.* Fixed income securities rated below BBB by S&P or Baa by Moody's are considered speculative in nature and may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than higher rated fixed income securities. Lower rated fixed income securities are usually issued by companies without long track records of sales and earnings, or by companies with questionable credit strength. These fixed income securities are considered "below investment-grade." The retail secondary market for these high yield bonds may be less liquid than that of higher rated fixed income securities and adverse conditions could make it difficult at times to sell certain securities. These risks can reduce the income client accounts earn.
- *Risks of Investing in Municipal Securities.* The yields of municipal securities may move differently and adversely compared to the yields of the overall debt securities markets. There could be changes in applicable tax laws or tax treatments that reduce or eliminate the current federal income tax exemption on municipal securities or otherwise adversely affect the current federal or state tax status of municipal securities.
- *Risks of Investing in REITs.* To the extent that clients invests in real estate investment trusts (REITs), it will be subject to the risks associated with owning real estate and with the real estate industry generally. These include difficulties in valuing and disposing of real estate, the possibility of declines in the value of real estate, risks related to general and local economic conditions, the possibility of adverse changes in the climate for real estate, environmental liability risks, the risk of increases in property taxes and operating expenses, possible adverse changes in zoning laws, the risk of casualty or condemnation losses, limitations on rents, the possibility of adverse changes in interest rates and in the credit markets and the possibility of borrowers paying off mortgages sooner than expected, which may lead to reinvestment of assets at lower prevailing interest rates. To the extent clients invests in REITs, they will also be subject to the risk that a REIT will default on its obligations or go bankrupt.
- *Risks of Investing in Corporate Debt Securities.* Corporate debt securities are fixed income securities issued by businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. The credit risks of corporate debt securities vary widely among issuers. In addition, the credit risk of an issuer's debt security may vary based on its priority for repayment. For example, higher ranking (senior) debt securities have a higher priority than lower ranking (subordinated) securities. This means that the issuer might not make payments on subordinated securities while continuing to make payments on senior securities. In addition, in the event of bankruptcy, holders of senior securities may receive amounts otherwise payable to the holders of subordinated securities. Some subordinated securities, such as trust preferred and capital securities notes, also permit the issuer to defer payments under certain circumstances. For example, insurance companies issue securities known as surplus notes that permit the insurance company to defer any payment that would reduce its capital below regulatory requirements.

- *Government Debt Markets May Be Illiquid or Disrupted.* Although generally highly liquid, the markets in which client accounts are traded could experience periods of illiquidity, sometimes of significant duration.

Foreign Securities Risks:

- *Foreign Securities Risk.* Foreign securities involve investment risks different from those associated with domestic securities. Changes in foreign economies and political climates are more likely to affect client accounts than investors that invests exclusively in domestic securities. The value of foreign currency denominated securities or foreign currency contracts is affected by the value of the local currency relative to the U.S. dollar. There may be less government supervision of foreign markets, resulting in non-uniform accounting practices and less publicly available information about issuers of foreign currency denominated securities. The value of foreign investments may be affected by changes in exchange control regulations, application of foreign tax laws (including withholding tax), changes in governmental administration or economic or monetary policy (in this country or abroad), or changed circumstances in dealings between nations. In addition, foreign brokerage commissions, custody fees, and other costs of investing in foreign securities are generally higher than in the United States. Investments in foreign issues could be affected by other factors not present in the United States, including expropriation, armed conflict, confiscatory taxation, and potential difficulties in enforcing contractual obligations. That said, RAM does not often invest in foreign securities.
- *Currency Risk.* Currency risk is the chance that changes in currency exchange rates will negatively affect securities denominated in, and/or receiving revenues in, foreign currencies. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from a portfolio's investment in securities denominated in a foreign currency or may widen existing losses. Currency gains and losses could occur regardless of the performance of the underlying investment.

VI. Disciplinary Information

Neither RAM nor any of its management persons have been involved in any legal or disciplinary events.

VII. Other Financial Industry Activities and Affiliations

Affiliated Mutual Fund. As explained above, RAM sponsors and manages the Fund. Clients may be solicited to invest in the Fund pursuant to its prospectus. RAM receives an investment advisory fee for advising the Fund; however, RAM will waive its regular advisory fee to the extent assets in an account managed by RAM are invested in the Fund.

VIII. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

RAM has adopted a Code of Ethics (hereinafter referred to as, "the Code") based on the principle that the Firm and its employees have a fiduciary duty to place the interests of clients ahead of their own needs. The Code, which applies to all the Firm's employees, addresses general standards of conduct and imposes specific requirements on employees when they buy and sell securities for their personal accounts. With regard to standards of conduct, the Code requires employees to avoid activities, interests and relationships that might interfere with making decisions in the best interests of the Firm's advisory clients. It also forbids employees from taking inappropriate advantage of their position or misusing confidential information they may learn about the Firm's clients (such as family or personal information or the

composition of client portfolios). It is RAM's policy that individuals employed by the Firm must not disclose, directly or indirectly, any confidential client information to anyone other than other RAM personnel and authorized professionals such as broker-dealers, attorneys and accountants who need such information in order to perform their services for the clients. Employees are barred from otherwise trading on the basis of material, nonpublic (inside) information as well.

With regard to personal trading, the Code obligates the Firm's employees to report their trading activity to the Firm's Chief Compliance Officer on a periodic basis. The Chief Compliance Officer's personal trades are reported to the Firm's President. As a general matter, RAM believes that its clients' interests are best served when the Firm's senior personnel buy and sell for themselves the same securities that they buy and sell for clients. This avoids any situation where a reasonable person could ask, "Why did you buy X security for yourself, but not for your clients?" or "Why didn't you buy X for yourself when you bought it for your clients?" However, RAM also understands that a potential conflict of interest exists where portfolio managers buy and sell for themselves the same securities they buy and sell for their clients because advisers engaging in these practices may have an incentive to base their investment advice on their own financial interests rather than the interest of clients. Further, when securities are purchased by portfolio managers at the same time as they are purchased for clients, such trading would allow a portfolio manager to place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades. These practices not only may affect the objectivity of the adviser's recommendations, but also can harm clients by adversely affecting the prices at which their trades are executed. In order to both align the senior personnel's interests with those of their clients and mitigate any resulting conflicts of interest:

- a. Except in rare circumstances, senior personnel will not directly or indirectly buy public securities for themselves that are not also bought for client accounts with similar investment objectives. Furthermore, senior personnel will seek to buy for their own portfolios the same securities they buy for clients. Additionally, the partners of RAM have 100% of their investment assets in one of the Firm's Portfolio Options.
- b. Trades for any RAM employee's accounts (or those of his or her immediate family members) in public securities that are also being bought or sold for client accounts may not be effected until all the client trades have been effected. Please note that as a result of this policy, RAM employees may from time to time receive a better execution price than the price received by RAM's clients.

Trade Allocation and Order Aggregation Procedures. RAM has also instituted the following trade allocation and order aggregation procedures to help standardize the manner in which securities are traded to help address the potential conflicts of interests inherent in investing in the same securities at the same time as clients.

In making a decision to buy or sell a particular security for client accounts, RAM determines the percentage of each account that should be invested in that security. This percentage is known as the account's "Investment Target." To ensure that all managed accounts are treated fairly, the Firm employs the following procedures in filling each account's Investment Target:

To start, RAM rotates orders among the broker-dealer/custodians for client accounts. All orders for accounts custodied at a particular firm are executed before orders are executed for accounts custodied at the next firm in the rotation. Within a firm, accounts are identified as "New Money" or "Old Money" accounts. "New Money" accounts are newly-opened accounts or deposits of additional funds of 25% or more of the value of the account in existing accounts. Where securities purchases are involved, New Money accounts have priority with respect to investment opportunities until the account's cash balance

reaches a level commensurate with the Firm's overall estimated cash balance percentage. At this point, the "New Money" account becomes an "Old Money" account. Where securities sales are involved, there is no priority given to New Money accounts over Old. For purposes of trade allocation, no distinction is made between asset based fee accounts and performance based fee accounts.

Beyond this level of detail, the manner in which RAM allocates shares to managed accounts generally depends on how liquid the market for the particular security is. Where the market is very liquid, RAM bunches orders for accounts at the same broker-dealer/custodian into one or more block trades. At the end of the day, the executed trades are allocated among the accounts at an average price. Where the market is moderately liquid, RAM may bunch trades into smaller blocks. If all orders at a particular broker-dealer/custodian are not filled at a price RAM is willing to accept (i.e., we were able to sell only 10,000 shares of a 50,000 share order), RAM will allocate the executions based on a randomization of accounts. RAM then continues the order the following day(s) as long as the price meets the firm's criteria. Where thinly traded securities are involved, RAM may enter trades for one or two accounts at a time. The order of trading for accounts in this situation shall be based on a randomization of accounts.

RAM's primary trader (or secondary trader, in his absence), is responsible for rotating trades equitably among broker-dealer/custodians and randomizing individual accounts within each group. Where circumstances permit, RAM will establish an allocation plan for each block trade before that trade is executed. Deviations from the above procedures will be appropriately documented.

While investment decisions for the Fund are made independently of RAM's other client accounts, RAM's Separate Accounts may invest in the same securities as the Fund. To the extent permitted by law, RAM may aggregate the securities to be sold or purchased for the Fund with those to be sold or purchased for other investment companies or accounts in executing transactions. When a purchase or sale of the same security is made at substantially the same time on behalf of the Fund and another investment company or account, the transaction will be averaged as to price and available investments allocated as to amount in a manner that RAM believes to be equitable to the Fund and such other investment company or account. In some instances, this investment procedure may adversely affect the price paid or received by the Fund or the size of the position obtained or sold by the Fund.

Clients may be solicited to invest in the Fund pursuant to its prospectus. RAM receives an investment advisory fee for advising the Fund, so it may have a conflict of interest in advising clients to invest in the Fund. To help eliminate this conflict, RAM waives its regular advisory fee for managing client accounts to the extent assets in an account managed by RAM are invested in the Fund.

RAM will gladly provide a full copy of its Code of Ethics to any client or prospective client upon request.

IX. Brokerage Practices

In making broker-dealer selections, RAM seeks best execution for each trade, which is a combination of price, quality of execution and other factors. In making these determinations, RAM considers a number of judgmental factors, including, without limitation, clearance and settlement capabilities; quality of confirmations and account statements; the ability of the broker to settle the trade promptly and accurately; the financial standing, reputation and integrity of the broker-dealer; the broker-dealer's access to markets, research capabilities, market knowledge, any "value added" characteristics, the Firm's past experience with the broker-dealer, the Firm's past experience with similar trades, and other factors. Recognizing the value of these factors, RAM may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction.

Consistent with the foregoing, RAM may generate “soft dollars” from brokerage transactions to be used for “brokerage” or “research” services pursuant to the safe harbor of Section 28(e) of the Securities Exchange Act of 1934. However, RAM does not submit invoices to broker-dealers to make payments out of commission dollars generated. RAM uses soft dollar benefits to service all of its client accounts. RAM does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate. When RAM uses client brokerage commissions to obtain research or other products or services, RAM receives a benefit because it does not have to produce or pay for research, products or services. This benefit can create a conflict of interest because it could incentivize RAM to select or recommend a broker-dealer based on RAM’s interest in receiving the research or other products or services, rather than on clients’ interest in receiving the most favorable execution.

Raymond James' Investment Advisors Division (“IAD”) provides certain RAM employees with an annual trip (where IAD covers food and lodging expenses) to its National Conference. The conference features educational sessions on topics such as portfolio management, practice management, best practices and regulatory issues, as well as education on Raymond James systems and software. The annual conference benefits RAM's managed accounts by enhancing the efficiency and quality of RAM's operations. RAM has not committed to direct any specific level of commissions to Raymond James in order to receive any ancillary services from that broker.

RAM received both proprietary and third-party company-specific and industry-specific research as part of its investment process in the last fiscal year. As OCAs with a deep-value bias, the companies and industries vary depending on market conditions. RAM portfolio managers and/or analysts contact sell-side analysts to vet investment ideas. In those limited instances where RAM’s portfolio managers believed that the sell-side analyst added significant value, RAM would execute a trade through the broker-dealer of the analyst’s firm. RAM also used certain broker-dealers to execute trades in circumstances where that broker-dealer had access to a block trade buyer/seller in a security with low liquidity in which RAM had interest. Trading is typically done at each custodian’s broker-dealer, so the circumstances described above occur infrequently.

RAM’s traders, research analysts and portfolio managers review discretionary brokerage determinations periodically, but no less than annually. In addition, RAM maintains a list of approved brokers through which RAM’s traders may direct transactions.

RAM has not received any client referrals from brokers.

Directed Brokerage. Clients with significant assets custodied at broker-dealers other than Raymond James may, in RAM’s discretion, be permitted to direct brokerage to such other broker-dealer. When clients choose to direct brokerage, RAM may be unable to achieve the most favorable execution of client transactions, which costs clients more money. For instance, the client may pay higher brokerage commissions because RAM may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

Aggregation of Orders. See “VIII. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” above for more information about RAM’s procedures for aggregated trades for client accounts.

X. Review of Accounts

Accounts for which RAM provides investment supervisory services are reviewed at least quarterly to ensure that a portfolio is constructed according to its goals. Additionally, all transactions and trading activity are reviewed on a daily and monthly basis. Triggering factors for additional reviews include, but

are not limited to, tax considerations, changes in the client's financial situation, or upon client request. All reviews are conducted by RAM's Chief Operating Officer or his designee.

Except with respect to wrap accounts, RAM will directly or indirectly provide clients with a portfolio performance report on a quarterly basis. Additionally, clients will receive monthly statements directly from their qualified custodians showing current positions, account value, percentage gain/loss on current positions, and all activity during the month. Wrap account clients will receive reports from the plan's sponsor. RAM encourages clients to carefully review statements received from a qualified custodian and compare such qualified custodian statements to the portfolio performance reports received from RAM.

XI. Client Referrals and Other Compensation

RAM may employ solicitors to whom the firm will pay cash or a portion of the advisory fees paid by clients referred to it by those solicitors. Any such arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent that rule applies.

XII. Custody

For information regarding account statements, see "X. Review of Accounts" above.

XIII. Investment Discretion

Pursuant to its investment advisory agreement, unless specifically directed by a client, RAM has discretion to determine, without specific consent, the investments to be bought or sold and the amounts to invest for a client.

XIV. Voting Client Securities

RAM does not vote proxies for or make proxy recommendations to its advisory clients except in certain situations. First, RAM will vote on proposals regarding closed-end mutual funds that seek to open-end such funds or other proposals that it believes possess a meaningful likelihood of substantially closing the discount to such funds' net asset value (NAV). Additionally, RAM may vote company proposals when the proposal pertains to a change of control, including those with proxy contests with competing director slates. Client may contact RAM to obtain information about how it voted. Other than these specific situations, RAM will not vote company proxies. Nevertheless, if RAM is granted authority to vote proxies, and RAM was required to vote proxies for situations other than those described above, RAM will vote such proxies in the manner that serves the best interests of their clients in accordance with this policy. RAM also will not take any action or render any advice involving legal matters, including securities class actions, on behalf of clients with respect to securities or other investments held in client accounts or the issuers thereof. However, to the extent there is a class action with potentially meaningful monetary proceeds, RAM will assist clients with submitting the required paperwork. If the client opts out of RAM's third-party vendor proxy voting solution, the custodians who hold securities on behalf of RAM's clients will send proxy and class action information directly to the clients. In the event that RAM receives any such material on a client's behalf, RAM will promptly forward that material to the client. Clients may obtain a copy of RAM's proxy voting policies and procedures upon request.

XV. Financial Information

No financial conditions currently exist that are reasonably likely to impair RAM's ability to meet contractual commitments to clients.