



**PERIMETER**  
— CAPITAL MANAGEMENT —

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**Second Quarter 2010 - Small Cap Growth Update**

The Perimeter U.S. Small Cap Growth Equity composite returned -8.89% gross of fees for the Second Quarter 2010, ahead of the Russell 2000 Growth Index's return of -9.22%. The quarter started off strong with most indices reaching 52-week highs by late April, only to see a sharp reversal as weakening economic data raised the specter of a double-dip recession. Housing statistics turned downward shortly after the expiration of the first-time home buyer tax credit and employment statistics showed a lack of improvement, as corporations and small businesses have been hesitant to add jobs. Furthermore, with the spreading sovereign debt crisis and the massive oil spill in the Gulf of Mexico, it is not surprising that consumer and investor sentiment turned negative during the quarter. Fear and caution were evident in stock performance as every sector in the benchmark declined in 2Q10, with the Consumer Discretionary and Energy sectors posting the most severe pullbacks. Even relative safe havens like Consumer Staples and Utilities posted negative returns, albeit to a lesser degree than the rest of the market.

Healthcare was Perimeter's top relative contributor to performance in the quarter given strong stock selection within the Pharmaceuticals industry. Salix Pharmaceuticals received FDA approval for a new indication for its gastrointestinal drug Xifaxan while VIVUS Inc. continued to make progress towards approval of a new obesity drug, Qnexa - propelling both stocks higher. Likewise, the portfolio benefited from good stock selection in Energy along with our very limited exposure to offshore oil service companies that have seen a decline in activity as a result of the oil spill. Offsetting the above gains were weaker selection within the Technology sector, particularly the Communication Equipment and Internet Software areas, as well as weak selection in the more economically sensitive Materials sector.

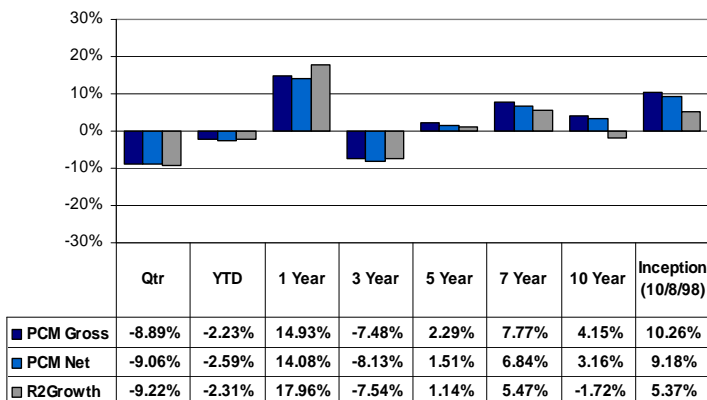
**Manager Outlook & Portfolio Positioning**

Economic recoveries and stock market rallies rarely, if ever, move in an upward, linear trajectory. The recent market sell-off has been painful but was not much of a surprise. Last quarter, we highlighted the looming market and economic headwinds. The largely uninterrupted rise from the market's bottom in March 2009 through the recent April high - where the Russell 2000 Growth Index was up over 110% without a single 10% retracement - was not sustainable without some form of correction. Recent economic data points have raised questions about the strength and sustainability of the current economic expansion, prompting a mid-cycle correction that has brought investor sentiment to the depressed levels last seen in March 2009. This recent market pullback has also brought valuation levels back to what we feel are more reasonable levels. It remains to be seen whether earnings will be able to meet the current high expectations given the evidence of an economic slowdown.

*Continued on Page 3*

**Performance Results\***

For Periods Ending 6/30/2010



**Performance by Sector\***

Economic Sector	Perimeter Portfolio	Russell 2000 Growth Index
Consumer Discretionary	-12.39%	-11.40%
Consumer Staples	-13.56%	-6.01%
Energy	-10.25%	-14.43%
Financials	-6.63%	-7.91%
Health Care	-6.67%	-10.49%
Industrials	-5.64%	-6.35%
Information Technology	-11.18%	-7.84%
Materials	-19.99%	-9.08%
Telco Services	1.52%	-9.68%
Utilities	-4.46%	-6.65%

**Second Quarter 2010 Small Cap Growth Update - *continued***

**Portfolio Characteristics\***

	Perimeter SCG Portfolio	Russell 2000 Growth Index
Price/Earnings	19.3x	20.9x
Estimated EPS Growth	11.6%	2.9%
Return on Equity	9.8%	7.6%
LT Debt/Capital	22.7%	27.1%
Market Capitalization (in \$M)	\$1,017.9	\$973.1

**MPT Statistics\***

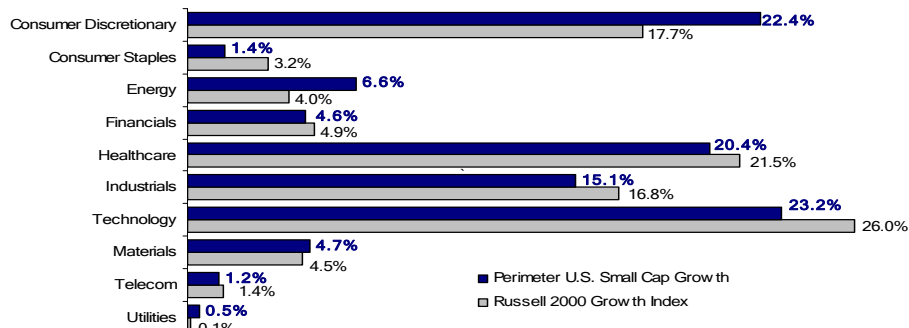
	Perimeter SCG Portfolio	Russell 2000 Growth Index
Alpha	1.08	0.00
Beta	0.95	1.00
Standard Deviation	21.71	22.77
Information Ratio	0.38	--
Sharpe Ratio	-0.02	-0.07
R <sup>2</sup>	0.98	1.00

For the 5-Year Period Ending 6/30/2010

Source: eVestment Alliance

**Sector Weightings\***

(as of 6/30/2010)



**Current Top Holdings\*** (as of 6/30/2010)

Company	Ticker	Perimeter Portfolio	Company Description
Salix Pharmaceuticals Ltd.	SLXP	0.95%	Pharmaceutical
VIVUS Inc.	VVUS	0.91%	Biotech: Weight Loss Drug
Syniverse Holdings Inc.	SVR	0.88%	Telecommunication Services
Compuware Corp.	CPWR	0.86%	Enterprise Software
Solera Holdings Inc.	SLH	0.86%	Insurance Software
Encore Capital Group Inc.	ECPG	0.79%	Diversified Financial Services
Par Pharmaceutical Cos. Inc.	PRX	0.77%	Pharmaceutical
Old Dominion Freight Line Inc.	ODFL	0.76%	Truckload Carrier
Haemonetics Corp.	HAE	0.74%	Healthcare Service & Equipment
Waste Connections Inc.	WCN	0.73%	Commercial Services

**Contributors to Performance\***

Company	Total Return (Quarter)
<b>Isilon Systems (ISLN)</b>	<b>+49%</b>
Provider of high-end enterprise storage and solutions for "unstructured" data geared towards the media and entertainment, healthcare and social networking markets. Isilon has generated strong growth and upside to expectations as their end markets have seen an explosion in growth due to the increasing popularity of video streaming and social networking.	
<b>Sybase (SY)</b>	<b>+38%</b>
A leading database and enterprise application software provider with above average sales and earnings growth versus peers over the last few years, announced an agreement to be acquired by SAP, a large European software company that saw the value in Sybase's diverse product portfolio.	
<b>Advisory Board (ABCO)</b>	<b>+36%</b>
An advisory and consulting firm providing best practices research and education to the healthcare industry. The company has seen a return to growth as healthcare service providers seek analytical tools to help manage costs/improve efficiency given potential reimbursement pressures ahead due to healthcare reform.	
<b>American Medical Systems (AMMD)</b>	<b>+19%</b>
Medical device company with products focused on men's and women's pelvic health issues. Recent and future growth is being driven by a variety of new product launches that help assist in patients managing their incontinence, as well as sales force and geographic expansion into international markets.	
<b>Monro Muffler (MNRO)</b>	<b>+11%</b>
Retailer of automotive muffler, brake and tire services in the southeastern U.S. Monro is seeing improving sales growth due to their low price/high quality focus, a reduction in capacity of service bays across the country as a result of closed dealerships and a general boost in demand for auto repair as the average age of autos on the street has increased.	

**Detractors from Performance\***

Company	Total Return (Quarter)
<b>Genoptix (GXDX)</b>	<b>-52%</b>
A provider high-end specialty diagnostic services for hematologists and oncologists that focus on blood and bone marrow malignancies. After reporting several years of very strong growth, Genoptix reported 1Q10 earnings that fell short of expectations and later lowered their full year guidance due to poor execution in expanding their sales force. While the shares appear oversold presently, we are looking to exit the name on strength as management credibility will take some time to recover.	
<b>Thompson Creek Metals (TC)</b>	<b>-36%</b>
Mining, milling and distributor of molybdenum ("moly") products used in steel alloys, which strengthen steel and make it more heat and corrosion resistant. Thompson Creek has been weak in conjunction with "moly" prices given the economic sensitivity but the outlook ahead looks promising given rising demand and limited supply due to China banning exports of molybdenum.	
<b>Blue Coat Systems (BCSI)</b>	<b>-34%</b>
Supplier of WAN (Wide Area Network) optimization and internet gateway security appliances to the small and mid enterprise market. Blue Coat reported an in-line 1Q10 but the stock price has suffered on disappointing guidance, as the company has experienced a slowdown in demand in their European markets. Given prospects for decelerating momentum in growth ahead we are exiting our position.	
<b>Emulex (ELX)</b>	<b>-31%</b>
Storage networking solution provider of connectivity products for storage, servers and enterprise networks. Despite a return to strong growth and upside to expectations, the stock has been weak on disappointing guidance due to delays at a customer undergoing a platform transition. We maintain our position as growth should rebound and continue to be strong into 2011 given a strong enterprise server refresh cycle that is underway.	
<b>Aaron's Rents (AAN)</b>	<b>-23%</b>
Specialty retailer of consumer electronics, computers, furniture and household appliances. Company has delivered stable and consistent growth throughout the years. Aaron's has under performed recently due to a modest reduction in guidance that was largely driven by charges from exiting an unprofitable office furniture division. We maintain our position as we believe the company should see stable growth ahead given steady end market demand for low cost consumer furniture and appliances.	



## Second Quarter 2010 Small Cap Growth Update - *continued*

### *Manager Outlook & Portfolio Positioning (continued)*

There have been only modest changes to the portfolio positioning since last quarter. Perimeter maintains an overweight in Consumer Discretionary, although that position has moderated slightly, with an emphasis on those companies that can sustain future growth from a focus on lower-priced merchandise and services that appeal to the value-conscious consumer. Healthcare remains a focus for new idea generation, given the continued recovery in company fundamentals that we see in this area. An example would be the recent addition of Integra Life Sciences, a medical device company focused on neurosciences and orthopedics that is benefiting from a recovery in demand and geographic expansion. Lastly, the risk profile of the portfolio has been reduced modestly, as we have reduced our weight in the Technology and Materials sectors. In Technology, we exited some holdings that showed deterioration in fundamentals during the quarter; in addition, we sold two companies (Sybase and Cybersource) on strength as each announced during the quarter they were being acquired. Within Materials, we maintain a generally positive bias based on expectations of continued industrialization that is ongoing in emerging market economies. However, we reduced some select positions on near term commodity price concerns given recent macroeconomic slowing in Europe and China.

The second quarter of 2010 was difficult for the markets, especially considering the Russell 2000 Growth Index has fallen over 18% from the late April 2010 highs (as of this writing on 7/6/10). The markets are likely to continue to experience a higher level of volatility over the ensuing months as consumers and investors digest the current economic landscape and evidence of a slowdown. We maintain a positive bias for the full year but recognize that job creation and combating deflation is a key component in this outlook. Regardless, we expect our style of investment management, which focuses on higher quality companies with sustainable future growth, will fare well in this type of uncertain market.

- Mark D. Garfinkel, CFA, *Chief Investment Officer*

## *Important Disclosure*

### **INVESTMENT PERFORMANCE**

Past performance is not indicative of future results. Inherent in any investment is the possibility of loss of all or substantial amount of such investment. Performance data is presented for the Perimeter U.S. Small Cap Growth Equity Composite. Perimeter makes no assurance that investment objectives will be achieved. Performance results presented off calendar month end are not reconciled and are subject to revision. The historical track record presented was calculated by linking Perimeter's actual performance since inception to the STI Classic Small Cap Growth Fund (I Shares) performance returns net of investment management fees. Members of Perimeter Capital Management investment team managed the STI Classic Small Cap Growth Fund for the period shown through June 23, 2006, while previously employed at Trusco Capital Management, the Fund's adviser. This information should not be evaluated independent of or without reference to the investment advisory agreement that more specifically addresses applicable investment advisory fees. Advisory fees charged by Perimeter are described in Part II of Perimeter's Form ADV. For a free copy of Form ADV, please contact Perimeter Capital at (770) 350-8700.

Performance results include the reinvestment of dividends and other similar income. The Perimeter U.S. Small Cap Growth Equity Composite primarily invests in U.S. small cap stocks and is managed according to a growth objective. The returns of the Russell 2000 Growth Index are presented along side those of the U.S. Small Cap Growth Equity Composite for illustrative purposes only. The Russell 2000 Growth Index is a broad based index comprised of 2000 U.S. based small capitalization stocks. Although the U.S. Small Cap Growth Equity Composite primarily invests in small capitalization stocks, its portfolio composition may be materially different than that of the Russell 2000 Growth Index.

The eVestment Small Cap Growth universe discussed encompasses advisers that report data to eVestment and are categorized as Small Cap Growth portfolios. eVestment does not independently verify the data, which forms the basis for rankings, provided by advisers.

This material is supplemental to GIPS compliance requirements and is provided for your information. This supplemental material complements the GIPS compliant composite presentation which is available upon request or provided with this brochure in one-on-one presentations.

Contributors & Detractors - These holdings were selected based on their performance being the five (5) best and five (5) worst in terms of percentage change during the period.

### **SECTOR WEIGHTINGS AND PORTFOLIO CHARACTERISTICS**

The sector weightings and portfolio characteristics are presented as 6/30/2010, and may change without notice. A complete list of sector weightings and individual security positions for any specific period are available upon request. The top ten individual securities presented represent the ten largest positions in the Perimeter U.S. Small Cap Growth Equity Composite based on aggregate dollar value. The specific securities identified do not represent all of the securities purchased, sold or recommended and should not be assumed that the investments or the securities identified were or will be profitable. All information presented is for informational purposes only and should not be deemed as a recommendation to buy the securities mentioned. We believe that the material contains an objective, balanced presentation of the performance of the Perimeter U.S. Small Cap Growth Equity Composite, including a general summary of certain holdings that both over- and under-performed the expectations of our portfolio management team.

### **FORECASTING**

Forecasting is based on current economic and market information, which may be revised at any time.

### **FINANCIAL TERMS**

**Total Return** - All performance calculations are total returns. Total return is comprised of dividend and interest income, realized and unrealized gains and losses.

**Estimated Annual Income** - An estimate of the dividends and interest to be received over the next twelve months based on current asset allocation and information.

**Russell 2000 Growth Index** - Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 is comprised of the smallest 2000 companies of the Russell 3000.

**Alpha** - A measure of a mutual fund's risk relative to the market.

**Beta** - A measure of a security's or portfolio's volatility, or systematic risk, in comparison to the market as a whole.

**Standard Deviation** - A measure of the average deviations of a return series from its mean; often used as a risk measure.

**Information Ratio** - A measure of portfolio management's performance against risk and return relative to a benchmark or alternative measure.

**Tracking Error** - A divergence between the price behavior of a position or portfolio and the price behavior of a benchmark.

**R square (R2)** - A measure of a manager's movement in relation to the market; otherwise known as the coefficient of determination.

**Second Quarter 2010 Small Cap Growth Update - continued**

***U.S. Small Cap Growth Equity Composite Disclosure***

Total Firm		Composite Assets		Annual Performance Results			
Year End	Assets (millions)	USD (millions)	Number of Accounts	Composite Gross	Composite Net	Russell 2000 Growth	Composite Dispersion
<b>YTD 2010**</b>	<b>1,405</b>	<b>1,320</b>	<b>24</b>	<b>(2.23%)</b>	<b>(2.59%)</b>	<b>(2.31%)</b>	N.A.
2009	1,207	1,048	21	33.67%	32.69%	34.47%	0.35%
2008	746	714	20	(37.18%)	(37.61%)	(38.54%)	0.26%
2007	670	670	14	9.72%	9.06%	7.05%	0.04%
2006	337	290	Five or fewer	12.84%	11.86%	13.35%	N.A.
2005	-	1,502	Five or fewer	9.19%	8.00%	4.15%	N.A.
2004	-	973	Five or fewer	20.66%	19.30%	14.31%	N.A.
2003	-	824	Five or fewer	47.40%	45.77%	48.54%	N.A.
2002	-	506	Five or fewer	(21.73%)	(22.64%)	(30.26%)	N.A.
2001	-	618	Five or fewer	0.46%	(0.69%)	(9.23%)	N.A.
2000	-	536	Five or fewer	13.13%	11.85%	(22.43%)	N.A.
1999	-	376	Five or fewer	22.00%	20.62%	43.09%	N.A.
1998*	-	31	Five or fewer	46.65%	46.28%	51.65%	N.A.

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. \*Results shown for the year 1998 represent partial period performance from October 8, 1998 through December 31, 1998.

\*\*For purposes of this presentation, 2010 returns represent the period of January 1, 2010 through June 30, 2010.

U.S. Small Cap Growth Equity Composite contains all discretionary, fee-paying, equity only accounts that invest primarily in small cap domestic companies that display above average growth characteristics. For comparison purposes the composite is measured against the Russell 2000 Growth Index. The minimum account size for this composite is \$250 thousand.

Perimeter Capital Management has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Perimeter Capital Management 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. For the period June 26, 2006 through July 31, 2006, non-fee-paying accounts represent 100% of composite assets. Beginning August 1, 2006, non-fee-paying accounts represent less than 1% of composite assets. As of October 1, 2006, there were no non-fee paying accounts in the composite. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees for fee paying accounts or by using the maximum applicable management fee for non-fee paying accounts. Additional information regarding policies for calculating and reporting returns is available upon request.

The management fee schedule is as follows: First \$25MM, 100bps; next \$75MM, 90bps; over \$100MM, 80bps. Actual investment advisory fees incurred by clients may vary.

Accounts in this composite may invest in ADRs. Many foreign countries impose a withholding tax on ADR dividends which results in a net dividend payment below 100% of the dividend amount that is declared by the company. This net dividend is reinvested in the composite accounts without further deduction of taxes.

The U.S. Small Cap Growth Equity Composite was created June 26, 2006. Performance presented prior to June 26, 2006 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the only individuals responsible for selecting the securities to buy and sell. Perimeter Capital Management's compliance with the GIPS standards has been verified for the period June 26, 2006 through September 30, 2009 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the US Small Cap Growth Equity Composite beginning June 26, 2006. A copy of the verification report is available upon request.

Composite dispersion represents asset weighted standard deviation of the accounts held in the portfolio for the entire year.