



319 Barry Avenue,
 Suite 210
 Wayzata, MN 55391
 Toll Free: (877) 264-3615
 Fax: (952) 404-5079

THERE IS SCIENCE.

AND THERE IS LUCK.

Investing is a science.

It requires a plan and

discipline to follow the plan.

Anything short thereof is blind exploration.

Fall 2011

Dear Valued Clients and Friends,

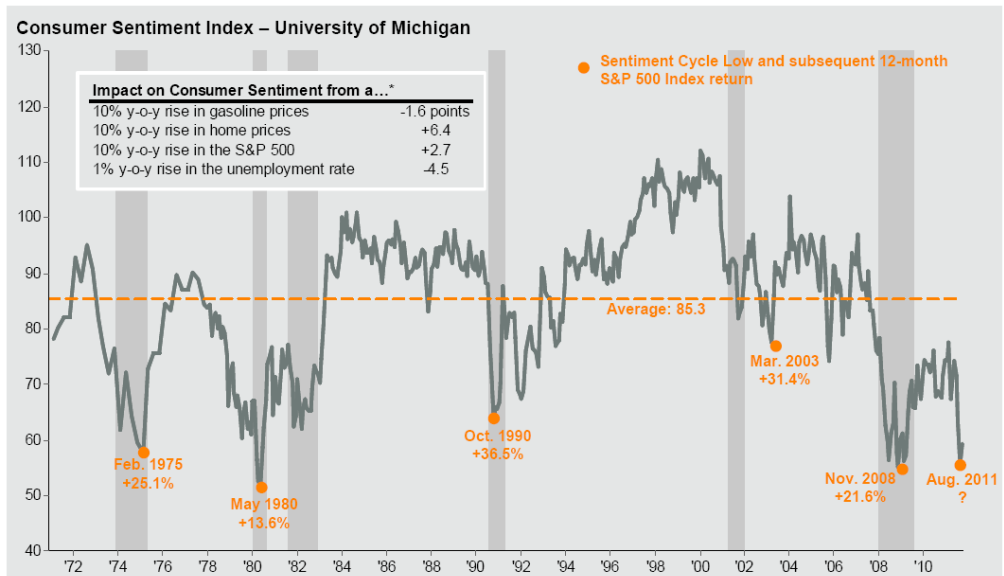
MARKET PERSPECTIVE: The third quarter of 2011 will go down as one of the most volatile quarters in history. The stock market faced a variety of headwinds leaving investors more confused, concerned, and pessimistic than they have been in my thirty years as an investment professional. In a relatively short period of time, the markets were jolted by the threat of a major meltdown in European sovereign debt, the potential shut down of the U.S. Government, and the fears of another recession after barely recovering from the last one. When combined with a general lack of trust in the lawmakers of this country, it is not hard to understand why people are so concerned and pessimistic about the future. If we slip into a recession, it will be self-inflicted due to a lack of consumer confidence. The one piece of good news associated with all of this is that periods of extremely high levels of pessimism often lead to outstanding performance in equity markets. See chart below.

During the third quarter there was very little differentiation in the performance across market sectors, company sizes, or fundamental quality.

This suggests that companies have just become ticker symbols to investors rather than, in our portfolio's case, high quality, rapidly growing, small-cap companies. We believe that a catalyst for higher stock prices will be the third quarter company earnings. Of the small cap companies that have reported thus far, 66% have beaten expectations for top line growth and 54% for bottom line. We expect this trend to continue and ultimately force investors to focus on company fundamentals,

rather than the macro backdrop. Also, any incremental improvement in the overall health of the U.S. economy will help investor sentiment, bringing more capital into the market. Our works suggests that if there is a significant move in equity prices during the fourth quarter, it will be higher.

TECHNICAL COMMENT: From a technical perspective, the stock market trend is neutral, with a slight upside bias. For the past several months the market has been gyrating wildly in a wide trading range. The NASDAQ Composite has been moving back and forth between 2400 and 2600. Both the areas of support and resistance were breached several times



J.P.Morgan
 Asset Management

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and, in each case, immediately reversed course back into the trading range. Individual chart patterns have improved very nicely over the last several weeks with a good number of stocks trading at the upper end of their ranges and appear to be consolidating recent gains. This action supports our theory that an upward move will be the ultimate outcome. Investors should establish new long positions on these as they break out of their trading ranges on better than average daily volume.

SECTOR COMMENT: As has been the case for some time, the best action can be found in healthcare related sectors lead by Medical Systems/Equipment, Products, Medical-Biomed/Biotech and Computer Software Medical. Consumer related sectors are also acting well, led by retail and restaurants subsectors. Both Information Technology Hardware and Software have recently turned up and look like they are going higher. For now, avoid natural resource sectors including the Steel Producers, Mining Companies and Oil and Gas related sectors. Also most groups in the Financial Services sector are struggling, led by the weakness in Money Center Banks, and Investment Bankers and Brokers.

PORTFOLIO ADJUSTMENTS: There was a lot of activity in the accounts due to the extreme nature of the markets during the third quarter. At the beginning of the quarter, before we entered the downtrend, we bought Immersion Corp. (IMMR) and Primo Water Corp. (PRMW), and sold Entropic Communications, Inc. (ENTR). When the market changed its direction to the downside, we knew we had to take some action, however we did not want to make emotional decisions which usually lead to poor performance. As the market fell, we pragmatically sold and trimmed the positions with the worst charts or fundamentals. This really helped our performance. We sold ATP Oil & Gas Corp. (ATPG), DG Fastchannel, Inc. (DGIT), DUSA Pharmaceuticals Inc. (DUSA), RealPage, Inc. (RP), and Amerigon Inc. (ARGN). We trimmed Shutterfly, Inc. (SFLY) and Acacia Research Corp. (ACTG) after significant moves to the upside. Due to its defensive nature, the healthcare sector held up really well; we did not sell anything in that group. In fact, we bought RTI Biologics, Inc. (RTIX), a healthcare company, towards the end of the quarter.

RTI Biologics, Inc. (RTIX \$3.66*): Our featured portfolio position is RTI Biologics. RTI is a rapidly growing medical company that processes human and animal tissue for use in surgery. Their biological implants promote the natural healing of human bone and other tissues to improve surgical outcomes. RTI uses a patented process called BioCleanse to sterilize the tissue implants. They have processing facilities in Florida and Germany and distribute their products in all 50 states and in over 31 countries worldwide. The Company focuses its implants on five product lines: sports medicine, spine, dental, surgical specialties, bone graft substitutes, and general orthopedic. They are increasing the number of products they offer, which greatly increases the effectiveness of their direct sales force. RTI's fundamentals are growing. Their earnings per share have grown 67%, 300%, and 100% year-over-year during the last three quarters. RTI is a leader in its group, an innovator with new products on the horizon, and a company with solid fundamentals and execution. RTI features an excellent chart pattern and both earnings per share and relative strength rankings in the upper 90s. We believe this company has a strong potential for significant growth.

While we are very unhappy with the third quarter's performance, we remain confident that sticking with our disciplined approach will enable us to end the year in a profitable position. As of this writing, we have made significant progress in recouping our losses. As you may know, we rely heavily on our good clients to refer us to other individuals who might have an interest in Rocket Capital Management, LLC. If you know of anyone please let us know. We would love to tell them the story.

Sincerely,

J.D. Hurd
President / Senior Portfolio Manager

Jesse J. Nelson
Operations / Portfolio Services Associate

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