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April 29, 2010

Dear Partners:

Wynnefield Partners Small Cap Value, L.P. was up 4.73% on a *net* un-audited basis for the first quarter. During the same period the Dow Jones Industrial Average was up 4.1%, the S&P 500 was up 4.9%, the Russell 2000 was up 8.5%, the NASDAQ was up 5.7%, and the Lipper Small Cap Value Index (LSCVI) was up 9.3%.

As our regular readers will recall, we have had the feeling that M&A activity would percolate into the small-cap arena. While we were, as usual, a little early, our notion has come to fruition. There was increasing transaction-related activity during and just after the close of the quarter that radically improved the performance of our fund. **As we write this, we are up 17.11% on a *net* un-audited basis ytd.**

Tightening credit spreads and record investor inflows into high-yield funds have meaningfully eased credit markets. The operating leverage we have spoken of for some time is becoming evident as revenues pick up at "slimmed down" companies. One of the effects is rapidly increasing balance sheet cash which fuels the kind of strategic transactions that have contributed to Wynnefield's success over the years. Financial buyers are also returning to the market, making add-on as well as platform acquisitions. It is fair to say that financial buyer transactions are structured with higher percentages of cash than during the LBO heydays. The strong balance sheets and free cash flow of our names that carried our portfolio through difficult times, without any bankruptcies, will now drive continued M&A activity. Both elements increase the finance-ability and attractiveness of our portfolio investments.

We generally see the economy as much improved across all sectors; retail, housing, manufacturing and commodities are all better. First quarter earnings reported thus far have been coming in at or better than analysts' estimates. We remain cautious however, since the impact of the government stimulus program, as opposed to continuing economic activity, is hard to separate. Also of concern is the lack of improvement in unemployment numbers, which we have viewed all along as understated statistically. Granted that jobs are a lagging indicator but ultimately people need paychecks and peace of mind to continue spending. Looming in the background is our national ticking debt bomb, ignored by our elected leaders, but amounting to \$205,000 per person and growing – sooner or later, our country will have to address our deficit issue.

But instead of being "Chicken Little", let's just say that with the small capitalization stocks at a 17-month high and the Russell 2000 on its longest winning streak in a year, we are happy to continue selling into strength and at a profit, as we keep a weather eye on the government's ability to foster a continuation of recent positive developments, specifically in housing, while tackling the deficit. In addition, we have continued to build our previously noted hedge position into market strength. From an investment point of view, there is no doubt that interest rate

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increases, which may occur in the second half of the year, will help commodities. We are particularly interested in natural gas related names, which, while they have moved up, are still the cheapest energy stocks on a BTU basis. In fact, one of our largest current investments is a derivative of this thought, Global Power Equipment Group, Inc. (GLPW), a major builder of gas turbine related power plant equipment.

Portfolio Developments in Q1-10

BNS Holdings, Inc. (BNSSA): the transaction we mentioned in our year-end letter has now closed and we are cashed out.

White Electronic Design Corp. (WEDC): a major cash generator with no debt and a \$2.75/share of cash in the military micro-electronics space was sold for \$7.00 to Microsemi Corp. (MSCC), a strategic buyer. The premium over the March 1st closing price when rumors began to circulate was 34%, resulting in a meaningful portfolio gain. This transaction closed on April 27th. This was an important and successful proactive effort begun in the fourth quarter of 2008. Wynnefield, a Schedule 13D filer sponsored a proxy with an independent board slate and received overwhelming shareholder support. As a result, the company negotiated the appointment of two shareholder candidates from the slate who took their Board seats in February 2009 on what was heretofore a Phoenix-based "golfing board".

MVC Capital Inc. (MVC): a closed-end fund run by a very smart and successful group, has benefited from the environment we discussed above. They have sold two of their portfolio companies (Dakota Growers Pasta Co., Inc. and Vitality Foodservice, Inc.) for total proceeds of approximately \$65 million and realized gains of 52%. MVC has a number of opportunities for further private equity realizations positively impacting price-to-book value multiple expansion. As of March 31st, MVC's net asset value (NAV) per share was \$17.77 and common shares were trading in the open market at \$14.71. On April 27th, MVC announced a \$5 million buyback program as a way of taking advantage of the discount to NAV available in the market.

Subsequent Events

Cornell Companies, Inc. (CRN): On April 19th, our fund's largest position, announced its acquisition by The GEO Group (GEO). This transaction, which offered a fixed exchange of 1.3 x and optionality of cash to holders of up to \$100 million, has been exceedingly well received by holders of both companies and the investment community at large. Both stocks have been performing beautifully. CRN, which was \$18.47 on Friday April 16th, closed today at \$27.96 and was one of the top five gainers on the NYSE last week. GEO, which was \$19.16 on Friday, April 16th, closed at \$21.59. This was a "win-win" transaction and has had a dramatic effect on our portfolio performance.

Wynnefield is a Schedule 13D filer and helped lead a proxy action in the first quarter of 2007 to stop the company from being taken private at \$18.25. The result of our successful proactive efforts was the placement of two shareholder representatives on the Board. The Wynnefield representative on the Board is also the Chairman of the Transaction Committee that negotiated the sale to GEO. This is the way pro-activity should work – a transaction at a premium to a strategic acquirer. Please see the enclosed press release for the transactional details.

Allied Defense Group, Inc. (ADG): As noted in our last letter, this company had a bid from a strategic acquirer at \$7.25. This transaction has run into some issues due to an investigation of an employee (now former employee) originated after the deal was announced relating to the Foreign Corrupt Practices Act (FCPA). The shareholder meeting has been twice-delayed (first on April

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9th) and the price of the stock has been unwound from the low \$7s to the mid \$5s. The latest date for the shareholder meeting is May 6th... stay tuned.

As of 3/31/10, we are approximately 106% net long.

First quarter positive large long position performers were: Kid Brands Inc. (KID) +97.5%; Prospect Medical Holdings, Inc. (PZZ) +58.8%; Allied Defense Group Inc. (ADG) +51.2%; White Electronic Design Corp. (WEDC) +49.9%; Summer Infant Inc. (SUMR) +46.6%; Grammar AG (GMM.GR) +36.6%; Easy-Link Services, Inc. (ESIC) +36.6%; Crown Crafts Inc. (CRWS) +23.3%; Unigene Laboratories (UGNE) +22.2%

First quarter negative large long position performers were: Cornell Companies, Inc. (CRN) -19.3%; Eurand NV (EURX) -12.6%; Core-Mark Holding Co. Inc. (CORE) -7.1%; Nature's Sunshine Products Inc. (NATR) -2.5%

We are Schedule 13D/G (over 5%) filers in 24 companies, 14 are 13Gs (passive) the others are 13Ds (active). We are Form 4 (over 10% or Board of Directors) filers in 10 of those companies. Seven of our representatives serve on 19 boards.

As of March 31st, our top eight portfolio weightings were as follows:

Consumer Staples and Services: 23.77%

Aerospace & Defense: 12.07%

Infrastructure / Engineering: 11.77%

Business Services: 9.17%

Healthcare: 8.69%

Foods: 8.66%

Finance: 7.97%

Industrial / Industrial Manufacturing: 4.17%

As previously noted, on November 18, 2009, we asked the Federal Court of the Southern District of New York for a Summary Judgment for a dismissal of our SEC case, which dates back to 2001. We are awaiting the Court's response and will keep you advised.

We hope you have all received your K-1s, which were sent out by the accountants during March and our audited financial statements which were mailed in late April. We encourage you to contact us with any questions that you may have.

We thank you for your patience as we have worked our way through this difficult period.

Sincerely,



Nelson Obus

Joshua H. Landes

Wynnefield Capital Management, LLC

General Partner and Investment Manager

Affirmation of Investment Manager

"To the best of our knowledge and belief, the information contained herein pertaining to Wynnefield Partners Small Cap Value, L.P. is accurate and complete

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Wynnefield Partners Small Cap Value, LP
Performance vs. Benchmarks Since Inception as of 03/10*

Year	Wynnefield	Dow Jones	S&P 500	Russell 2000
1993	37.00%	17.00%	10.10%	18.90%
1994	8.40%	5.30%	1.30%	-1.80%
1995	44.80%	37.00%	37.60%	28.40%
1996	60.30%	28.90%	23.00%	16.50%
1997	37.60%	24.90%	33.40%	22.40%
1998	-16.00%	18.20%	28.70%	-2.50%
1999	7.50%	25.20%	19.50%	19.60%
2000	7.00%	-6.20%	-10.10%	-4.20%
2001	24.40%	-7.10%	-13.00%	1.00%
2002	3.60%	-16.80%	-23.40%	-21.60%
2003	34.40%	25.30%	26.40%	45.40%
2004	26.17%	3.20%	8.99%	17.00%
2005	11.10%	-0.60%	3.00%	3.32%
2006	13.05%	16.30%	13.60%	17.00%
2007	8.55%	6.40%	3.50%	-2.70%
2008	-35.66 %	-32.70%	-37.60%	-33.70%
2009	12.19%	18.80%	23.50%	25.20%
YTD 2010 (Mar 31)*	4.73%	4.10%	4.90%	8.50%
YTD 2010 (Mar 31)* Compounded Return	14.50%	8.10%	6.80%	7.40%

*Unaudited results for 2010. All other results have been fully audited by McGladrey & Pullen, LLP. All results are net of fees.

\$1,000,000 invested on January 1, 1993 would be worth approximately \$10,326,323 net of fees as of March 31, 2010.

"To the best of our knowledge and belief, the information contained herein pertaining to Wynnefield Partners Small Cap Value, L.P. is accurate and complete."

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