



Bumbershoot
Holdings

Bumbershoot Holdings LP
232 E. 58th St., Floor #3
New York, NY 10022

September-2015

Dear Family & Friends,

On Oct-1st 2015, I will be launching an investment partnership, *Bumbershoot Holdings LP*.¹ This letter provides a brief overview of the investment strategy and structure. I would ask you to consider investing as a limited partner.

For the past seven years I have been working as an analyst at CJS Securities. CJS was founded by my father in 1998 and it operates as an independent broker-dealer focused on providing small-cap equity research to institutional clients. The firm utilizes an in-depth fundamental research approach to identify and evaluate high-quality companies that are being inefficiently priced in the public market.

Since joining in 2008, my role has concentrated on research. This primarily consisted of creating detailed analytical reports and financial models on various businesses across a wide range of sectors & industries. It presented me with an enormous opportunity for growth as I was fortunate to work with an amazing group of companies, clients and co-workers; and anyone privileged enough to work alongside a parent (let alone both!) can attest that it is a special thing.

This provided me with the foundation to take the next step in my own career with the start of Bumbershoot Holdings. The purpose of the partnership is to provide investors with an attractive alternative in asset management service. Its mission is to maintain the highest standards of integrity, analysis, and transparency; and to focus on generating positive investment returns on behalf of partners.

The fund will target a compound growth rate of 15% per year. While the actual return in any specific year may exceed or fall short of that hurdle, I generally expect that when measured over any reasonable multi-year period the fund will hold to that trajectory.

In order to achieve that target, I will pursue a fundamental investment strategy that relies heavily on company-specific research and analysis. This is a

"quality over quantity" approach to identifying, evaluating and investing in great businesses at fair prices. Investing is not a science and there is no precise formula for a great business (let alone a great investment), but I expect that many of our portfolio companies will exhibit a number of common traits. These include characteristics such as positive secular growth, barriers to entry, scalable operations, strong balance sheets, numerous reinvestment opportunities and high quality management teams. While it is simple to list these on paper, they are significantly more difficult to evaluate in practice. These traits will rarely present themselves at first blush; and often times it is the subtle nuances of a story that build up into the critical components necessary to support and differentiate the investment thesis. After identifying and evaluating specific companies, I will then seek to invest at price levels that significantly discount the estimated future cash earnings of the business, providing a "margin of safety" and leading to an asymmetrical risk-reward tradeoff over time.

I believe I am uniquely positioned to do this. I can point to my past experience and a sizable body of published work as proof of concept, but early-stage partners should understand that they are largely buying in to that belief. I have a deep intensity to make this partnership a success and to prove out the strategy over time through our returns.

I intend to manage risk first and foremost through the analytical process. For every company entering the portfolio, we will spend a significant amount of time understanding the business, analyzing its long-term prospects, and evaluating its total value. These factors should never be taken for granted. Knowing what we own, why we own it and what we believe it to be worth will help to substantially reduce the chance of permanent capital impairment. It also promotes clarity and patience on the investment thesis, as well as discipline on valuation. It is a process that is repeatable over and over again; and scalable at increasing amounts of capital under management.

Beyond the research process, I will also take various other traditional measures to mitigate risk. While these are not formal restrictions, it is my intention to only invest in publicly listed companies. The primary focus is on small- and mid- capitalization companies headquartered in the U.S. and listed on a domestic exchange. American companies offer a high degree of confidence in their accounting, regulatory, and oversight processes; they also appear strongly positioned to capture growth in demand *globally*. The partnership may also occasionally look at companies headquartered within other developed countries such as Canada, Japan and parts of Western Europe, but it is unlikely to invest directly in emerging markets that may present a higher risk profile. I will run a relatively concentrated portfolio with approx. 60%-75% of assets in our top-15 holdings. Starting position size for any investment will be limited to a maximum of 10% of assets and careful attention will be paid to any correlation between core holdings. The portfolio will be diversified by sector, although relative to broader market indexes such as the S&P 500, I expect to maintain a moderate bias towards industries backed by hard-assets as in some cases these appear underrepresented. The partnership will utilize low levels of leverage and will hedge its net long exposure through various short positions and equity derivatives, as dictated by overall market conditions.

The fee structure for the partnership has two main components. There is a fixed management fee of 1.5% per year and a variable incentive fee equal to 15% of the partnership's gains. The management fee is charged on a quarterly basis at a rate of 0.375% of net asset value. The performance fee will be assessed on an annual basis and is measured in relation to the previous high-water mark. In appreciation to people willing to place trust in me from the outset, I will waive one of the two components at your choosing for a period of three years. This is extended to all launch partners on their initial investment for subscriptions received during Sep-2015.

To further align myself with investment partners, I am co-investing \$500k into the partnership. This investment is being made in cash and on the exact same terms as every other LP investor. No "side-letters" or special treatment. It represents the substantial majority of my personal net worth and will be my primary investment vehicle. So while that amount may not be significant to everyone reading

this letter, I can assure you it is to me and I feel strongly incentivized to deliver performance.

In short, I am incredibly excited to get started. I see a sizable opportunity in the market and have created a fund in order to capitalize on it. I am putting the majority of my money behind it and would ask you to consider joining as a limited partner. The fund will launch Oct-1st 2015 and legal documents are available now upon request. I am happy to answer any additional questions you may have over the phone, by email, or in person.

As one chapter ends, a new one begins. I am excited for all of what is to come!

Sincerely,



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Bumbershoot Holdings

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¹ As an aside for those who are curious, a '*bumbershoot*' is simply a colloquial term for an umbrella from the late 19th century. For most people this will conjure images of shelter, serving as a form of protection on a rainy day. For others it may represent a catch-all for storing worthwhile investments and ideas. I just think it is an awesome word.