

To Our Partners:

“Until one is committed, there is hesitancy, the chance to draw back. Concerning all acts of initiative (and creation), there is one elementary truth, the ignorance of which kills countless ideas and splendid plans: that the moment one definitely commits oneself, then Providence moves too. All sorts of things occur to help one that would never otherwise have occurred. A whole stream of events issues from the decision, raising in one's favor all manner of unforeseen incidents and meetings and material assistance, which no man could have dreamed would have come his way. Whatever you can do, or dream you can do, begin it. Boldness has genius, power, and magic in it. Begin it now.”

While I erroneously attributed this quote to the German Writer Johann Wolfgang von Goethe when Cove Street Capital was founded six and half years ago, it is in fact correctly sourced to **William Hutchinson Murray** (1913-1996), from his 1951 book titled *The Scottish Himalayan Expedition*.

And we use it again today to announce that my Cove Street Co-Founder and partner for 18 years, Daniele Beasley, will be leaving at year-end to pursue her own expeditions. Daniele was the glue of Cove Street at its founding (and at our predecessor firm). Her attention to detail, and devotion and loyalty to her partners, enabled the investment team in general, and me in particular, to engage almost solely in the pursuit of investments rather than the “business” of the industry. She built an institutional infrastructure in operations, compliance, systems, and reporting that has enabled Cove Street to work with some of the largest and most demanding institutional clients in what always seemed to me an effortless fashion. (Translation—I did nothing and it worked perfectly without me.) While we “attempt” to have repeatable and documentable process within our investment team, it is utterly mission critical to have it in operations and the running of an investment management business.

Daniele also took my message of “hire great people and make yourself expendable” very literally, and that has put Cove Street in a great position to seamlessly handle this event with tears on a personal level rather than a practical level.

Matthew Weber, Cove Street Partner and Director of Trading, will become President of our firm and be generally responsible for oversight. Matt has experience in all areas of operations, compliance, and the nuts and bolts of running an investment firm from stints as an “early” employee at both a hedge fund and a long-only shop similar to Cove Street.

Merihan Tynan, our Director of Operations, will become our Chief Compliance Officer and a Partner of Cove Street. As I fondly say, Merihan is an “animal” in terms of process and attention to detail, and she possesses barely an ounce of deference to the remaining Founder of Cove Street.

I would also like to note the outstanding progress and work of Andy Harnett, Trading and Operations Associate, whom Matt has been quietly grooming as “Trader #2” and is working hard to make both Matt and Merihan “expendable.”

Finally, we are pleased to announce the hiring of Fabiola Barrios as Accounting + Operations Associate. Fabby has 12 years of experience in the investment business in almost all areas of operations,

administration, and accounting. Besides adding operational depth to Cove Street, she will be picking up all of Daniele's work in accounting and billing, as well as providing great bench strength in operations.

In answer to your probable question about Cove Street, we look all the time at "outsourcing" operational type things, and in areas like technology we are fully outsourced. But we have found that the effort to properly police operations to our standards requires nearly as much work as actually doing it ourselves, and using technology along with repeatable process and capable people, we are much better off.

In answer to the other likely question, Daniele owns ten percent of Cove Street and her equity will be repurchased by the firm and immediately re-distributed to both new and existing partners of Cove Street whose surname is not Bronchick, per our exhaustive and expensively constructed operating agreement. Exact details will be finalized at year-end. The long-term plan of Cove Street has always been to create and maintain an "ownership" mentality among our team and at year-end, eight of the eleven people who show up every day will be partners. Our goal long-term is 100%.

This is a somewhat sad yet exciting time for Cove Street, as we wish Daniele the best in her new venture and watch team Cove Street take on new responsibilities and grow their career arc and compensation. We have built a real culture that celebrates our founding—delight clients, have fun, make money—and we welcome Daniele as the President of the Cove Street Capital Alumni Network.

Please do not hesitate to call us if you have any questions.

Best Regards,

Jeffrey Bronchick, CFA
Principal, Portfolio Manager