

ERIKSEN CAPITAL MANAGEMENT, LLC

567 Wildrose Circle Lynden, Washington 98264

January 31, 2013

Subject: Eriksen Capital Management 2012 Update

Dear Partner:

Before I get into my update on 2012, I want to again thank all of you for not only your investment in Eriksen Capital Management, but also for all the assistance throughout the year. I truly appreciate it.

Overview

Before looking at the numbers, I want to highlight some successes and shortcomings. The biggest shortcoming was fund performance lagging the market indices. This is occasionally going to happen, we know that, but it makes it challenging to grow assets under management (AuM). I knew the fund had some positions that might take a few years to play out and, unfortunately, they are. On the success side, we continued to expand our distribution list and laid the groundwork for gaining some larger investments in the fund. Most importantly the fund ended the year well positioned to start 2013 strong thanks to finding, and then accumulating, large positions that had near term catalysts.

The Numbers

As of the end of 2012, the aggregate assets under management were \$2.8 million, unchanged from the \$2.8 million to start the year. At the end of 2011 there was \$2.15 million invested in Cedar Creek Partners and \$0.65 million in a separately managed account. As of the end of 2012, \$2.55 million was invested in Cedar Creek Partners and \$0.27 million in a separately managed account.

During the year, we lost a large separately managed account (SMA) client, while adding a new smaller one. We do not focus much on this side of the business as the AuM is less stable than the fund, and the amount of compliance paperwork for *each* client is similar to that of the fund. The fund experienced no redemptions by limited partners in 2012, and had net subscriptions of \$0.20 million, down from \$0.36 million in 2011. Both years were below our internal goal of \$2 million annually, and are primarily due to under performance by the fund.

In terms of revenues generated during the 2011 calendar year. Total revenues increased due to higher average AuM during the year and from year end incentive fees. The following chart gives a breakdown:

Revenue	2012	2011	2010
Management Fees	\$ 38,071	\$ 34,200	\$ 14,621
Incentive Fees	\$ 30,172	\$ -	\$ 72,993
Research above threshold	\$ -	\$ -	\$ -
Other (Marketocracy)	\$ 1,655	\$ 1,741	\$ 1,348
Total Revenue	\$ 69,898	\$ 35,941	\$ 88,962

For 2012 there will be no distribution to the partners due to the revenue being below the minimum threshold. As a reminder, each 1% of ownership entitles the owner to a royalty on the net revenue of Eriksen Capital. The royalty revenue is on a sliding scale as defined below:

<u>Total Annual Firm Revenue</u>	<u>Payout %</u>
Below \$250,000	0.0%
\$250,000 - \$500,000	0.5%
<u>\$500,000 and over</u>	<u>1.0%</u>

Goals for 2013

1. Add a minimum of fifty additional names to the distribution list of qualified investors who receive the monthly letter. This is the easiest way for you to help, by passing the monthly letters on to others and encouraging them to request to be on the distribution list. I won't be calling them and pressuring them to invest. I want them to be comfortable that the fund is a good fit for them – and the monthly letter provides them the opportunity to learn more about me and the fund.
2. Outperform the market by 5% or more, net of fees. Outperformance is the primary factor in attracting AuM and I must do that. The fund is off to a strong start in January (9.1% net versus 5.2% for the S&P 500), and I am excited about the potential in the fund's holdings. I am always on the lookout for additional ideas, so if you come across any interesting investment ideas please pass them along.
3. Bring in some larger clients (\$500,000 or more) that can push AuM above \$5 million such that investment minimums can be raised to \$100,000 or possibly even \$250,000. In order to achieve that I will consider including an equity stake in the management company, or a fee break.
4. Take advantage of opportunities to speak to groups about investing. I am excited about the opportunity to be a speaker at the Value Investing Congress in Las Vegas on May 6-7. I'd like to extend a special note of thanks to John Schwartz for this opportunity. I am truly grateful.

Fund performance is the key to achieving the firm's goals. Strong performance makes it easier to increase the distribution list, raise assets, and be invited to speak at conferences. I believe the fund is well positioned to outperform the market, and I am optimistic about the future. I am confident that we can build a successful enterprise and continue to increase the value of your investment for years to come.

Once again, I want thank you for your commitment to Eriksen Capital. If you have any questions, don't hesitate to call or email me.

Sincerely,



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