April 21, 2020

Dear Partners and Friends,

I hope this letter finds you and your loved ones safe and healthy. As Lenin is reported to have said, "There are decades where nothing happens; and there are weeks where decades happen." I think we've just lived through a few of those weeks. It is difficult to find the words to do justice to the transformative events of the last quarter. The economy went from a position of strength to a severe recession in just a few months. Stocks declined precipitously, and small stocks were hit harder than large.[1] Maran Partners Fund returned -17.5% net of all fees and expenses in the first quarter.

I'm not going to attempt to provide an in-depth analysis of the pandemic in this letter. Even as some worst-case scenarios seem to have been taken off the table, the situation remains very fluid. I am trying to be thoughtful and levelheaded in my analysis of the situation — with a focus on facts and data rather than conjecture, hope, or fear.

It doesn't pay to bet against human ingenuity. Problems are soluble, and this one will be solved, too. That said, I believe now is the time for intellectual humility. The range of outcomes across a huge number of factors over the next few years is extremely wide, with numerous second-, third-, and higher-order effects to be considered.

During this period of extreme change and volatility, I am sticking to our fundamental guiding principles: margin of safety, conservative underwriting, alignment of interests, a long time horizon, and investment as ownership in a piece of a business (rather than a line that wiggles around on a screen). It is critical to maintain integrity — that is, having principles and sticking to them — when the world gets rocky. I believe that our structural advantages (such as our small size; single decision maker; and aligned, long-term capital base), philosophy, and approach have given us a firm bedrock on which to stand during times like these.

I rarely hold a view as to what the broader market is going to do in the short term. That said, I am surprised that the broader market (as measured by the S&P 500) is higher than it was last summer. Even with fiscal and monetary stimulus in place and hopes that treatments or cures will facilitate the reopening of the economy, the global economic outlook is certainly much worse than it was last summer.

Luckily, we don't have to decide whether to invest in *the market*. More companies than ever are currently in our "too-hard" pile. But there have been enough proverbial babies thrown out with the bathwater to keep me excited. There are still many stocks down 30%, 50%, or even 80% that I think are now undervalued, especially in my favored hunting ground of smaller capitalization companies. We are seeing extreme inefficiency in small- and micro-cap companies right now. On the flip side, some stocks seemingly haven't noticed that there is a global pandemic underway. I believe more companies are mispriced now than in, say, January, which provides us with opportunities in both directions.

[1] Q1 2020 was the worst quarter for smaller stocks in over three decades (yes, including the worst quarters in each of the dot-com bust and the great financial crisis). The S&P 400 (mid-cap) index declined 30%; the Russell 2000 (small-cap) index declined 31%; and the equal-weighted S&P 500 index (which is more representative of the average stock in that index, rather than just the largest handful) declined 27%. (The equal-weighted small-cap index was down 37%.) The S&P 500 declined 20% (note while the S&P 500 is comprised, as the name suggests, of 500 companies, over 20% of it is held in just five stocks: Microsoft, Apple, Amazon, Google, and Facebook).

Portfolio Update

At quarter's end, our top five positions (in alphabetical order) were Clarus Corp (CLAR), Scott's Liquid Gold (SLGD), Standard Diversified (SDI), and two undisclosed positions (which we are still buying).

The fact that we had such limited turnover in our core positions through Q1 is indicative of the business quality and balance-sheet strength that I demand in our core positions. That's not to say that I sat idly as the virus started to spread around the world. Our small size and advantaged structure allowed me to quickly reposition our fund as facts on the ground changed. I re-underwrote all of our positions during the quarter (utilizing a wide range of scenarios for each) and took action where I felt it was warranted.

By February 29th, I had taken our net exposure to approximately 50%. I added small hedges in retail, restaurants, foodservice distribution, industrials, aerospace, casinos, and high-yield bonds. I also exited several economically sensitive positions that we held such as a hospitality company and an industrial-equipment rental company.

These actions helped blunt the pain of the pandemic compared to the various small and micro-cap indices, but our stocks were not immune to the indiscriminate selling in March.[2] Hindsight is 20/20; in retrospect, we should have gone to 0% net exposure, or even net short. But we are long-term investors and I liked (and still like!) our core positions.

In our three disclosed core positions alone, we own numerous brands that survived the 1957 global pandemic (and several that survived the Spanish Flu, the Great Depression, both World Wars, and every other bump in the road that the economy has thrown their way over the past century-plus), including Black Diamond Equipment (whose roots trace back to Chouinard Equipment Ltd. in the 1950s), Sierra Bullets, Prell, Scott's Liquid Gold, Beech Nut, Stoker's, and Zig Zag (which was founded in 1855). I believe they will each survive this one, too.

In March, I covered most of the portfolio hedges that I put on in late February and began adding to longs in what I think are great businesses at great prices. But as I mentioned, the dispersion in the market is as wide as ever, which continues to create opportunities on both sides of our book as well as in special situations, which are generally highly asymmetric risk/reward situations with firm catalysts in place that should be uncorrelated to the broader market.

Special Situations

I wrote at length about our long Standard Diversified / short Turning Point Brands parent-daughter arbitrage trade last quarter. On April 7th, the companies announced the final exchange ratio of their "downstream reorganization": 97% of the value of the TPB shares that SDI holds (net of all SDI liabilities) — slightly worse than our base case of parity (i.e., 100%), but still well within the margin of safety at which I underwrote the trade. (The net proceeds from the sale of SDI's billboard assets were also below my

[2] Just over half of the drawdown that occurred in our portfolio in the first quarter was driven by two positions: Scott's Liquid Gold and another micro-cap, less liquid company. Sometimes all it takes is one seller in companies such as these to move the prices dramatically.

estimate but within our margin of safety.) We fully exited the SDI / TPB arbitrage following the announcement of the final exchange ratio.[3]

This was an archetypal special-situation trade for us. When the proposed transaction was announced on November 18th, 2019, the timeframe to completion was uncertain (I estimated six months from that point), as was the exact exchange ratio (I believed it would be within a few percent of parity). There were several hurdles that had to be overcome, including the disposition of SDI's small operating businesses (at uncertain valuations). That said, I believed there was no regulatory risk and a high likelihood that the deal would be consummated (it was in the interest of both companies to do so; there was no financing contingency; the large hedge fund that controlled both entities was behind the transaction, etc.). This was not a typical "risk arb." Most importantly, I believed the spread at which the securities traded at various times provided a very large margin of safety. This was a classic high uncertainty / low risk trade setup (likely available in part because it was illiquid, off the beaten path, and required a certain amount of intrepid wading through SDI's inscrutable financials). The trade involved de minimis net exposure and was uncorrelated to the market.

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In addition to the Standard Diversified / Turning Point Brands reorganization, I have been busy on the special-situation front.

During the first quarter, we exited a liquidation and entered and exited two other special situations that each quickly resolved (a fraudulent tender announcement and an arbitrage between two listed securities of one company). We are currently involved in or evaluating several announced merger situations (both on the long and short sides) and a holdco "stub" trade with an announced timeline to unwinding.

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Operational Matters

Operationally, we have not missed a beat during this crisis; all our systems and processes are working well. Our fund administration and tax/audit partners at SS&C ALPS and Spicer Jefferies seamlessly implemented their contingency plans, and we completed all our audit and tax work on schedule with no hiccups. K-1s were distributed electronically and via postal mail in mid-March.

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[3] This has been the special situation that keeps on giving. Rather than wait for the deal to close this summer, we were able to unwind our entire SDI arbitrage at what I believe was a *premium* to the consideration that it will receive in the merger with Turning Point. *The sure thing of slightly more than one bird in the hand right now is better than the chance to get at most one bird out of a bush in a few months.* I even put on a small position of the inverse arbitrage (short SDI / long TPB) because I believe there is no fundamental reason for this deal to trade at a premium to the announced terms (as can sometimes happen when investors are hoping for a higher competing bid); I just think the announced terms are complicated and the market is sometimes inefficient (perhaps some have forgotten about SDI's $25mm (million!) term loan and the closing condition that SDI must have less than $25k (thousand!) of net liabilities at close).

Conclusion

Despite the stormy backdrop, I remain confident. There are some good companies on sale; attractive hedges are available; and uncorrelated special situations worthy of consideration are plentiful. I believe this is a good recipe for favorable long-term results. I continue to have the majority of my net worth invested in the partnership alongside yours. Please don't hesitate to reach out if you have questions or concerns.

Stay safe and well.

Sincerely,

Dan Roller

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An investment in the Partnership involves a high degree of risk and is suitable only for sophisticated and accredited investors. Investors should be prepared to suffer losses of their entire investments. The Offering Memorandum contains brief descriptions of certain of the risks associated with investing in the Fund.

Certain information contained in this document constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “target,” “intend,” “continue” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Partnership described herein may differ materially from those reflected or contemplated in such forward-looking statements.

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Prices for securities discussed are closing prices as of April 20, 2020 unless otherwise noted, and are not representative of the prices paid by the fund for those securities. Positions reflected in this letter do not represent all of the positions held, purchased, and/or sold, and may represent a small percentage of holdings and/or activity.

In 1Q 2020, the total return of the S&P 500 was -19.6%, and the total return of the Russell 2000 was -30.6%. The S&P 500 and Russell 2000 are indices of US equities. They are included for information purposes only and may not be representative of the type of investments made by the fund. The fund’s investments differ materially from these indices. The fund is concentrated in a small number of positions while the indices are diversified. The fund return data provided is unaudited and subject to revision.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws, or any other U.S. or non-U.S. governmental or self-regulatory authority. No governmental authority has passed on the merits of this offering or the adequacy of the information contained herein. Any representation to the contrary is unlawful.

July 21, 2020

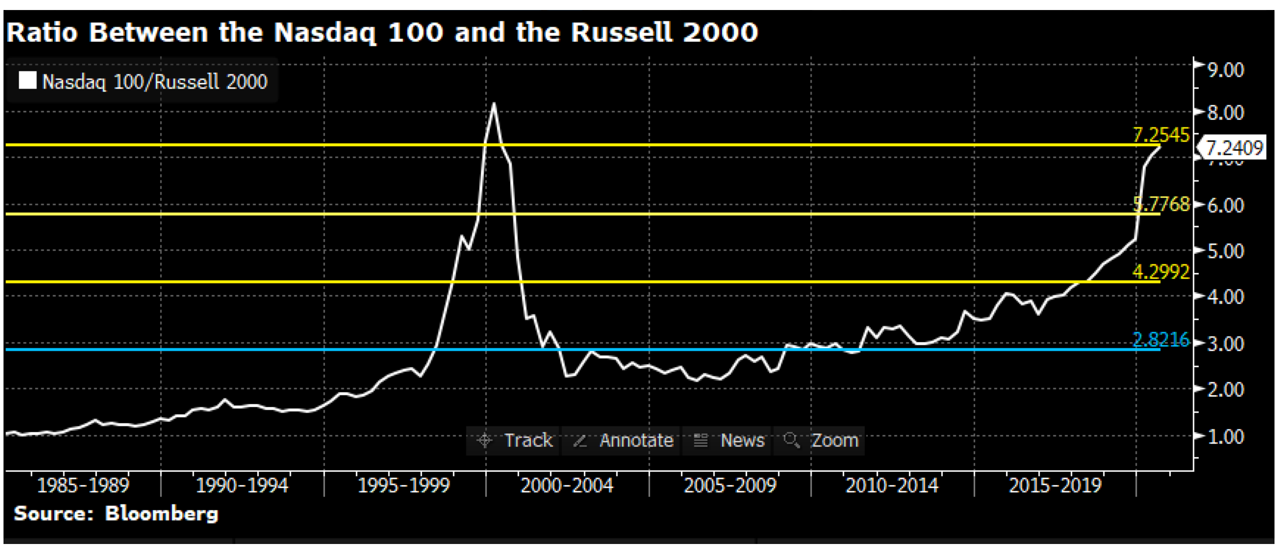
Dear Partners and Friends,

Maran Partners Fund returned +5.4% in the second quarter, net of all fees and expenses, which brings its year-to-date return through June to -13.1% net.[1] Performance has continued to improve in July, and as this letter goes to press, the fund is down mid-single digits year-to-date.[2] As always, during good times and bad I remind our partners that we are focused on long-term performance. Over the past three years, Maran Partners Fund is up +28% net while the Russell 2000 total return index is up just +6% during the same period, and we are ahead of that index over five years and since inception as well.[3]

The worst of the Covid fears have subsided, but the virus is not yet behind us. The first derivative of economic activity is once again positive – trends are improving off the low base reached in March and April – but the absolute levels of economic activity and employment are still far below where they were a year ago. The economy is still in a severe recession, and I believe it will be at least several years before GDP and employment regain their 2019 levels.

As crazy at it sounds, speculative mania has gripped pockets of the market (the fervor around certain cult stocks is reminiscent of 1999), while other pockets have been left for dead (as was the case with small-cap value at the turn of the millennium). We can safely ignore the former (participating in speculative manias is just not our game), but the latter is a source of opportunity.

Bloomberg recently published this chart of the ratio between the tech and large-cap-heavy Nasdaq 100 index and the small-cap Russell 2000 index. It is approaching prior peak (1999/2000) levels.



[1] Individual partner returns may vary based on fee structure and timing of investments. Please see disclaimer on page 6 for important information.
[2] Estimated performance through July 17, 2020, net of all fees and expenses.
[3] Through June 30, 2020.

I don't have an opinion as to how long this trend will continue. I am just sticking to my knitting and looking off the beaten path for quality businesses at attractive prices. Regardless of the market backdrop – panic or euphoria (each of which we have seen in various stocks and sectors in the last six months alone) – I remain dedicated to my process of deep research, fundamental analysis, and conservative underwriting.

There are many wonderful businesses in the smaller-cap world that meet our criteria. We own a number of businesses trading at double-digit free-cash-flow yields with minimal reinvestment needs that I believe can compound earnings at double-digit rates for years to come. We even own some high-quality technology companies that are growing rapidly; they are just generally in special situations such that the market is not making us pay up for them.

Portfolio Update

At the end of the quarter, our top five positions were, in alphabetical order, Clarus (CLAR), IAC/InterActiveCorp (IAC), Scott's Liquid Gold (SLGD), Turning Point Brands (TPB), and one position that remains undisclosed. Our top 10 long positions accounted for 83% of our long exposure at quarter-end, and we only had two short positions (both related to our IAC special-situation trade, more on which below).

Special situations have been our best risk-adjusted use of capital. They have been both sources of shorter-term trades with catalysts and ways to enter longer-term positions at favorable valuations. In the case of IAC and TPB, special situations created short-term catalysts and, more importantly, attractive entry points into great companies that we would like to own for the long term.

IAC/InterActiveCorp (IAC)

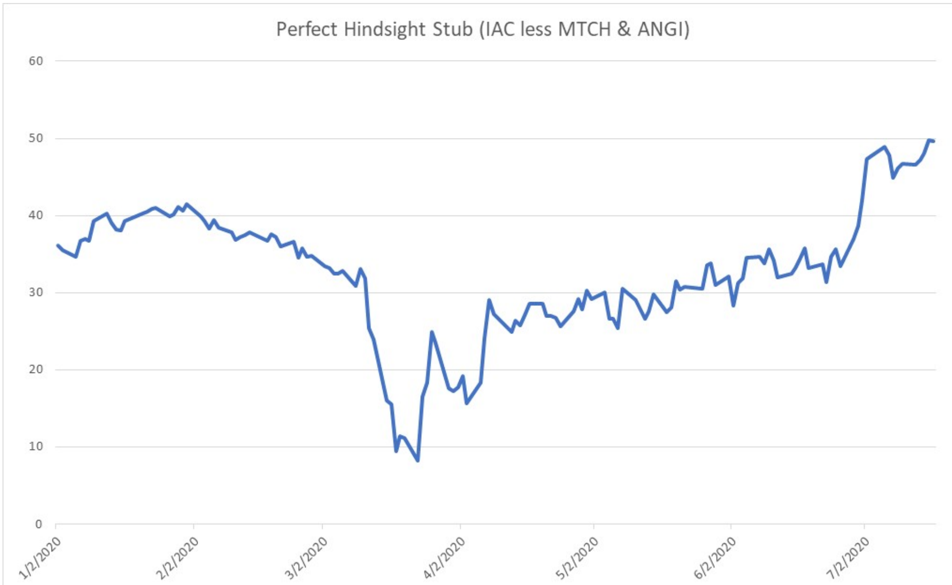
IAC is the internet conglomerate chaired by Barry Diller. Over the years, it has nurtured and spun off such stalwart properties as Expedia, LendingTree, Ticketmaster, and Match.com. IAC has always utilized a holding company structure, comprised of both controlling stakes in public companies and fully owned businesses. Despite a great track record of capital allocation and organic growth, IAC has at times traded at wide discounts to not only conservative estimates of its net asset value (NAV) but also to the value of its public securities portfolio alone.

I have followed the company closely for years, and in early 2018 implemented a special-situation position in the IAC "stub" – that is, we were long IAC and short both Match.com (MTCH) and Angie's List (ANGI) at the ratio in which IAC owned them. There was no catalyst at the time, but as I wrote in our 1Q 2018 letter to partners, I felt that we were buying $15-20/sh of net assets for *negative* $28/sh (IAC traded for around $162/sh, while its MTCH position was worth $122/sh and its ANGI position was worth $68/sh).

Two years later, the market once again provided what I thought was an attractive opportunity to set up the IAC "stub" trade – this time with a firm catalyst in place! IAC had announced that they were planning to spin off MTCH during 2Q 2020 (and "spin" doesn't quite do the transaction justice – it was a fairly complicated set of maneuvers that required significant study to fully understand). Prior to the spin of MTCH, IAC had a ~$25bn market cap. The MTCH position accounted for perhaps ~$21bn of value, ANGI another ~$5bn or so, and fully owned businesses another couple billion. It was a "90 cent dollar" at best – not that interesting on the surface.

But following the MTCH spin, IAC would become a leaner, more focused, very cash-rich mid-cap company, at a larger discount to NAV. I thought that it had a good chance of re-rating higher as analysts and investors focused on it.

There were various moving parts to the transaction right up until the end, but this chart shows the "perfect hindsight" IAC stub value year-to-date (given the ratios ultimately announced at deal close).



It is worth noting that IAC, following the transaction (which closed on June 30th), has approximately $46/sh in cash. Net of the ANGI position and this cash, the new stub enterprise value (IAC less ANGI and less net cash) is still trading very close to $0/sh (the market cap is currently around ~$10.7bn against ~$6.4b of ANGI, ~$4bn of cash, and wholly owned companies that I value, net of capitalized corporate expense, at $2bn+).

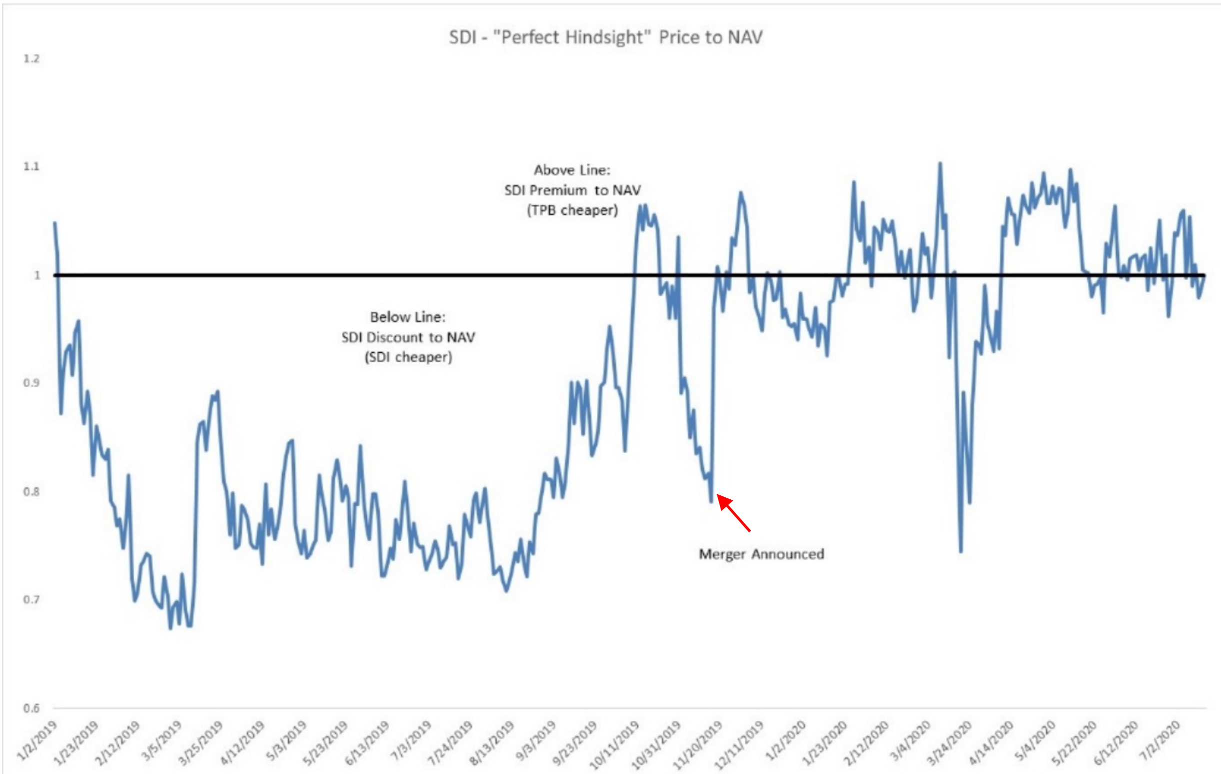
I believe investors will spend more time focusing on the fully owned businesses at the new IAC. These include Vimeo (online video), Dotdash (online content), Care.com (online childcare marketplace), and many other smaller digital businesses. Looking forward, I believe that many of these businesses will continue to grow in value, and that the discount to NAV at which IAC trades will continue to narrow either organically, due to share buybacks or other smart capital allocation, or due to the eventual spin off of ANGI or IPO of Vimeo.

Turning Point Brands (TPB)

Turning Point Brands is once again a core top-five position in the fund. We previously owned TPB from 1Q 2017 through October 2018, exiting only when it reached our estimate of fair value at that time. We revisited the company and its parent, Standard Diversified, over the last eight months, following reductions in the share prices of each, continued growth in the fair value of TPB, and, importantly, the announcement that the two would merge (which I believed would simplify the structure, increase liquidity, and reduce a perceived overhang).

Our path to a core, unhedged, net long position in TPB was somewhat circuitous. There have been times since last November at which we were taking advantage of what I called the "parent-daughter arbitrage" opportunity between SDI and TPB, and therefore owned one or the other, depending on which was cheaper (considering they essentially constituted economic ownership in the same underlying business).

I laid out my case in my last two partner letters as to why I thought the TPB/SDI merger had a high certainty of closing (and therefore the risk of the arbitrage was small). As the following chart illustrates,[4] there have been meaningful opportunities on both sides of this trade at various points in time since the transaction was announced last November.



The merger was successfully completed in mid-July, leaving behind a cleaned-up structure, no controlling shareholder, a lower TPB share count, greater liquidity, and a significant amount of momentum in the underlying business.

We first invested in Turning Point Brands (TPB) shortly after its IPO. At the time, I underwrote the business at around $13/sh, based on ~$1.30/sh of FCF. I liked the idea of paying just 10x free cash flow for a business with both a very stable core and significant growth potential.

We once again own the business at a single-digit multiple of free cash flow, and the growth prospects of the business are just as good, if not better, than they were three years ago. Turning Point Brands is asset-light, has high returns on capital, and has a stable core with numerous organic and inorganic growth opportunities.

[4] I call this the "Perfect Hindsight" chart because it applies the final ratio that SDI shareholders received which was only disclosed upon the completion of the merger. There were times along the way when many estimates were required to estimate SDI's NAV and therefore the attractiveness of the arbitrage.

I believe the noise of the merger with SDI overshadowed some of the positive developments at TPB over the past few months, including an accretive acquisition (a low-risk $7mm of EBITDA purchased for $46mm) and significant acceleration in the business in 2Q. As part of the transaction with SDI, TPB "repurchased" ~1.5% of their shares for $0. Now that the transaction is complete, I believe that investors may take a fresh look at TPB and like what they see.

Conclusion

I was recently asked by a potential investor in the fund about some of my influences as an investor and whether there was a defining realization that helped crystalize my style or approach. I answered by describing a company that I started following as an intern and whose success I watched unfold in the subsequent years (leading up to its sale in 2007).

I have written about this story in prior letters and used it as a case study in a presentation I gave on Clarus in 2018. The company is Armor Holdings. With Warren Kanders (now CEO of Clarus) at the helm, Armor Holdings grew its stock value from ~$0.75/sh to $88/sh in 12 years (a 100+ bagger, and 49% CAGR, for those keeping score at home).

This was not a sexy technology or internet business. The company was never a household name. It generally traded at a low double-digit P/E multiple. But with a dedicated owner-operator, a "buy-and-build" strategy, savvy deal-making, and some secular tailwinds, the result was incredible.

The lesson? We don't have to pay nosebleed valuations for the handful of large companies that dominate the major stock indices. We don't have to pay 10x or 20x or 30x *revenues* for hot software-as-a-service stocks. If we align with the right owner-operators executing the right playbooks, pay a cheap price, and have a secular tailwind at our backs (and perhaps throw in a dash of luck), fantastic results are obtainable – even in seemingly mundane industries.

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I hope that you and your families are staying healthy and safe. I am working hard, as always, to protect and grow our capital. Small cap and "value" may be out of favor, but I believe that this trend has created opportunities to buy fantastic companies at cheap prices and to ultimately compound wealth over the coming years. Quality matters, and valuation matters – I insist on both. The majority of my family's wealth continues to be invested in the fund alongside yours, and I am confident about our portfolio and prospects. Thank you for your continued trust.

Sincerely,

Dan Roller

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In 2Q 2020, the total return of the S&P 500 was +20.5%, and the total return of the Russell 2000 was +25.4%. Year to date, the total return of the S&P 500 was -3.1% and the total return of the Russell 2000 was -13.0%. The S&P 500, Russell 2000, and Nasdaq 100 are indices of US equities. They are included for information purposes only and are not representative of the type of investments made by the fund. The fund's investments differ materially from these indices. The fund is concentrated in a small number of positions while the indices are diversified. The fund return data provided is unaudited and subject to revision.

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October 26, 2020

Dear Partners and Friends,

Maran Partners Fund returned +13.6% in the third quarter, net of all fees and expenses, which brings its year-to-date return through three quarters to -1.3% net.[1] Over a more meaningful period of three years, the fund is up +38.5% net (+11.5% compounded) vs. the Russell 2000 Total Return Index of +5.4% (+1.8% compounded), bringing Maran's outperformance to +970bps per year. The net returns of our limited partners in our three- and five-year lockup share classes, with commensurately reduced fees, are even better.

Small caps and "value" stocks have been out of favor to a historic degree. That said, I haven't been tempted to shift styles or to chase performance in today's "hot" sectors. I'm pleased that the fund has been able to make headway and generate positive returns over the medium to long term even while the market has mostly shunned our favored hunting grounds. When the tide turns, I believe we will be well positioned.

Special situations (as discussed in our last quarterly letter) as well as core long positions (many executing on "buy and build" strategies) contributed to the positive performance in the quarter. I feel good about our positioning going into year-end and the coming year, having added several new core positions, and with several existing core positions continuing to grow in value and trade at undemanding valuations. We also have a few smaller positions that I believe are highly asymmetric, one them trading at ~1x 2019 free cash flow.

Several portfolio companies have made value-enhancing acquisitions in the past few months, while others have repurchased shares at compelling valuations. These are each tangible demonstrations of value creation at work.

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Portfolio Update

At the end of the quarter, our top five positions were, in alphabetical order, Clarus (CLAR), Pure Cycle (PCYO), Scott's Liquid Gold (SLGD), Whole Earth Brands (FREE), and one position that remains undisclosed. Our top 10 long positions accounted for 83% of our long exposure at quarter-end.

The two special situation positions that we discussed last quarter each resolved, though we continue to hold positions in the long legs of each, as the special situation trades effectively provided advantageous entries into what I consider two great businesses.

I enjoy evaluating situations that require me as the analyst to do my own work. Spin-offs, IPOs (frequently the "broken" IPOs), post-bankruptcy, and similar situations frequently have little to no sell-side analyst research. There is no one there to hold anyone's hands. The lack of interest and institutional resources is compounded in small capitalization companies. Our two new top-five positions each fit this description. They are each quality companies, mostly ignored and uncovered, subject to forced or otherwise non-economic selling, trading at compelling valuations.

[1] Individual partner returns may vary based on fee structure and timing of investments. Please see disclaimer on page 6 for important information.

Whole Earth Brands (FREE) – The Price Asks the Question

I started my career at Credit Suisse First Boston in the equity research department (covering the glamorous sector of freight railroads). I was lucky to sit down the hall from Michael Mauboussin, whose work I have followed and admired in the almost twenty years since. Two years prior to my arrival at Credit Suisse, Mauboussin had published *Expectations Investing* with his frequent collaborator, Alfred Rappaport. The thesis of the book is that, as an alternative to attempting to value a company in the traditional manner utilizing a variety of inputs and forecasts, analysts can and should invert the process, and ask what expectations are embedded in a stock at its current price. I have heard this distilled to *the price asks the question*.

There is a large group of companies in the market today (many software as a service, or SAAS) that are trading for more than twenty times their annual revenues. One example is a company that is expected to generate approximately $3.5bn of revenue in 2021. It has a gross profit margin of just over 50% and is expected to generate between $300mm and $400mm of EBITDA next year. It is a great business, and is growing rapidly, but the company has a $120bn enterprise value and is trading at 35x sales, 360x EBITDA, and 420x earnings (all on calendar 2021 estimates). There is a certain set of expectations embedded within this valuation (around growth, margin, operating leverage, and – with Mauboussin on the mind – competitive advantage period,[2] etc). And in this example, those expectations are extremely high: continued rapid growth and ultimately something approaching total industry domination for decades.

This company's price is asking some pretty difficult questions. I prefer the prices of our stocks to ask easy questions, perhaps those even a kindergartener could answer.

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Whole Earth Brands (FREE) is a packaged food and ingredients company focused on the "healthier for you" and "free from" segments (primarily non-sugar sweeteners) and the licorice-based flavorings segment (whose end markets include tobacco, vitamins, and confectionary). FREE is pursuing a "buy and build" strategy under the chairmanship of Irwin Simon, who built natural food pioneer Hain Celestial (HAIN) from under $20mm of sales in 1994 to over $2bn of sales last year. FREE targets moderate organic growth and industry-leading margins derived from its asset light model. It has dominant market share in France and parts of Europe with its Canderel brand, leading market share in its licorice-based flavorings business, and strong growth brands in its Whole Earth and Pure Via natural non-sugar sweeteners (the former grew 70% y/y in 1H 2020).

These leading brands should generate just under $300mm of revenue, ~$65mm of EBITDA, and over $1/sh of cash earnings next year. Yet, at a market cap of $300mm and an enterprise value of $385mm, FREE is trading at 1.3x sales, 6x EBITDA, and 8x cash earnings. An undemanding set of expectations is embedded in this valuation. Again, the price asks the question. Is FREE a challenged, low-quality business in secular decline, as the market's valuation of it implies? Obviously, I believe the answer is no.

What might explain FREE's seemingly remarkable valuation? FREE came public via a SPAC, an avenue that, with good reason, is generally hated by the market (with a few notable high-flying exceptions). Further, prior to coming public, the businesses that comprise FREE – Merisant and Mafco – were owned by Ron Perelman. It is no secret that Perelman has been an aggressive seller of his assets – from artwork to yachts to companies – over the last few quarters as he seeks to de-lever. His fire sale is our opportunity to profit.

[2] Mauboussin 1997

Merisant and Mafco reportedly had over $350mm of debt (over 5x leverage) under Perelman's ownership and Perelman's empire had significant additional leverage, so historically the majority of FREE's free cash flow was used to service that debt and pay out dividends to Perelman. Capital for integration, cost-cutting, brand-building, and growth was scarce. At 6x EBITDA, the market is pricing in decline, yet looking under the hood shows a business with secular tailwinds that is being set free from its debt shackles for the first time. Management will now be able to invest in the business to improve efficiency and drive growth. The fact that management has been buying shares in the open market suggests they are confident.

There are some parallels between the setup at FREE and that at our long-time holding Turning Point Brands (TPB) at the time of its IPO. TPB was also initially a "broken" IPO (although to be clear, there was nothing broken about the company), and was transitioning from meaningful leverage (5x+) to a less capital-constrained balance sheet, that would allow it to begin to invest for growth. TPB and FREE each incidentally own businesses that date back over 150 years. TPB's Zig Zag (rolling papers) and FREE's MacAndrews and Forbes (Mafco) were each founded in the 1850s, the latter by two Scots in Turkey to sell and distribute licorice root and licorice extract globally.

Packaged food and ingredient peers trade in a range of 8x - 18x+ EBITDA, with the most appropriate comps in the 9x - 13x range. If we apply the low end of this range to FREE, we would come up with a ~$14 stock (66% upside). At 11x EBITDA, FREE would trade for ~$18/sh (110% upside). Similarly, at 16x cash earnings, the stock would be a double.

As I see it, the biggest risk to FREE is that it rushes to do an outsized acquisition before the market has recognized the company's potential. As long as FREE is trading at a double-digit free cash flow yield, it is likely to have no better use of capital than buying back its own shares. M&A involves risk and uncertainty, and I believe FREE would be hard pressed to find a business as compelling as its own for anything approaching 6-7x EBITDA (even after assumed synergies, which don't always materialize as hoped). "Buy and build" strategies work best when companies make acquisitions at meaningful discounts to their own valuations. Over time, after FREE starts trading at a fair multiple, it will be able to kick start its acquisitive growth flywheel.

FREE seems to concur with this assessment. The company implemented a share repurchase program within months of coming public. The current authorization is for $20mm, or roughly six months of normalized free cash flow, which could reduce the share count by a meaningful ~7%. Three years at this pace – and this price – would of course reduce the share count by over 40%. And eight years, well…

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My kindergartener is starting to learn about the concept of multiplication. To make it concrete, we talk about *groups of*. "What is five groups of ten?" She knows that this is fifty. The price of Whole Earth Brands is asking questions that she can answer. "What is eight groups of one?" Or perhaps: "If I gave you $1 each year for the next eight years, how many dollars would you have?" Eight.

Okay, I rounded for my kindergartener. But if Whole Earth Brands can generate ~$1.10/yr in free cash flow (my estimate for 2021) for the next eight years (ignoring the organic growth and margin expansion that I think likely), it will have fully covered its current stock price/market cap. Investors could buy this business at today's price, recover their entire purchase price in eight years, and then get to own the business over the ensuing decades for free. For a business that has already been around for 170 years, this seems like a tantalizing proposition.

Pure Cycle (PCYO)

As a Colorado native, I'm certainly biased about the virtues of my home state. But the data seem to indicate that my bias is not completely misplaced. US News and World Report's list of top places to live in the US in 2020-21[3] begins with:

1. Boulder, CO
2. Denver, CO
3. Austin, TX
4. Colorado Springs, CO
5. Fort Collins, CO

According to the Denver Metro Association of Realtors,[4] September was the "toughest month to buy a house in Denver Metro's history," with just 5,301 total active listings, and 3,041 detached single family listings (almost half of the previous *low*). The median house stayed on the MLS for just six days. Inventory – especially at the entry level – is scarce, mortgage rates are low, and Denver's population is growing.

Given this incredibly bullish backdrop, could any stock exposed to this theme still have a reasonable valuation? Could a pure-play Denver real estate and water company be trading at an extreme low valuation below where it closed on March 23rd, the day the S&P 500 reached its Covid-panic lows, and down over 30% year-to-date?

Incredibly, the answer is yes.

Pure Cycle is a Denver area land developer and water utility. The company owns a nearly 5,000-single-family-lot-equivalent-development 25 minutes from downtown Denver that is delivering lots to a number of national homebuilders, as well as ~30k acre feet of water supplies and significant additional water infrastructure in the area. Its balance sheet is pristine, with a large net cash position and de minimis total liabilities.

I believe PCYO is a "fifty cent dollar," with approximately $10/sh of value in land and lots, and approximately $10/sh of value in water rights and infrastructure, against the current sub-$9/sh stock price. Importantly, the value of the "dollar" is growing as the company is commencing phase 2 of its real estate development and as more people move to the Denver area, proving out the scarcity value of entry-level homes and water rights in the region.

There is an element of special situation here. A former 25%-owner of PCYO has been exiting its position for the last year, which I believe has been weighing on shares. Once this seller is cleaned up, I believe the stock has 50% upside in the near term, and 100%+ upside over the next few years.

We have owned a number of real estate-related companies over the years (see our Q1 2016 letter, for example). What has tended to work for us are situations with the following attributes:

1) a large discount to liquidation value (preferably a "fifty cent dollar");
2) fair value (the "dollar") is growing; and
3) a catalyst to unlock value.

I believe Purce Cycle has all of these attributes.

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[3] Link
[4] Link

Clarus (CLAR)

Clarus continues to execute on its "buy and build" approach.

Clarus' Sierra Bullets division recently purchased Barnes Bullets from the bankruptcy estate of Remington Outdoor for $30.5mm. Barnes is likely on pace to generate over $25mm of revenue and $6mm of EBITDA this year.[5] On a pro forma run-rate basis (after synergies), it appears that Clarus may have purchased Barnes for a low single digit EBITDA multiple (3-4x).

I believe this was a fantastic deal that will be significantly value accretive for Clarus.

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Special Situations

We recently started building a position in a classic special situation set-up – a spinoff – that has the potential to become a core position. The company is a small cap consumer growth company that was spun out of a much larger parent, has a clean, net-cash balance sheet (but one must read the footnotes – the screeners won't pick up on this until next quarter), has had insider buying following the spin, and I believe has guided conservatively out of the gate. It is trading at a single digit multiple of cash flow.

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Conclusion

I continue to have the majority of my net worth invested in the partnership alongside of yours. Please don't hesitate to reach out if you have any questions about the partnership or any of our positions. Thank you for your continued trust and support.

Sincerely,

Dan Roller

[5] Barnes' trailing twelve months sales were $22mm, and industry trends have improved in recent months. I assume a similar margin structure to Sierra.

Disclaimer

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Certain information contained in this document constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Partnership described herein may differ materially from those reflected or contemplated in such forward-looking statements.

This document and information contained herein reflects various assumptions, opinions, and projections of MCM which is subject to change at any time. MCM does not represent that any opinion or projection will be realized.

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Prices for securities discussed are closing prices as of October 26, 2020 unless otherwise noted, and are not representative of the prices paid by the fund for those securities. Positions reflected in this letter do not represent all of the positions held, purchased, and/or sold, and may represent a small percentage of holdings and/or activity.

In 3Q 2020, the total return of the S&P 500 was +8.9%, and the total return of the Russell 2000 was +4.9%. Year to date, the total return of the S&P 500 was +5.6% and the total return of the Russell 2000 was -8.7%. The S&P 500, Russell 2000, and Nasdaq 100 are indices of US equities. They are included for information purposes only and are not representative of the type of investments made by the fund. The fund's investments differ materially from these indices. The fund is concentrated in a small number of positions while the indices are diversified. The fund return data provided is unaudited and subject to revision.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws, or any other U.S. or non-U.S. governmental or self-regulatory authority. No governmental authority has passed on the merits of this offering or the adequacy of the information contained herein. Any representation to the contrary is unlawful.

January 29, 2021

Dear Partners and Friends,

Maran Partners Fund returned +14.8% in the fourth quarter, net of all fees and expenses, bringing its full year return for 2020 to +13.3% net.[1]

2020 marked the fifth full year of operation for Maran. When I launched the fund in 2015, I laid out some of the guiding principles of our partnership in my Founder's Letter. The letter remains an accurate reflection of my philosophy and approach. Guided by our core principles and structural advantages, Maran has compounded at a rate of 16.0% net over the last five years, slightly better than required for a "five-year double."[2]

Throughout our portfolio, I am trying to optimize risk-reward and tilt the odds in our favor. Our value creation strategies can be broken into three main categories:

1) Fundamental investments (primarily in undervalued small and microcap companies, with a preference for well-run potential "compounders" priced like "cigar butts").
2) Event-driven or special situation investments.
3) *Constructivism* / engagement.

There aren't always clear dividing lines between these categories. Special situations can create compelling entry points into core holdings (as in the case of spin-offs, post-bankruptcies, and broken deals)[3] as well as shorter-term arbitrage or arbitrage-like trade set-ups (such as merger arbs, tender arbs, share class arbs, reverse Morris trust rights offerings, and stub trades).

Additionally, one of the core principles I detailed in my founder's letter is "owning like an owner." I wrote:

> I take a business-like approach to investing in securities. I approach the purchase of a small fraction of a public company as if I were buying the entire thing. This speaks to the level of due diligence that I perform before buying a security, as well as the role I intend to take once we are partial owners of a business.
>
> Regardless of the size of our position, and thus our vote, I intend to be an involved, active shareholder. This may mean discussing with management ways to unlock value or properly allocate capital, voicing dissenting opinions in private or public, or taking a more active role in bringing about change.

When I launched Maran in 2015 with an initial investment of $500k, I realized we would not take a prominent role on any shareholder registries for some time. But I knew from the start that engaging with

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[1] Individual partner returns may vary based on fee structure and timing of investments. Please see disclaimer on page 7 for important information.
[2] I like to remind readers that the net returns discussed in these letters are for our most onerous fee share class, and that a distinct minority of investors are in that share class. The majority of our limited partners' returns, for 4Q 2020 as well as over the past five years (and all time periods), are better. As I discussed in my 2Q 2019 letter ("Three Year Doubles, Five Year Doubles," p5), while I aspire to do even better, and past performance is not indicative of future results, compounding at a rate of five-year doubles for long periods of time is powerful. For full monthly returns since inception, please see investor presentation.
[3] Consider a number of our core positions and the special situations that led our opportunities to purchase them at what I believe were attractive prices: CLAR – "broken" deal; TPB – "broken" IPO; AOUT – spinoff; FREE – "broken" SPAC.

companies would be an important element of our strategy. Maran has punched above its weight in terms of its influence on some of our holdings. From behind the scenes, we have helped shape strategy, capital allocation, shareholder communication, and governance at many our portfolio companies over the years, frequently becoming a trusted sounding board for management teams.

Maran took a step forward on this path in 2020 as we transitioned to a role in which we are in a better position to help create value in one of our large holdings. In 4Q, we raised our first co-investment SPV with several strategic investors to increase Maran's ownership of Scott's Liquid Gold[4] (SLGD) to approximately 13%.[5] This put us in a position to be a stronger advocate on behalf of shareholders. After significant engagement and dialogue, Maran and Scott's recently entered into an agreement to enhance Scott's Board of Directors. I have joined the board alongside Rimmy Malhotra and Tisha Pedrazzini.

Here is a link to the press release announcing the changes:

Scott's Liquid Gold-Inc. Announces Appointment of Three New Directors to Board of Directors

After years of investing in *buy and build* strategies, I'm excited to be in a position to help influence the continued transformation and development of a company on such a path. While I will be limited in what I can share publicly regarding this position, I will be working tirelessly with the new board to maximize the value of Scott's for all shareholders.

Portfolio Update

At year-end, our top five positions were, in alphabetical order, Clarus (CLAR), Pure Cycle (PCYO), Scott's Liquid Gold (SLGD), Turning Point Brands (TPB), and one position that remains undisclosed. 78% of our long exposure was concentrated in our top 10 positions (with another 10%+ held in special situations, more on which below).

Discussions of select positions are included in the Appendix.

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Special Situations

As highlighted above, event-driven and special situation investing is a core part of our strategy. Over the past year, we were involved in the parent-daughter capital structure simplification arbitrage in SDI and TPB, the IAC/InterActiveCorp spinoff of Match.com stub trade, long several tender or merger situations in which the risk of deal break was small and the chance of an enhanced bid was reasonable, short several merger situations at tight spreads in which the chance of an enhanced bid was low and the odds of a deal break were reasonable, several spinoffs, and a bankruptcy/post-emergence, to name a few.

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[4] Scott's Liquid Gold owns a collection of branded consumer products, including Prell Shampoo (the top-selling shampoo brand in the U.S. in the '70s), Denorex (a dandruff shampoo), Alpha Skincare (an alpha hydroxy skincare line), Kids N Pets (cleaning and stain removal), Biz Stain Fighter, Dryel (at-home dry cleaning), and the namesake Scott's Liquid Gold furniture polish and household cleaner lines. The company recently transitioned to an asset-light model with the sale of its manufacturing facilities.

[5] Between Maran Partners Fund and the SPV.

I believe the special situation element of our strategy has provided our best risk-adjusted returns, and I continue to make it a priority without *forcing it*. Good set-ups are unfortunately somewhat rare, so I pass on dozens of potential special situations for each one that I execute.

Special (Purpose Acquisition Company) **Situations – SPACs**

For most of the last 15 years, SPACs were viewed as a backwater. Investors' impressions seemed to be that SPACs were reserved for low-quality sponsors, low-quality targets, low-quality deals, and poor returns for investors. In the last year or so, perceptions changed, and SPACs have proliferated. There are currently over 300 SPACs representing over $100bn of equity seeking targets. A number of these will end badly, destroying capital. Others will execute successful mergers that create tremendous value for shareholders.

When 300 IPOs representing over 900 securities[6] price in a short period of time, there is bound to be inefficiency. Inefficiency creates opportunity. Our fund's small size and flexible mandate gives us the nimbleness to *go anywhere* to attempt to capitalize on these opportunities. Lately, I have found this hunting ground extremely attractive.

At year-end, we had over 10% of our long exposure in a few highly asymmetric SPAC units that I think limit risk of permanent capital loss[7] while providing multi-bagger potential upside (and a firm time catalyst). I have taken a selective approach based on fundamental diligence on team, strategy, structure, and eventually, target–we only want to partner with the best. I believe these investments offer tremendous risk-reward and are an efficient use of capital.

Operations Update

We are in the process of changing fund administrators to NAV Consulting. NAV was founded in 1991 by Nav Gupta, and, bucking the trend of industry consolidation, it has remained independent and grown organically mostly via client referrals. NAV is known for their use of technology to maintain accuracy, improve speed, provide great service, and reduce cost. We are hiring NAV just as they have surpassed the 1,000 client and $100bn of assets under administration milestones.

NAV has been performing complete redundant accounting for our fund for the last three months and is set to officially take over as our fund administrator in February. Expect to start seeing emails from NAV soon.

The partnership's annual tax preparation and audit is underway. We expect, as in years past, for K-1s to be available in a timely manner.

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[6] Most SPACs contain unit, common share, and warrant components.

[7] Recall a key element of SPAC units is the option to redeem the common share component for $10 rather than roll into a deal (while keeping the warrant component regardless). No SPAC has ever defaulted on cash in trust.

Conclusion

This letter goes to press against a backdrop of volatility marked by fear of missing out, pockets of euphoria, short squeezes, and the de-grossing of “market neutral” hedge funds. There is nothing particularly unusual about recent events–no, five- to 10-sigma events don’t happen every year or two as the financial press might have you believe. Squeezes in highly shorted stocks are not Black Swan events and should be expected in the complex adaptive system that is the stock market. While we occasionally short stocks as part of a special situations trade (to create a “stub” or as part of an arbitrage, for example), we currently have no short positions nor have we year-to-date.

Index, quant, passive, high frequency trading, momentum, and other non-fundamental funds have been estimated to make up 85-90% of the market. In looking under the hood at what we own vs. what one might own in one of these non-fundamental strategies, including many popular index funds that hold large numbers of seemingly very expensive stocks, I’m much happier with what I see over here in our well-researched, fundamentally driven, selective portfolio.

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I am 100% focused on returns and not on asset-gathering. As such, I plan to close the partnership when size becomes a hindrance. That said, the partnership remains well below the size at which I think incremental capital would become a headwind. In fact, I believe incremental scale will be a tailwind for the foreseeable future. I continue to have the majority of my family’s capital invested in the partnership alongside yours. Thank you, as always, for your trust, support, ideas, feedback, and pushback.

Sincerely,

Dan Roller

Appendix – Select Position Updates

Clarus Corp (CLAR)

Our long-time holding Clarus is set to have a banner year in 2021, as both of its segments should be firing on all cylinders. 20%+ owner Warren Kanders (supported by a team of skilled operators led by CEO John Walbrecht and CFO Aaron Kuehne) has continued to execute his "Buy and Build" strategy, most recently with the fantastic (and fantastically cheap) acquisition of Barnes out of the Remington bankruptcy.

Pure Cycle (PCYO)

Pure Cycle is the Denver land development and water company that I first wrote about last quarter. The Denver housing market remains strong – the number of listings on its MLS is at all-time lows. The shortage of entry-level homes (Pure Cycle's market) is particularly acute.

The strength of the Denver housing market is evident in PCYO's lot price acceleration. As a reminder, PCYO's Sky Ranch development in Denver has approximately 5,000 single family lot equivalents (SFEs). In Phase One of the development (which spanned the last two years), PCYO sold lots for ~$72k on average. In Phase Two, which is now underway, the company has contracted to sell lots for ~$102k – a 40% increase. Assuming no future appreciation, the value of the remaining 4,500 SFEs is ~$450mm. Net of future development costs (which will be partly offset by reimbursements), ignoring the potential valuation boost of selling some of the land as commercial, and discounted back to today at a high (i.e., conservative) discount rate, I value PCYO's land portfolio at ~$250mm, or $10-11/sh.

In addition to its land and lots, PCYO owns over 10k acre-feet of water rights and a water utility and associated infrastructure that is carried on the books for $55mm. The company can accommodate ~60k SFEs with its water portfolio, and it sells water and sewer tap hook-ups for ~$30k/SFE. This implies $1.8bn of future revenue associated with the water assets (before considering the monthly fees for water that PCYO will earn in its role as the utility). I believe PCYO's water assets are worth at least $250mm (another $10-11/sh) on a net-present-value basis (using a high and thus conservative 10% discount rate), but in water-short Colorado, these are scarce assets that could be valued by an infrastructure fund or other investor at a much lower discount rate (and thus much higher price).

I estimate that PCYO's NAV is north of $20/sh and therefore that PCYO is a "fifty-cent dollar," for which the value of the dollar is growing. PCYO fits my underwriting standards: it's potentially a three-year double with limited risk of permanent capital loss. With savvy capital allocation (the balance sheet has ~$20mm of net cash, no debt, and an additional "hidden" ~$20mm reimbursement receivable), value creation could be meaningfully higher.

Turning Point Brands (TPB)

Turning Point Brands, a branded consumer products company executing a *buy and build* strategy, has been a holding of the partnership on and off for the past four years. TPB is focused on "active ingredients," such as nicotine (including tobacco-based and non-tobacco variants, but not cigarettes), caffeine, CBD, and more. Their Zig Zag brand dates back over 150 years and is the top-selling rolling paper brand globally. I don't believe we are paying anything for the option, but if cannabis is legalized at the federal level in the US, Zig Zag could see a step-change in its growth. I love these types of situations. I've underwritten TPB based on its "boring" legacy businesses, but there is a lot of upside in its "new gen" segment (vaping, CBD, other active ingredients), as well as the potential for a real acceleration in Zig Zag's growth under various scenarios.

A few months ago, I had the pleasure of interviewing Larry Wexler and Bobby Lavan, the CEO and CFO of Turning Point Brands, respectively, at the Casulo *Buyside Fireside*, hosted by Shai Dardashti. We discussed why they are so excited about the opportunities ahead at TPB, the significant optionality embedded in the company, the fact that the company was one of the few to increase its share buyback authorization last March (and act on it), how management targets a 17.5%+ ROIC on all capital allocation decisions, and the growth prospects across all three of the company's major portfolio segments.

Enclosed is a copy of the interview for all partners.

Beyond the Top Five

American Outdoor Brands (AOUT)

In my last letter, I hinted at a new position: a cash-rich (although one had to scrutinize the footnotes to comprehend the balance sheet), growing consumer products company engaged in a *buy and build* strategy with insider buying that, as I wrote last quarter, "I believe has guided conservatively out of the gate." The company is American Outdoor Brands (AOUT). Little did I know just how conservatively the company had indeed guided. Upon reporting its second fiscal quarter last month, AOUT raised its F21 guidance by 75% (!), from $20mm to $35mm of EBITDA.

At the recent price of $19/sh, its enterprise value is $250mm. This means the business is trading at ~7x EBITDA. AOUT is asset-light and requires little capex, pays no interest expense, and has some tax shields in place, so its free cash flow conversion is very high.

RCM Technologies (RCMT)

We have held a position in RCMT for several years. While I added to the position last year, it remains outside of our top five (and a net detractor from fund performance to date). I laid out my thesis in my 3Q 2019 letter, and, despite Covid's negative effects on RCMT's nurse-staffing business (whose primary customers are school districts), my thesis (based on normalized levels of sales and profitability) is still intact. Despite the Covid-related headwinds, RCMT pulled a number of value-creation levers last year, including meaningful cash generation and the repurchase of a significant amount of stock at a very attractive price.

Through the first nine months of 2020, RCMT generated over $20mm of net cash, or ~$1.75/sh, while also reducing the share count by over 12% (RCMT repurchased 1.9mm shares).

When I discussed RCMT in the fall of 2019, I estimated that the three segments were together worth $125mm based on normalized levels of segment sales and profitability. Net of debt and on the share count at the time, this implied $8.50/sh of value for the stock. Updated for the meaningful share count reduction, this would now imply a fair value of $10/sh.

Whole Earth Brands (FREE)

Whole Earth Brands announced two acquisitions during the fourth quarter, furthering its *buy and build* strategy. I continue to believe FREE is very inexpensive at ~8x EBITDA (pro forma for the acquisitions) in a world in which many packaged food peers (including those with low/no growth) trade for 12-16x multiples. Whole Earth Brands is aligned with the mega consumer trend of health and wellness and is growing across its portfolio. I think eventually the market will take notice.

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An investment in the Partnership involves a high degree of risk and is suitable only for sophisticated and accredited investors. Investors should be prepared to suffer losses of their entire investments. The Offering Memorandum contains brief descriptions of certain of the risks associated with investing in the Fund.

Certain information contained in this document constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Partnership described herein may differ materially from those reflected or contemplated in such forward-looking statements.

This document and information contained herein reflects various assumptions, opinions, and projections of MCM which is subject to change at any time. MCM does not represent that any opinion or projection will be realized.

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Prices for securities discussed are closing prices as of January 29, 2021 unless otherwise noted, and are not representative of the prices paid by the fund for those securities. Positions reflected in this letter do not represent all of the positions held, purchased, and/or sold, and may represent a small percentage of holdings and/or activity.

In 4Q 2020, the total return of the S&P 500 was +12.15%, and the total return of the Russell 2000 was +31.4%. Full year 2020, the total return of the S&P 500 was +18.4% and the total return of the Russell 2000 was 20.0%. The S&P 500 and Russell 2000 are indices of US equities. They are included for information purposes only and are not representative of the type of investments made by the fund. The fund's investments differ materially from these indices. The fund is concentrated in a small number of positions while the indices are diversified. The fund return data provided is unaudited and subject to revision.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws, or any other U.S. or non-U.S. governmental or self-regulatory authority. No governmental authority has passed on the merits of this offering or the adequacy of the information contained herein. Any representation to the contrary is unlawful.