December 31, 2017

The Winner's Curse: Paradoxes and Anomalies of Economic Life – 2001, Richard Thaler, 2017 winner of the Nobel Prize in Economics

Dear Partner:

We apologize for the lateness of our quarterly letter. We recognize that with the trading year now over, this could be a 4Q letter, but this covers 3Q, and a portion of 4Q. We expect to be timely with our 4Q letter, and have it out in the next several weeks.

Often a delay reflects holding off on the delivery of bad news. We're pleased to report that nothing could be further from the case. In fact, given our solid results in 3Q and year-to-date, we wanted to be early and brief with our report. However, when the 2017 Nobel Prize in Economics was awarded to Professor Richard Thaler of the University of Chicago (at the time I attended Chicago it was called the GSB, it's now the Booth School), we thought it worthwhile to discuss his impact on our thinking at Dane Capital – which delayed this letter significantly. I was in a small seminar class during Professor Thaler's first semester at Chicago – more on Thaler and behavioral economics to come.

We're pleased to report that in the 3nd quarter of 2017, Dane Capital Management (the "Fund") returned 2.6%[i], net of fees and expenses, resulting in the Fund generating a 26.0% return year-to-date, net of fees and expenses. We run a concentrated, long-term oriented portfolio – and to be blunt, would prefer to simply provide annual letters and returns – but since we're so close to year end we thought it worthwhile to mention that as of the end of November the Fund was up more than 32% net, and based on preliminary NAV calculations, December was our best month of the year.

For those who are familiar with our letters, we've stated, both when results have been disappointing or strong, that Dane's performance should be judged over years and not months or quarters. In fact, two of our Partners, recently requested we only send out quarterly letters instead of monthly statements. The point each made was, "has worrying about monthly performance ever enhanced your decision making?" Our answer is "no." We recognize that many institutions have boxes they need to check and that they want to see monthly performance data, but those institutions are probably not the right fit for Dane. To be clear, we are not cutting off LPs from monthly performance metrics. We pride ourselves on transparency via our frequent phone calls discussing holdings and our lengthy articles discussing our theses on stocks (http://bit.ly/2w353Y6) and our letters. However, we also want current and potential new investors to be aware that we are a long-term oriented fund. We intend to compound your

capital (and ours) at levels superior to the market by generating unique ideas that have little correlation to the broader financial markets. We will have good months and bad months. We had a great year in 2017; however, the measure of our success will be over years, not solely a very good quarter or year. With that being said, if you'd like less frequent correspondence, please shoot me an email. Several of our LPs with whom we've discussed the idea of less monthly information, have been supported our doing so.

"Brevity is the soul of wit" – Shakespeare, Hamlet Act II (said by Polonius)

We apologize in advance if this letter is neither brief nor witty. We have a lot to say, and at a minimum we hope our thoughts are informative.

Market Thoughts and Updates on Key Positions

We continue to make investments that we believe are materially undervalued, can produce strong returns, and have the potential to compound at high rates over time. Despite a market that seems frothy, we see numerous opportunities that we believe are idiosyncratic and undervalued. We remain confident about our ability to identify unique ideas and produce outstanding returns over time.

As we discussed in our previous letter, many of our larger recent investments have been in companies that are growing and doing well, but trading at substantial discounts to peers because they have a have a limited institutional following and sell-side coverage. These opportunities are few and far between, but if we can identify several of them per year, we believe our Fund will perform exceptionally well, with low risk of permanent capital impairment. In such investments, we are not relying on margin expansion, FDA approval, greater sales per square foot, or things to go right (or better than they've been trending) – merely for the company to execute (and not to trip all over itself) and the market to take notice. This might seem limited to micro-caps, but in August 2016 we invested in Gores (which was then merging with Hostess Brands), a $1bn+ market cap company that was going public via a SPAC merger. We identified the opportunity and wrote about it (http://bit.ly/2l1x1gu) months before any sell-side coverage. It traded at a substantial discount to other unhealthy snack food companies such as Hershey's and Mondelez, despite better margins, a lower multiple, and better cash flow conversion. Within a year, we exited our stock holdings in Hostess (TWNK) with a 50% gain, and had a near 3x return on our warrants, which we believe were dramatically mispriced when we bought them (we weren't looking for leverage just a profound mispricing based on our modified Black-Scholes analysis). We still think Hostess is a terrific and iconic brand, but we believe much of our thesis has played out, the story is now well known, and we would be relying on excellent execution to see meaningful upside to shares.

We continue to find stocks where we're not relying on things going particularly right – the company simply needs to execute. We believe that over time the severe discounts we've identified in many of these stocks versus their peer group will close. We discuss one such new position – Andina Acquisition Corp II/LazyDays in this letter.

Much of our time has been spent on SPACs, or de-SPACed companies, which now comprises over 50% of our portfolio. We suspect our discussion of Professor Thaler will help explain our affinity for SPACs and Dane's overall investment philosophy.

We continue to evaluate virtually every SPAC in the market, and do thorough diligence on potential SPAC investments. For example, we believe we are among few buysiders who recently attended the National RV Convention in Louisville, Kentucky to research LazyDays, a national RV dealership, which is merging with Andina Acquisition Corp II. Its initial EV/EBITDA multiple is 6.5x, a steep discount to pure play comp, Camping World, which is trading at 12x. We think unique, off-the-beaten-path ideas, and thorough due diligence will help generate meaningful alpha for the Fund, and, also limit our overall market correlation.

We expect the passage of tax reform to generally have a positive impact on our holdings. For example, 100% of Limbach's revenue is domestic (more on Limbach below and in the attached write-up) and is a full cash tax payer. A lower tax rate will have a material impact on its cash flow, allowing them to reduce debt at a faster pace, and/or have more cash for accretive acquisitions. That they trade at a 4x EBITDA discount to peers and have enjoyed greater organic growth than peers also is not lost on us.

We are bottom-up stock pickers, but we have a macro view. Much of the market seems frothy, but interest rates remain near historic lows, which we believe will continue to be the case. There's a lot of cash on balance sheets, an abundance of M&A activity, and, in our view, lower tax rates and the repatriation of overseas capital is still not fully baked into the stock market, despite the market's significant move higher in 2017. All that being said, as mentioned above, we continue to find new ideas at compelling valuations and, as such, are not making a directional bet on the market. As an example, we'd site one new Dane holding, with a multi-hundred million market cap that should provide in excess of a 20% free cash flow yield in 2018. It's also growing, has record backlog, a clean balance sheet, an aligned management and exceptional visibility – however we'll hold off on naming names for now.

We added several new positions in 3Q and more in 4Q, although we continue to hold less than 15 longs and 10 shorts. Our portfolio has transformed over the last 18 months. More than 2/3 of our positions exceed $400mn in market cap, whereas it was previously 2/3 below $250mn in market cap. This largely reflects owning more SPACs, which provides the benefit of larger market cap and liquidity, yet have the same tendency as micro-caps to be underfollowed – at least at the outset. The fund continues to run significantly net long ~90%, which is not a reflection of us making a directional bet on the market, but that our best ideas, with the highest probability of producing outsized returns, are on the long side. They also tend to have relatively low market correlation (not fun on days when the market is up 1% and we're down 1%). We will not hesitate to short when we can identify companies that appear fraudulent or seem at risk of near-term dislocation/competitive threats.

While we made several changes to our holding in 3Q and 4Q in this letter – we'll touch on just one, Andina/LazyDays. We provide updates on 2 of our top 3 holdings Daseke and Limbach.

Daseke (DSKE) - We have covered Daseke at length in previous letters. It is a flat-bed/specialized trucking operator with both an asset-heavy and asset-light business. They've made 7 acquisitions since going public last spring via a merger with the Hennessy Acquisition Corp 2, vs 9 acquisitions in the previous 8 years, and have paid an average of 5.9x EV/EBITDA for these acquisitions. A particularly interesting aspect of the acquisitions is that it has changed the business mix from 2/3 asset heavy and 1/3 asset light to a 50:50 split. It was recently reported that Home Depot might buy XPO Logistics (an asset light company) for $9bn. Whether or not that's true, the asset light segment (companies such as Landstar – LSTR – for example) trades at ~13x EV/EBITDA. Asset heavy businesses trade closer to 6x, although we would argue that based on Daseke's diverse, high quality customer base, specialization and unique capabilities (for more on that check out their website and see the type of things they transport – we're talking Boeing 767 wings, not cans of Coca-Cola), they probably deserve a premium. But even simply blending 13x and 6x gets us to 9.5x, a 2-turn premium to its current price based on $143mn in 2017 EBITDA – or about 30% upside.

However, the story doesn't end there. We believe that Daseke has an extensive pipeline of additional accretive acquisitions. Notably, Daseke does not compete in competitive auctions, but have negotiated transactions with sellers that come to them. With 7 transactions completed in 9 months as a public entity, we have a strong belief that more will come in 2018 and they will have significant upside to the $170mn in EBITDA they have suggested to the street. Moreover, trucking, and particularly, the flat-bed segment has seen a spectacular increase in spot rates (see chart below). Daseke has virtually no spot business, and contract tends to lag by 3-9 months. Given Daseke's long-term customer relationships, we don't expect their pricing to rise as much as spot, but we think there is the potential for a hefty organic uplift in revenue in 2018. With a few acquisitions, higher pricing, and general economic growth, we think we're setting up for a very good year, and material upside to street estimates. A final point: despite the acquisitions and the fact that Daseke is the largest player in the flat-bed industry, it still has just 1% market share. It can grow 25%+ for the next decade (assuming the market grows in line with forecasts) and still have just ~4% market share. We think a growth story like that is worth much more than 7.5x, especially considering 78-year old CEO and Founder Don Daseke has his almost 40% stake in the company locked-up almost another 2 ½ years. We think there is very powerful investor/management alignment.

DAT Trendlines™

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Industry Trends	WEEK Dec 10 - 16 vs. Dec 3 - 9	MONTH Nov 2017 vs. Oct 2017	YEAR Nov 2017 vs. Nov 2016
Spot Market Loads	+ 2.4%	- 4.1%	+ 96%
Spot Market Capacity	- 7.5%	- 5.6%	- 1.5%
Van Load-To-Truck	+ 9.0%	+ 19%	+ 124%
Van Rates (Spot)	- 1.0%	+ 2.5%	+ 24%
Flatbed Load-To-Truck	+ 14%	- 26%	+ 94%
Flatbed Rates (Spot)	+ 0.4%	- 1.3%	+ 21%
Reefer Load-To-Truck	+ 12%	+ 16%	+ 78%
Reefer Rates (Spot)	- 1.7%	+ 4.7%	+ 24%
Fuel Prices	- 0.4%	+ 4.1%	+ 19%

Source: Dat.com

Limbach (LMB) – Limbach trades at an undemanding valuation and trades at 4-EBITDA turns lower than comps. On its 3Q earnings call Limbach guided to the low-end of its original $18-$20mn EBITDA guidance for 2017. They blamed the results on $2mn+ in cost overruns on 3 projects (they expect to recover $1mn+ in 2018) and $2mn on public company costs that will not recur next year. According to the company's 10-K, based on their extensive experience (Limbach has been around for 100+ years) they tend to build in cushion for overruns, and, in our conversations with management, they typically underestimate costs and see upsides. Our point is that at the low end Limbach will grow EBITDA 7%+ in 2017 and if we backed out cost overtures and non-recurring public company costs, EBITDA would have been $22-$23mn, and 30%+ growth – probably the difference between a stock trading at $13 and at $18. Many companies would have backed out what essentially are 1-time, non-recurring costs – Limbach appears to be taking a more conservative approach, from which we think they will benefit over time. We view 2017 as a not so terrible, terrible year, and gauge normalized EBITDA at $22-$23mn, up 30%+ y/y.

With that as backdrop, we think Limbach is set up for a spectacular 2018. Assuming $22mn is a good baseline EBITDA estimate, backing out what were essentially one-time, non-recurring costs in 2017, assume $1mn in cost recoveries, and enjoy profitable growth (y/y backlog for 3Q was up 9.4% with a mix shift to far higher margin maintenance/service) EBITDA could easily be $25mn. That alone would represent almost 40% y/y EBITDA growth from 2017's $18mn. However, we believe it's highly like that Limbach will make one or more acquisitions at <5x EBITDA, probably adding $6-$8mn to EBITDA, which would drive y/y EBITDA growth of 70-80%. Limbach currently trades at 6x our 2018 EBITDA estimate of $23mn. If the company grows EBITDA as we believe they will, we can't envision that Limbach won't enjoy significant multiple expansion. Some might argue that as a micro-cap, Limbach should trade at a discount. As a case

in point, it's useful to look at NV5 (NVEE) which went public with a ~$30mn market cap, has made numerous acquisitions and demonstrated relatively unimpressive organic growth. NV5 now enjoys the *premium* multiple in the sector. We don't expect Limbach to be nearly as acquisitive as NV5, but think the optics of what should be an outstanding growth year in 2018 should drive dramatic multiple expansion. We think the company will be judicious in its expansion via acquisitions and are very optimistic they'll be both accretive and a good cultural fit.

New Holding: Andina Acquisition Corp II (**ANDA**), soon to be renamed LazyDays (**LAZY**) upon successful completion of the SPAC merger. LazyDays is one of the largest RV dealerships in the US with 5 locations and almost $600mn in revenue. It is an asset-light business (cap-ex is 1.2% of revenue) and operates in a highly fragmented industry which has over 2100 dealership. It trades at just 6.5x EV/EBITDA versus its closest comp Camping World (CWH) at 12x. We believe they have numerous potential acquirees under NDA at around 3x EBITDA. This looks very much like the Daseke story, except with less expensive acquisitions, a higher peer multiple, and lower capital intensity.

We would not typically write about a SPAC prior to deal closure, but in this case the transaction is backstopped. We know this, because we are among the backstoppers and had the opportunity to research this opportunity for several months. We like that the backstop was oversubscribed and note the quality of the firms that are participating in the backstop.

	Pre-Business Combination(2)		Post-Business Combination(3) Assuming No Redemptions	
Name of Beneficial Owners[1]	Amount and Nature of Beneficial Ownership	Approximate Percentage of Outstanding Shares of Common Stock	Amount and Nature of Beneficial Ownership	Approximate Percentage of Outstanding Ordinary Shares
Julio Torres	46,798	1.1%	50,977	*
Mauricio Orellana	91,473	2.2%	95,973	*
Eric Carrera[4]	13,600	*	14,243	*
Marjorie Hernandez	74,438	1.8%	87,295	*
B. Luke Weil[5]	501,890	12.1%	549,461	3.8%
Matthew S.N. Kibble	28,500	*	33,321	*
Edward G. Navarro	7,000	*	7,000	*
All directors and officers as a group (Pre-Business Combination) (7 persons)	763,699	18.4%	838,270	5.8%
William Murnane	-	-	-	-
Lorne Weil[6]	99,000	2.4%	162,643	1.1%
Maura Berney	-	-	-	-
[•]	-	-	-	-
[•]	-	-	-	-
[•]	-	-	-	-
[•]	-	-	-	-
[•]	-	-	-	-
[•]	-	-	-	-
All directors and executive officers as a group (Post-Business Combination) ([•] persons)	99,000	2.4%	-	-
Barry Rubenstein[7]	338,701	8.2%	556,437	3.6%
Marilyn Rubenstein[7]	338,701	8.2%	556,437	3.6%
River North Capital Management, LLC[8]	597,882	14.4%	597,882	3.9%
Coliseum Capital Partners, L.P.[9]	-	-	3,995,648	25.5%
Park West Investors Master Fund, Limited[10]	-	-	1,576,902	9.9%
Nokomis Capital Master Fund, L.P.[11]	-	-	1,590,373	9.9%
Blackwell Partners LLC – Series A[9]	-	-	1,470,190	9.5%
Lazydays equity holders[12]	-	-	2,857,143	18.6%

* Less than 1 percent

Source: Andina Holdco S-4

We don't think the above group represent flippers and believe shares will be in tight hands who understand the significant opportunity in a manner similar to Dane.

As part of our diligence, we attended the National RV Convention in Louisville, Kentucky. A major issue for dealers is succession planning. Many don't have children who want to take over

the business and are too small to go public, making LazyDays roll-up strategy appear extremely viable. In fact, a number of dealers mentioned LazyDays' strong reputation and their belief that LazyDays will be the buyer of choice. Finally, in recent weeks, leading RV manufacturers Thor and Winnebego reported outstanding quarterly results and pointed to a strong outlook for 2018. This positive sentiment was shared by virtually everyone at the National RV Convention. We recognize that the RV segment is on an 8 year upswing, but note the popularity of RVs has moved beyond baby boomers to millennials and Gen-Xers as well, and that overall sales levels have only just returned to those of 2006. We have attached a lengthy PowerPoint on this stock idea.

Richard Thaler, Nobel Laureate, and his impact on Dane Capital Management

In the fall of 1995, at the start of my 2nd year at the University of Chicago Graduate School of Business one of my close friends suggested that I take Richard Thaler's behavioral economics seminar – he told me something along the lines of "Thaler is a God." It was Professor Thaler's first semester at Chicago, and he was teaching a small PhD seminar class, with 8 or so PhD students. My friend had asked Professor Thaler if he would allow MBA students (of which I was one) to be part of the class, and he had agreed. So, I registered for his class, knowing little, if anything, about the then relatively nascent field of behavioral economics (and back then there was little in existence on the only emerging internet to research such a topic). However, I thought that I'd have 4 or 5 of my best friends all together in a small class – it was only about 13 of us including PhDs - and that itself would make the class a lot of fun. It was mostly luck that I took my favorite and most impactful class at Chicago.

While I doubt that Professor Thaler would remember me, his class left an indelible impression on my thinking about markets and stocks and has informed much of the philosophy at Dane Capital.

To be clear, the class was about behavioral economics not financial markets. We talked about markets broadly, in terms of decision making, utility, loss aversion, overconfidence, overreaction, the anchoring effect, the endowment effect and several other topics. I recall virtually no discussion of anything specifically about the stock market, but have found Professor Thaler's class more influential than any other that I took in business school. I can remember virtually every experiment he discussed in class, because they were not formulas – over the years he's conducted numerous experiments that addressed real life behavior and decision making. While any talented finance student can learn to build a financial model, calculate ROIs, etc., understanding the human/behavioral element, is in my view, of profound importance, and generally under-appreciated.

At the outset of this letter we mention Professor Thaler's book, *The Winner's Curse*, which covers a variety of topics and was written when he was a professor at Cornell. The idea of the winner's curse is that in an efficient auction if you are the winning bidder, then you believe that the item you are purchasing is worth more than anyone else in the market. By definition you

are paying more than anyone else in the market thinks the item is worth. If you've bought New York real estate, high-end art, or a sports franchise over the last 20-30 years, then being the high bidder has been a blessing, not a curse. However, if we believe that the stock market is efficient, then when we pay the ask price for a stock, we, in that moment, believe the stock is worth more than anyone else in the market. We need a reason to believe that we have an insight that makes us right. At Dane we constantly ask ourselves what do we know that the counterparty with whom we are trading fails to understand.

As it stands, Professor Thaler's class was uniquely memorable.

I recall the first or second class of the semester when Professor Thaler described a negotiation game. A student was given $5 and matched with another student – there could be a wall where they didn't see each other. The first student could give the 2nd student nothing, a penny, and anywhere in between (and up to $5). If the 2nd student didn't accept the offer, neither received *anything*. Economic theory suggests that the 2nd student would be better off simply receiving a penny, but the experiment showed that without an offer of ~30% of the total, the 2nd student would reject it (as memory serves, I could be off by 1-2%, but I took this class 22 years ago).

It might be easy to rest on principal for $5, so Thaler and his colleagues tried this experiment in a third world country where the initial amount was roughly equal to 3 months' salary. The result was essentially the same. An offer of the equivalent of 1 or 2 weeks salary, where the recipient felt the offer was unfair resulted in a negative outcome.

The point of all of this is that in economic decision making we have to include utility in the equation. While, in theory, managements and boards should focus on value maximization, much of the time it's a combination of that and personal utility.

To Dane this applies when we get to know a management team. Are they going to behave in a manner where, if they get a full and fair offer to sell their business, they will do so, or do they get greater utility being able to talk about their company and executive position at a cocktail party? Will they make acquisitions that enhance revenue (and ego) and not necessarily value per share? Ironically, the mutual fund family Fuller and Thaler avoids getting to know management (according to their website) because their personal liking of management might impact their view on a stock, rather than a focus on its fundamentals. We agree that's a valid point. But our takeaway from utility theory is that we want to understand what motivates a given management. Are they value builders or kingdom builders? Is their utility maximized by creating shareholder value or by enlarging their company, and potentially enlarging their salaries?

In 1970, Thaler, as a graduate student at the University of Rochester (according to Nobel Laureate Daniel Kahneman's book *Thinking Fast and Slow)*, discussed the endowment effect. The endowment effect reflects the idea of overvaluing things that we own and undervaluing things that we don't. For example, in one of Thaler's early experiments he discussed a wine

lover who would sell his $300 bottle of wine for well more than $300 and be willing to purchase the same bottle for far less. How does that make sense?

As I recall, at Chicago, he discussed an experiment he conducted at Cornell. He gave half his class beer mugs and half his class key chains (I could be getting the specific items wrong) which each cost the same price at the book store - $5. There was very little trading. Almost everyone who received an item wanted to sell it for more than $5 (i.e. ask above available price) and if they wanted to trade offered below $5. Again, how does this make sense? No one asked for these items. There should have been no affinity or affection for these items. And yet, the results were consistently statistically significant.

Dane's takeaway from this, is that we should ask ourselves daily, do we own what we really want to own? Have we fallen in love with our holdings? Is there thesis drift? Despite the significant research we do on our stocks, if we didn't have material transaction costs, liquidity concerns, or tax implications, would we own would we own. Thaler's empirical research indicates people tend to fall in love (seemingly very quickly) with what they own.

Loss aversion was another topic discussed at length in the class. There has been a well-researched tendency for individuals to feel much more pain from a loss versus a gain of the equivalent size. That would appear to make little sense as they are economic equivalents. But, of course, we are humans and subject to emotions. Where we have seen opportunity in this is in the SPAC segment where it seems that virtually every investor we know has some type of SPAC horror story – of which there are many. We'd argue that they probably have horror stories about many other trades that did not go right. The fact is that SPACs have historically performed worse than the market for many explicable reasons, including misaligned incentives between sponsors and investors. However, over the past several years, the quality of sponsors and SPAC merger partners including BlueBird, Cision, Daseke, Del Taco, Hostess Brands, Limbach, Playa, and others (many of which Dane has owned or still owns) has improved dramatically. Nonetheless, when we speak to our buyside friends, most won't look at a SPAC until several quarters post-merger completion, given the salient memories of a case where they invested in a SPAC that went wrong. Their loss aversion, and the fact that most SPACs aren't highly marketed (i.e. no initial research coverage) results in fewer investors doing work on these opportunities – we want to look where others aren't.

The Anchoring Effect is another concept in behavioral economics that plays a vital role in our interest in SPACs. Essentially, anchoring is a cognitive bias that describes the common human tendency to rely too heavily on the first piece of information offered when making decisions.

For example, in a study by Tversky and Kahneman, participants observed a roulette wheel that was predetermined to stop on either 10 or 65. Participants were then asked to guess the percentage of the United Nations that were African nations. Participants whose wheel stopped on 10 guessed lower values (25% on average) than participants whose wheel stopped at 65

(45% on average). The pattern has held in other experiments for a wide variety of different subjects of estimation.

In a study by Professor Dan Ariely an audience is first asked to write the last two digits of their social security number and consider whether they would pay this number of dollars for items whose value they did not know, such as wine, chocolate and computer equipment. They were then asked to bid for these items, with the result that the audience members with higher two-digit numbers would submit bids that were between 60 percent and 120 percent higher than those with the lower social security numbers, which had become their anchor.

When we look at SPACs they all start at $10. When we first wrote about Gores/Hostess Brands it was trading at around $10.80. We received a tremendous amount of feedback that it deserved to trade at $10.80, a large discount to slower growth Hershey's and Mondelez, because it had gone bankrupt twice (It exited its 2nd bankruptcy without the $2bn pension liability that had driven the company into bankruptcy and with unionized employees dropping from 75% of its base to 33% of a much smaller number of employees). The fact is, much of the negative feedback we received on our thesis that Hostess was materially undervalued, was a reflection, in our view, of investors seeing a price, and then creating a rationalization to explain the price. We believe this is a living, breathing example of the anchoring effect. Our job as analysts is to do fundamental work to determine the right price. The last thing we should look at is a stock's current price as it might lead to preconceived conceptions, but to do the fundamental work to determine the correct price. For example, on the aforementioned Andina/LazyDays, if we didn't know its price we wouldn't guess $10 – we'd think significantly higher. We continue to apply the concepts of behavioral economics in Professor Thaler's class in the decision-making processes at Dane.

Marketing/Investor relations

Given the Fund's solid 2017 results, we have enjoyed increased inbound investor interest. Many of our investors have resulted from inquiries following write-ups of our stock ideas on social media such as Seeking Alpha (a link can be found here – many of our Seeking Alpha articles are now behind a paywall, but we're happy to send PDFs, if of interest). We continue to make little outgoing fundraising efforts, but continue to accept new LPs.

We're pleased to have added a newly founded Fund-of-Funds as an investor on December 1st. We believe Dane is among their inaugural investments. This investor also manages his own very successful fund with an outstanding track record. Importantly, it's someone with whom we've had a relationship for years and understands our investment philosophy exceptionally well. He has a long-term view on the market which very much aligns with our strategy. Dane is not all things to all people and all institutions, and have found a high level of self-selection amongst our investors.

We have at least two additional LPs joining in January, and expect at least 2 more on February 1st.

We seek aligned, thoughtful LPs and plan to grow judiciously. I don't go to sleep at night thinking about how to increase AUM, I think about how to put up amongst the best performance on the street. If you believe Dane could be a good fit, we're happy to speak.

Team
I'm pleased to announce that we've added 2 analysts at Dane.

In January, Steven Braid will be joining Dane as an analyst. Steven is someone that I've known for several years and I know the quality of his intellect, his high level of intellectual curiosity, work ethic, ability to research (anyone with multiple New York times bylines while in college knows how to research) and loyalty. Steven is an alumnus of the University of Michigan ('14), where he was awarded the Michigan Tradition Scholarship (academic merit), and graduated with a BA in International Political Economy. While in college, he spent time working for the Boston Herald and Newsday, and, also worked as a freelance sports journalist for the New York Times and USA Today. Upon graduating, he pursued a graduate fellowship in Israel, where he studied Talmudic Law, business ethics, applied psychology and leadership development. In Israel, Steven spent time consulting Israeli high-tech companies as an Associate for Everest Search Partners, a global boutique executive search firm.

Andrea Chew joined as an analyst several months ago. Andrea is a Senior at Wharton where she has achieved an exemplary academic record. Having worked with Andrea, it's clear that her academic achievements reflect her maturity, work ethic, and intelligence. She has done exceptional work in her first few months (and we expect more of the same). While at Wharton she has competed in and won numerous stock pitch competitions and clearly understands what are the right questions to ask, and what is just noise. We're very happy that Andrea will have a lighter course load and more time to devote to Dane in the spring semester. Post-graduation she is joining the Strategic Advisory group of PJT Partners, a spin-off of the Blackstone Group, focusing on M&A advisory work.

We're very pleased with this year's strong performance. We're optimistic that our year-end result will be very strong and are optimistic that we're well positioned for 2018. More importantly we feel confident in our process and aligned with our LPs. We appreciate your continued partnership and we look forward to keeping you apprised of your Fund's progress. We wish you a happy, healthy, and prosperous new year.

Sincerely,

Eric

[i] Net of expenses for a Series A Investor invested in Dane Capital Management Fund LLC

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