DANE CAPITAL MANAGEMENT

August 21, 2015

Dear Partner:

For the month of July Dane Capital Management Fund (the "Fund") returned -0.03%, net of fees and expenses, bringing the Fund's 7-month 2015 performance to 7.4%. In the 10 months since inception, the Fund has returned 11.1% net of fees and expenses.

July continued the trend of heightened volatility with continuing uncertainty regarding Greece and worries about the decelerating growth in China. These issues could have contagion effects, both on other financial markets and on foreign economies, however, we'd expect a lesser impact on the fundamentals of companies whose business is primarily domestic. Most of our small-cap holdings generally have significant domestic exposure, benefit from lower energy costs, and feel little impact from changes in FX or commodity prices.

While the S&P and NASDAQ recorded gains of 2.0% and 2.8% respectively, the Russell 2000 – the segment in which many of our investments are concentrated – declined 1.2%. While we remain keenly aware of macro trends, we apply a bottom-up approach, with a focus on stocks that we believe are mispriced versus their intrinsic value.

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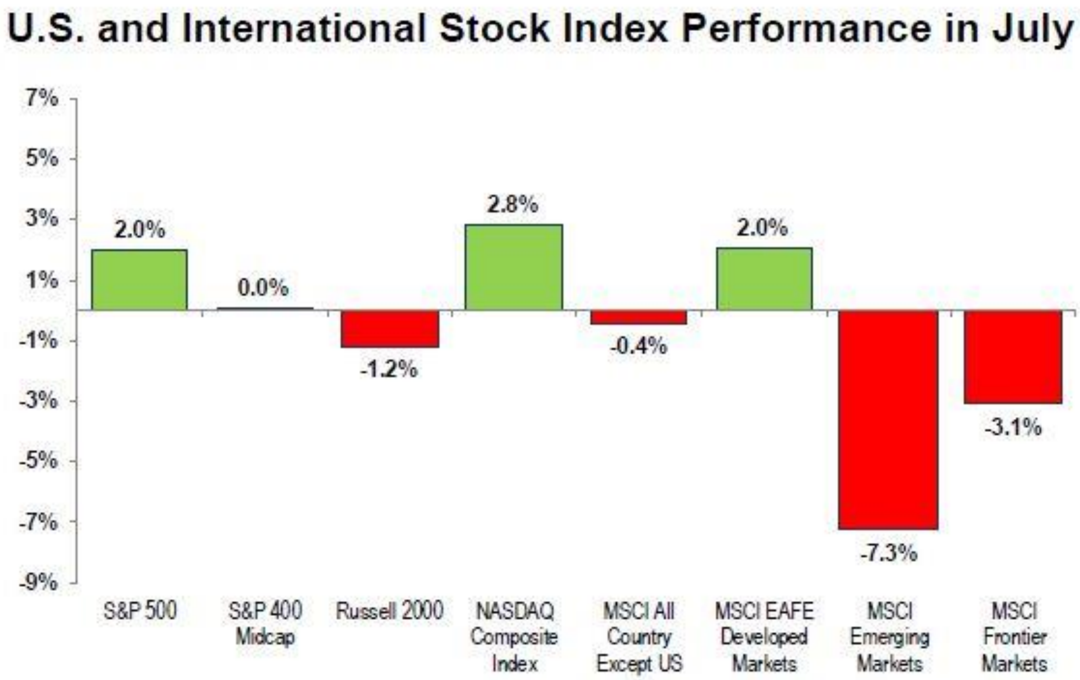

While broader indices were higher in July, the strength was narrow, and driven by a select group of large-cap stocks which significantly outperformed, including Amazon, Google and Netflix. At the same time, many small-caps continued to under-perform, despite continued healthy fundamentals. Investors are lowering exposure to higher Beta stocks, and particularly to small-caps.

While we always consider macro conditions, at Dane Capital we are not market timers. We are focused on identifying securities that are meaningfully mispriced relative to their intrinsic value. We have many friends who work in real estate. As we've often discussed with them, when a snow storm hits one of their properties, they don't mark down the value by 20%. With the stock market, that's often not the case. Temporary issues often cause severe changes in valuation despite no true change in a company's worth, or change in the company's ability to generate cash flow over time.

Our primary focus is developing a portfolio that will meaningfully outperform indices over time. We believe our best chance to produce outperformance is by concentrating our investments in our highest conviction ideas – those which we believe offer a highly asymmetric risk/reward profile. We are the largest investor in our fund, and have our children's, parents', and extended family's money invested in our fund – our success is aligned with that of our LPs.

July was an interesting month for Dane Capital. Many of our longs performed poorly despite generally solid results and outlooks. We attribute this largely to the aforementioned current move away from small-cap stocks. Importantly, we continue to feel confident in our idea generation, including several new holdings discussed below.

Much of the reason for our flat performance for July, despite a difficult month for many of our holdings, was the buyout of Magnetek by Columbus McKinnon for a 55% premium to Magnetek's stock price, which contributed over 2% to our monthly performance. Magnetek is a company that we discussed in our 4Q 2014 letter as a top-5 holding based on our view that street numbers from its sole sell-side analyst were too low (Magnetek beat 4Q and 1Q EPS estimates by 40% each), and that the company's mid-teen unlevered free cash flow yield was unduly (and unsustainably) high – we estimated fair value of $50, which happened to be the buyout price. Shares of Magnetek rallied from $32 to $45 between November and December of last year. In 2015, despite excellent results in 1Q (40% upside to EPS), a strong outlook for 2Q, improving margins, and shares trading at 7x EPS in a space that trades at twice that multiple, shares were back at $32. Over the past several months we've continued to closely analyze the company and we had added to our position. If the Magnetek acquisition had been announced in August, we likely would have been down a couple percent in July.

Dane Capital runs a fairly concentrated portfolio. We can't predict when a stock's market value and intrinsic value will converge – it may be months, quarters or years (we prefer months) – however we believe that if we buy securities at a material discount to intrinsic value (and short securities trading above fair value) we will outperform markets over time. We recognize that this can result in lumpy performance, but we believe this is our best strategy to maximize the Fund's long-term performance.

Marketing/Investor relations
As we have previously noted, we are pleased that each month additional LPs have invested in the fund and several initial investors have invested additional assets. We have visibility for additional new assets for September 1st. While we remain below $50 million in AUM, we will be closing Series "A" ("Founders Class") interests with preferential terms on January 1, 2016. As always, we are available to discuss questions about our strategy and our portfolio.

New Positions

Lindblad Expeditions (LIND)

Lindblad Expeditions is a highly profitable, $400 million market cap, adventure cruise line, with a 35+ year operating history, which has an exclusive relationship with National Geographic (recently extended through December 31, 2025). Lindblad became a publicly traded security via a merger with Capitol Acquisition Corp II, a SPAC, in July. While many institutional investors are inclined to avoid SPACs because of the poor performance many SPACs experienced in the 1980s and 1990s – in part because of economics that massively benefited the sponsors, even for poor ideas (a situation that has since changed) – we believe this bias creates an opportunity in a largely underfollowed investment segment. In the case of Lindblad we note that this is the 2nd SPAC for its sponsors, who have produced a mid-teens IRR with their 1st SPAC over half a decade. More importantly, we believe Lindblad is a unique asset, with a deep moat, due to its exclusive relationship with National Geographic, which reaches over 650 million people per month through its magazines, TV channel, etc. Our view is that just like it's hard to find anyone who doesn't like puppies, it's hard to find anyone that doesn't have a favorable view of National Geographic. Lindblad currently trades at 8.9x 2015 EV/EBITDA, over 4 EBITDA turns less than larger players including Carnival, Norwegian, and Royal Caribbean despite a faster growth rate over the last 5 years, a faster projected growth rate, and lower capital intensity. Lindblad has a daily room rate that is 5x that of these larger competitors. Lindblad differentiates itself with world class naturalists, scientists and photographers in an intimate setting, with a reputation established over 35 years. This also allows them to use older ships or build lower cost new ships – new builds are estimated to have an ROIC in excess of 20%, well above the company's cost of capital. Lindblad can self-fund new ship-builds from cash on its balance sheet and operating cash flow, with new ships planned for 2017, 2018 and 2019 (the '17 and '18 ships are scheduled to be ordered in 3Q). With a cost of $40 million and EBITDA by year 2 of $8+ million, new builds at 5x EBITDA are compelling in a sector that typically trades at low-teens EBITDA multiples. They have guided to doubling EBITDA over the next 5 years (17% CAGR) based on 3 new ship builds. In addition, the company is over-capitalized and is positioned for accretive bolt-on acquisitions that can leverage the company's operational infrastructure and the National Geographic brand – although if the shares continue to tread water, stock repurchases would be accretive at current prices. We believe there are few competitors positioned to acquire assets that would be interesting to Lindblad. We believe most adventure/cruise/leisure/travel assets that Lindblad would pursue would be immaterial to larger players, and companies similarly sized to Lindblad don't have public currency or liquidity for such acquisitions. We'd be surprised if the company doesn't announce 1 or more transactions that are both accretive and expand their scale over the next 12 months. We think it's likely they will double EBITDA far earlier than in 5 years. We suspect that as Lindblad appears on institutional investor radar screens (they have had advisory work from Citigroup, CSFB and Deutsche that will likely result in research coverage) it will quickly go from being an ignored value stock to *the* growth story in the small-cap growth/leisure space. We believe upside to shares over the next 12-18 months exceeds 50% if the company executes on its plan and meets its projections, and think that the company's warrants (LINDW with 5 years expiration and $11.50 strike) could provide a multiple return from their current price. Notably, the company reaffirmed full-year guidance on its recent 2Q earnings call, but the stock has traded lower – we believe this reflects that most institutions simply are not yet aware of this opportunity.

MRV Communications (MRVC)

Dane Capital has established a meaningful position in MRV communications and believe it could be a double or more from current levels.
MRV is a supplier of a full range of packet and optical solutions focused on the metro market – with a full end-to-end solution. The company trades at .9x 2015 EV/revenue, assuming low single digit sequential growth of its network equipment business in 3Q and 4Q, and the completion of its announced sale (announced last week) of Tecnonet, its low-margin, low-growth, Italian network integration business. At .9x EV/revenue, shares trade at a significant discount to 2 recent comparable transactions. Specifically, Cyan was recently (closed first week of August) purchased by Ciena for an originally announced price of 2.1x revenue (given the increase in shares of Ciena the price at close was 2.5x) and the 2.5x EV/revenue Infinera paid for Transmode (transaction closes this week). Notably, Cyan had high customer concentration (Windstream 28% of revenues), guided on its 1Q call for 41% normalized gross margins (versus MRV's optical at 50%) and was losing $7 million per quarter (MRV slightly profitable). Transmode has seen its operating margin shrink from 17% to 7%, experienced declining revenue in 2014, and benefits from IFRS accounting which capitalizes R&D rather than immediately expensing it. Based on our analysis, we believe MRV has technology that is as good, or superior to these comps. In addition to the company's business momentum (revenue in network equipment up 12.4% y/y in 2Q) MRV has federal NOLs of almost $200 million, state NOLs in excess of $100 million, and international NOLs over $100 million. Highly regarded activist investment firm Raging Capital owns 31% of MRV, and is tightly connected to the CEO and Board. The company has a buyback in place and presumably will use the proceeds from its Tecnonet sale for additional repurchases or a special dividend. We believe the likely outcome is that MRV will be acquired at $40 or more. If it merely trades to levels that Cyan and Transmode were trading at prior to their buyouts, the stock would be around $29. We're not sure the timing of a buyout, but with a stock on few investor's radar screens, a management reengaging with Wall Street, strong business momentum, and a highly aligned Board and shareholders, we're confident that shares will trade higher while we wait (we have attached a recent write-up).

In summary, we remain optimistic about our portfolio and Dane's prospects in the quarters ahead. We are confident in our ability to identify opportunities that are not well known or well understood by the market. As always, we're happy to discuss our portfolio or strategy at greater length.

Sincerely,

Eric

Eric Gomberg

Disclaimers:

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

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