DANE CAPITAL MANAGEMENT

April 27, 2018

Dear Partner:

We're disappointed to report that in the 1st quarter of 2018, Dane Capital Management (the "Fund") generated a loss of 14.7%[i], net of fees and expenses. We certainly hoped to continue the momentum the Fund enjoyed last year, in which it produced a 50.2% return, net of fees and expenses. However, as we've stated, both when results have been disappointing or strong, Dane's performance should be judged over years and not months or quarters.

Our 1Q performance reflects the decline in a large number of our holdings for non-fundamental reasons. To be more precise, the decline was not due to companies missing numbers, lowering expectations, experiencing deteriorating fundamentals, or seeing increasing competition. A number of temporary, exogenous, and hard to foresee factors impacted our stocks. These include things like major holders distributing shares to LPs in lieu of selling in an orderly fashion (i.e. a secondary or a block trade), a botched follow-on offering, and a SPAC closing that was delayed multiple times.

We have a long-term investment philosophy and belief that if a stock has declined for non-fundamental reasons, this creates opportunity. We are confident that our positions are not permanently impaired. We expect that in the quarters ahead we'll recover our losses and our holdings will perform in-line with our expectations and generate significant positive alpha. For more regarding our positions and theses, we have reports available in the investor reading section of our newly redesigned website, www.danecap.com.

We remain confident that our disciplined process of investing in well-positioned, strong, undervalued, frequently unknown or underfollowed companies, with aligned managements, will result in superior outcomes. However, the fact that we run a concentrated, value-oriented portfolio with many below-the-radar stocks, including many micro and-small-caps, lends itself to significant volatility.

Several of the stocks we hold have exceptionally low capital intensity, are growing rapidly, have low or no leverage, and have accretive acquisition opportunities. Although they can get cheaper in the short-term, it's hard to imagine that they will *sustainably* trade at 3x or 4x or even 5x EBITDA. The fact is really bad businesses don't trade at those prices. Unfortunately, some of these businesses are small and currently unknown and unloved. We think perception can change quickly and we cite several historic examples below.

"The single greatest edge an investor can have is a long-term orientation."
– Seth Klarman

We have been running a significantly net long portfolio (approximately 90%) to which some of our more hedged friends have asked, "What happens when the market turns down?" Dane is not making a long market bet — we think much of the market is overvalued. It's simply our view that at our fund's current asset size we can identify underfollowed opportunities that we believe have a strong margin of safety and may return multiples of purchase price. Shorts on the other hand, are limited to a maximum 100% profit. We note that in 1Q, had we hedged significantly against ETFs it would not have improved our performance. Further, if we had pair-traded our 2 largest holdings, Daseke and Limbach against peers, our results would have been further diminished.

1Q update

As we stated above, in the first quarter we had a number of non-fundamental factors impact our results. We detail this below as well as other pertinent updates with key positions.

Daseke (DSKE) — Daseke was one of the Fund's top performers in 2017, and has been a top-2 position. We've liked the company because it has $1.3bn in revenue, yet still only has 1% market share in the flat-bed trucking industry, an industry likely to exceed $140bn in revenue in 2018. The company is trying to roll-up the industry and take advantage of the public-private arbitrage multiple disparity. Importantly, it does not compete in publicly marketed deals, but in privately negotiated transactions. In 2017, it made 8 accretive acquisitions. We also like that CEO Don Daseke had signed a 3-year lock-up on his almost 40% ownership in March 2017 (so there are still almost 2 years remaining). As a result of the company's significant, accretive growth, the stock was as high as $14.49 on January 16th.

The concept of a roll-up in the logistics/asset-light space is something that we've seen work before – trucking logistics business XPO was a sub $100mn market cap prior to Brad Jacobs investing and taking control of the company in September 2011. He has successfully rolled up the industry and has built XPO into a $12bn market cap company (Forbes has a current article on the company http://bit.ly/2qZ9Zdo) and its stock has compounded at 38% since 2011. We think Daseke has a similar opportunity in the "asset-right" space.

All was going according to plan. However, on Monday morning, February 12th, the company announced a follow-on offering of 7.4mn shares with proceeds to the company — the stock had closed at $12.98 the previous Friday. In our view, the transaction was completely botched. In our experience, banks typically pre-screen a deal with buysiders, or, at a minimum have an accurate sense of supply/demand dynamics. The transaction priced the night of Wednesday the 14th at a deal price of $10.60 – a shocking 20% haircut from deal announcement. Perhaps the company had a transaction teed up which fell through, but clearly this has resulted in a crisis of confidence. The stock soon broke deal price and ended the quarter at $9.79. This represented a quarterly 31.5% decline in the price of shares, and a 43.6% decline in warrants, which our Fund also holds.

All of this has happened against a back-drop of a flat-bed rate environment that is red-hot. According to dat.com, on April 24th "flatbed load-to-truck-ratio has exceeded 100 loads per truck for four weeks in a row." Last week the site said flatbed load-to-truck was at record levels. Daseke is down another 13% this month and now trades at a paltry 6x EV/EBITDA. Fortunately, it can still make acquisitions at even lower multiples (although we'd be equally comfortable with them buying back their own shares). We expect the stock price to improve when the company reports what should be good numbers in the next few weeks, and we've encouraged management to authorize a stock repurchase plan.

While this provides limited consolation, XPO again presents an excellent analog to Daseke. Between June 1, 2015 and Jan 20, 2016, shares plummeted 64% from $50.86 to a low of $18.06 on January 20, 2016. XPO missed 2Q 2015 EPS by $0.02, and in September 2015 announced a large acquisition which meaningfully increased their scale, however nothing calamitous seemed to be at hand. In fact, highly regarded former Stifel analyst (and now banker) John Larkin, maintained a Buy and $62 price target throughout this period. Notably, this was a noticeably weak period for the industry.

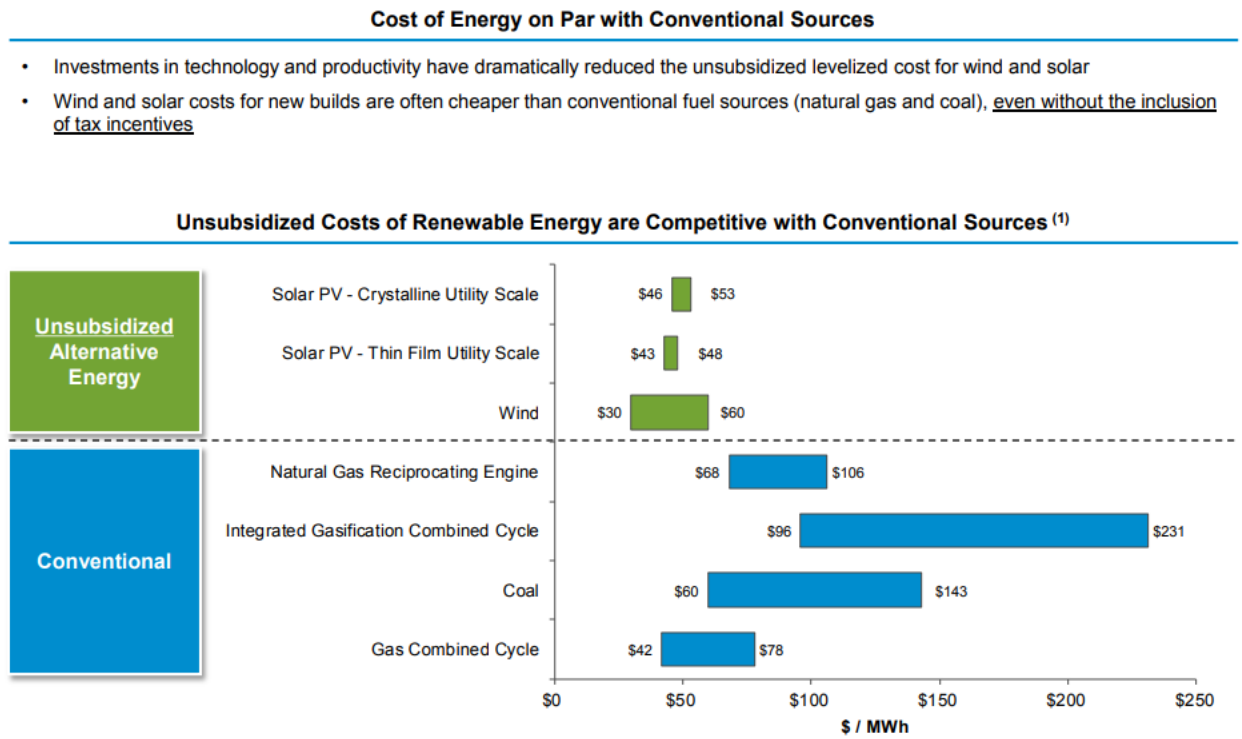
As it turns out, XPO digested its large acquisition, results remained solid, and sentiment changed. Anyone who bought XPO at its lows (and held), when sentiment was seemingly at its worse, has a 5-bagger on their hands just over 2 years later.

We think it remains the early innings of Daseke's growth opportunity. We are optimistic that looking out quarters or years, we will make multiples on our investment.

Finally, it's notable that most of Daseke's comps are within 10% of 52-week highs, not at a 52-week low like Daseke. If not for a botched follow-on, we think we'd be sitting on a stock in the teens. We are confident that the current situation is temporary and our patience will be rewarded.

Infrastructure and Energy Alternatives (IEA) — We purchased shares of IEA, a leading E&C contractor to the renewables industry, because we thought at just under 4x estimated 2018 EV/EBITDA its valuation was completely disconnected to the broader E&C space, and it had an unjustifiable discount. This valuation disconnect was largely due to the fact that it was (and remains) under investors' radar screen as it went public via SPAC.

We like that IEA competes in an oligopoly as just one of 3 major players in the utility-scale renewables space, has low capital intensity (less than 2% of revenue) and has the opportunity to consolidate the industry. In addition, there is a moat to the business as it is highly specialized and other larger players have tried, and failed, to enter the space (making IEA a wonderful long-term take-out candidate as they scale and execute). We're also of the view that the renewables industry should have a decades-long runway as traditional energy sources such as coal plants are taken offline, and renewables become more cost competitive — we're almost there without subsidies and tax incentives.



Sources: U.S. Energy Information Administration (Jan. 2017), Wall Street Journal Estimates (Nov 2017)

There is significantly more information regarding our views on IEA in a detailed report and presentation on our website.

We purchased shares at $10.10, which we were comfortable with given our positive view of the company's prospects and its extremely cheap valuation. The stock remained at those levels and, in fact, traded up to $10.25 on March 9th, with a vote for closure of the SPAC merger scheduled for March 12th. However, on Monday, March 12th, the company postponed its vote until March 15th. On March 15th, IEA postponed the vote again, this time until the 20th. On March 20th, the company announced a further one-day delay in the vote, and the stock closed the day at $9.67. It subsequently went into free-fall, albeit on light volume, bottoming at $8.25 on March 27th. Shares closed the quarter at $8.84, resulting in a loss for Dane of 12.5% during the quarter.

Fundamentally, we believe nothing has changed regarding the prospects of the company and if it were valued in-line with peers it would trade at $16-$20. We are optimistic that as the year progresses, the company will garner research coverage, and very likely make an accretive acquisition – they have a $100 million funding line with BAML – and we will do very well on this investment. Further, our sense from management (we most recently met with them on April 25th) is that requests for proposals are exceptionally robust, and if they win their fair share, 2019 could be a very big growth year, on top of the 60% revenue and EBITDA growth anticipated for 2018.

Lazydays (LAZY) — Lazydays was not a contributor to losses for the Fund in the quarter, although it is down in April (there is much about Lazydays on Dane's site). It remains one of the holdings about which we're most excited. The company would like to roll-up the highly fragmented RV dealership industry at prices of 2-4x EBITDA.

FRAGMENTED INDUSTRY DYNAMICS	
Revenue Range	# of Dealer Companies
Over $1 billion	1
$500 million to $1 billion	3
$100 million to $500 million	15
$50 million to $100 million	30
$25 million to $50 million	75
$0 to $25 million	2,050
Total	**2,174**

Source: Lazydays November Investor Presentation Page 15

We recognize that there is an ongoing debate about where we are in the RV cycle, and a concern that the major players have shipped too much product to dealers. Based on conversations with dealers, many have felt they historically have had inadequate inventory. Our sense is that consumer demand remains robust with an aging population continuing to be a major portion of the buying public, while Gen-Xers and millennials are supplementing demand. If sell-through is healthy, but inventory remains relatively elevated, that seems to us a much larger problem for OEMs than for dealers.

However, our point of view is that most of this doesn't particularly matter for Lazydays. What they represent is a company that can take significant advantage of the private/public market arbitrage for RV dealerships. We suspect that they will be able to improve margins of any acquired company by receiving better OEM pricing, lowering financing expenses, and bringing their operational expertise. If the industry sees its growth slow, the company may be in an even better position to negotiate prices while acquiring companies that may be distressed sellers.

We also like that this is not a promotional management. In the company's November 2017 presentation (see http://bit.ly/2vRJ7ko) on page 17, they guide to 2017 Adjusted EBITDA of $28-$30 million (see page 15). On March 21st, buried on page 42 of a lengthy 8-K (http://bit.ly/2HTalfd), they provide EBITDA results for 2017, which were $31.2 million, up 23% y/y from $25.3 million in 2016, on 8.8% y/y revenue growth. They did not issue a press release nor is this information disseminated on their website.

As a newly minted public company, one would think that management would get on the road and in front of investors, yet they have not done so. Management has explained to us that before they start telling their story, they want there to be more of a story. In our view, this includes providing strong 1Q results and making their first acquisition (we suspect with others to follow this year). With that said, the company isn't lacking for ambition as they are targeting $2 billion in revenue in 5 years. As Craig-Halllum recently wrote in its initiation report, "We see a path to $2 billion in sales, $120 million in EBITDA and a $50 stock in 5 years." With acquisitions, we believe 2018 EBITDA could be far closer to $40 million than the $32 million Craig-Hallum has forecast.

We believe that Lazydays represents an early innings opportunity and acquisitions will drive shares meaningfully higher. As we've seen with other low market cap companies, acquisitions often are a meaningful catalyst to dramatic multiple expansion.

Limbach (LMB) — In 2017 we suffered a modest loss in shares of Limbach, a top-2 holding (shares declined about 2% for the year) – a year in which they grew revenue and backlog, expanded margins, and took out high interest rate debt. If not for non-recurring 1-time charges the company would have grown EBITDA 17%. Limbach is an HVAC engineering, construction and service company which we have discussed in previous letters and write-ups (most of which can be found on our site).

In 1Q we lost an additional 11.6% on shares which we attribute to a single cause: the distribution of 1.356 million shares by F*d*G (see http://bit.ly/2HMYQpC). As noted in footnote 1 of the SEC filing: "The transactions reported represent pro rata distributions, and not purchases or sales of securities, by F*d*G Capital Partners LLC to its members without consideration." This begs the questions of 1) why did F*d*G distribute the shares? And 2) why did it take about 2 weeks for the stock to collapse? The answer to the first question is that F*d*G, was in year 16 or so of its vintage, which is extremely long for a private equity firm so they distributed shares to their LPs. This was their last remaining holding. The answer to the second question is that it may have taken LPs some time to receive the stock, put it in their accounts, or even just notice. At such point they likely said, "What is this Limbach?" and started punting. We find it fairly shocking that F*d*G didn't do a block sale or a small follow-on and distribute cash, but it is what it is.

All that being said, **we think Limbach shares have 70% upside this year**. Since February 1st, 1.75mn shares have traded. Certainly not all of them are from LPs, but we think we're far closer to being finished with clearing out unwanted inventory than from the start. And as we illustrate in a different case below, when inventory clears, there can be a violent move higher.

However, our 70% upside doesn't merely come from wishful thinking, it comes from the profound multiple disparity between Limbach and its comps.

($ in millions)	Price	Shares	Net Cash	EV	EBITDA 2017	EBITDA 2018e	Y/Y EBITDA Growth 18/17	EV/EBITDA 2017	EV/EBITDA 2018	Organic Backlog Growth 4Q17/16
ACM	$34.94	159.2	(2926)	8487	770	906	17.7%	11.0x	9.4x	11.0%
EME	$75.07	58.4	157	4225	479	468	-2.3%	8.8x	9.0x	-2.9%
FIX	$41.55	37.2	(24)	1568	137	157	14.6%	11.4x	10.0x	16.3%
NVEE	$58.20	10.8	(50)	681	40	52	31.0%	17.1x	13.1x	10.0%
STN[1]	$25.60	114.1	(603)	3524	363	407	12.0%	9.7x	8.7x	0.0%
							Mean	**11.6x**	**10.0x**	6.9%
LMB	$11.75	7.5	(26)	114.9	17	22	31.7%	**6.9x**	**5.2x**	6.2%

[1] STN indicated that it experienced organic backlog growth(did not specify amount) offset by currency headwinds

Limbach is now trading at a 5-multiple turns discount to peers despite the fastest expected EBITDA growth in the sector.

Limbach Diluted Shares Outstanding at different prices and valuation

Total Shares Outstanding			7,454,000												
		Exercise	Total	Treasury Method Shares											
		Price	Underlying	$10.00	$11.00	$12.00	$13.00	$14.00	$15.00	$16.00	$17.00	$18.00	$19.00	$20.00	$21.00
Warrants at $12.50		$12.50	666,667	0	0	0	25,641	71,429	111,111	145,833	176,471	203,704	228,070	250,000	269,841
Warrants at $11.50		$11.50	3,700,000	0	0	154,167	426,923	660,714	863,333	1,040,625	1,197,059	1,336,111	1,460,526	1,572,500	1,673,810
Insider Warrants at $15.00		$15.00	600,000	0	0	0	0	0	0	37,500	70,588	100,000	126,316	150,000	171,429
Warrants at $10.00		$10.00	300,000	0	27,273	50,000	69,231	85,714	100,000	112,500	123,529	133,333	142,105	150,000	157,143
Total			5,266,667	0	27,273	204,167	521,795	817,857	1,074,445	1,336,458	1,567,647	1,773,148	1,957,018	2,122,500	2,272,222
Total FD shares outstanding				7,454,000	7,481,273	7,658,167	7,975,795	8,271,857	8,528,445	8,790,458	9,021,647	9,227,148	9,411,018	9,576,500	9,726,222
Equity value				$74,540,000	$82,294,000	$91,898,000	$103,685,334	$115,806,001	$127,926,668	$140,647,335	$153,368,002	$166,088,669	$178,809,336	$191,530,003	$204,250,670
Net Debt															
Enterprise Value				$100,540,000	$108,294,000	$117,898,000	$129,685,334	$141,806,001	$153,926,668	$166,647,335	$179,368,002	$192,088,669	$204,809,336	$217,530,003	$230,250,670
EBITDA	2017 actual		$16,700,000	6.0x	6.5x	7.1x	7.8x	8.5x	9.2x	10.0x	10.7x	11.5x	12.3x	13.0x	13.8x
	2017 with 1-time add-backs		$19,500,000	5.2x	5.6x	6.0x	6.7x	7.3x	7.9x	8.5x	9.2x	9.9x	10.5x	11.2x	11.8x
	2018 mid-point guidance		$22,000,000	4.6x	4.9x	5.4x	5.9x	6.4x	7.0x	7.6x	8.2x	8.7x	9.3x	9.9x	10.5x

Limbach's implied value based on comparable multiples

We also note that on September 1st, Limbach hired Matt Katz, who worked for F*d*G, to head the company's M&A efforts. Katz and Limbach CEO Charlie Bacon have known each other since 2004. We don't think Katz would have taken the position unless he believed the opportunity was significant. We think the company is very close to closing a transaction, and given Limbach's small size, an acquisition could significantly move the needle and accelerate growth. We believe Limbach could quickly go from the low-multiple stock in the group to the stock with the premium multiple. That might sound preposterous, but NV5 (NVEE) went public through a 1.4 million unit offering at $6 through Roth (with warrants attached) and a market cap of $25 million. Many deals later, they have the premium multiple in the space and are a 10+ bagger in 5 years. We think that if Limbach can complete 1 or 2 transactions a year for the next few years, we'll have a multi-bagger on our hands.

Yatra (YTRA) — Yatra is the second largest OTA in India, the fastest growing large economy in the world, with a population expected to exceed that of China in the next several years. We believe the opportunity for the company is vast (anyone who invested in Ctrip 15 years ago would have seen their investment compound at ~30% annually). Yatra reported December results (their F3Q) on January 31 and despite upside, a strong outlook, and an initial move higher, the stock was 15% lower by late March and down 11.6% for the quarter. The company didn't discuss worsening competition — if anything, they appeared quite upbeat.

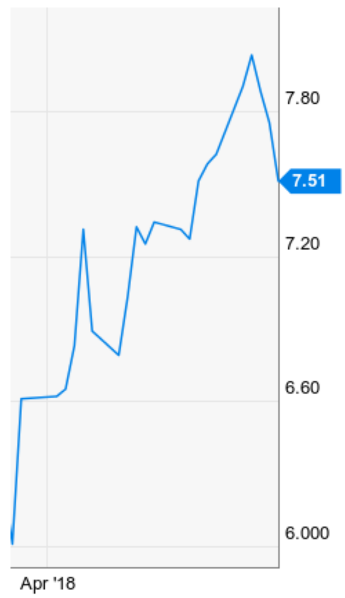
India's largest OTA MakeMyTrip was up 17% in 1Q. They had a solid, but not spectacular quarter, so it's hard to identify a fundamental difference.

Like Limbach, Yatra had insiders distribute shares. According to this filing (http://bit.ly/2JqR95H), on August 14th, Intel Corporation distributed its 2.18 million shares to the Intel Foundation. As of April 26th, the Foundation had 482,000 shares remaining. On January 18th, Norwest Venture Partners filed that they had distributed their 6.86 million shares, 19.88% of the company. In the filing it states that none of Norwest's principals held shares as of December 31st. It's not clear how much earlier than that the shares may have been distributed. Norwest had been in the position for 10 years, and a VC's mandate is not to hold for 10 years. Again, we find it surprising that the company didn't do an organized offering and instead pushed this into the market.

On February 7th, Habitat for Humanity filed that it held 2.2 million shares of Yatra http://bit.ly/2KdL6T1 (a 13G has to be filed within 10 calendar days of crossing the 5% threshold), which presumably it received from one of Norwest's LPs and it has likely been a major force pushing shares lower.

The good news is that over the last 6 months, over 23 million shares have traded, with particularly large amounts over the last 2 months and the overhang looks cleaned up. The stock actually hit $5.63 near the end of March, before closing the month at $6.61, but has been on an upward trajectory ever since, with the stock now at $7.51 (up almost 13% for the month, and 33% from $5.63 *in under a month*).

6 months of pain



A rapid recovery

The other good news is that Yatra still trades at a huge discount to MakeMyTrip, and we believe fair value is $15. Perhaps more importantly, we think this is a story still in the early innings with plenty of room to run over the next several years.

Small-Caps, the Power of Growth and the Virtue of Patience

As is clear from the preceding pages, we own several small-cap, low-multiple stocks that trade modest, often, almost insignificant volumes. We're often asked, "Why own companies like these? They don't trade, no one cares and they're never going to get a multiple."

While that opinion might be correct in the short-term, we believe that over the longer-term, if we've made the right stock selections, we'll be disproportionately rewarded.

When we look at Limbach (5x EV/EBITDA), IEA (>4x EV/EBITDA), or Lazydays (5x EV/EBITDA), we think of the nano-caps that have made it big over the last several years. Most are not in particularly exciting businesses but have large runways for growth and the potential to be consolidators, which we believe is true of the aforementioned companies.

For example NV5, an E&C company that went public with a market cap below $30 million, now has the ***premium*** multiple in the sector and an enterprise value approaching $700 million. Besides Roth, who took them public, there was no following. It took about a year of waiting, and then a series of acquisitions took the stock to another level. After that, there were still days when there was no trading volume. Additional acquisitions were executed, and with it came further price appreciation and greater trading volume. Investors have largely disregarded the fact that almost the entirety of the company's growth has been inorganic. That the stock price increased, resulting in the inclusion in indices certainly didn't hurt either. NV5 has enjoyed the benefits of multiple expansion on top of EBITDA growth, resulting in an explosion in its stock price (10x in 5 years).

We believe that acquisitions for companies like IEA, Lazydays, and Limbach can be transformative, and we expect they will be. Each of these companies is small enough that an acquisition can materially change the company's growth rate.

Another example of a sleepy company that saw its share price explode upon acquisition is Envirostar.

Envirostar is in the very sexy business of distributing commercial, industrial, and vended laundry and dry-cleaning equipment. On March 9, 2015, Henry Nahmed became Chairman and CEO of the sub-$20 million market cap company. For the first 18 months under his leadership, trading volume was modest, and the stock was mostly sideways. In September 2016, the company announced it was purchasing Western State Design, and the stock took off and never looked back. Following acquisitions in June and November 2017, the stock ascended to new heights. Today this laundry equipment distribution company commands a premium EV/EBITDA multiple, well into the double digits. Anyone who invested when Nahmed became CEO has more than a 10-bagger in 3 years, although it took 18 months before the stock did anything, which speaks to the virtue of patience.

If one really wants to discuss patience, one need look no further than Henry Nahmed's uncle, Albert Nahmed, Chairman and CEO of Watsco, a leading distributor of HVAC and refrigeration equipment – another not so exciting business.

Watsco went public in 1984 with a market cap of $15 million and more or less flat-lined for 10 years before moving aggressively into distribution through a series of acquisitions. Last year the company generated over $4 billion in revenue, and currently has a market cap of almost $6 billion and sports a hefty 15x forward EV/EBITDA multiple. If you bought the Watsco IPO and held, and reinvested dividends, you'd have well over a 100-bagger.

We hope not to see our investments flat-line for 10 years before getting paid. What we believe our investments have in common is that they all are wonderful platforms for growth when they find the right acquisitions, which we believe will be relatively short-term. For Limbach, it's taken longer than we would have anticipated. Each has a runway for significant growth — growth that will exceed industry peers, and potentially take the company from being the low-multiple player to the high-multiple player in the space. We view being small and tightly held as a short-term nuisance, but potentially beneficial over time. Waiting is never fun, but we think our patience will bear fruit.

Investor relations/Marketing

As noted earlier, we have updated our website which provides numerous analyses of our holdings and past holdings. We continue to blog on Seeking Alpha and SumZero and have appeared on Manual of Ideas. We do little marketing and virtually all of our investor interest is inbound. For the most part, the Fund has grown through self-selection by investors who have read our work or heard us present. As a result, we have a great set of LPs who understand our thought process, investment philosophy, and appreciate our transparency. We continue to make little outgoing fundraising efforts but continue to accept new LPs monthly and are pleased to have already added several new ones in 2018.

A few final thoughts

We're disappointed by the start of the year, but hopeful that things will turn around. As we've discussed at length, we believe that in 1Q almost anything that could go wrong went wrong, but the fundamental opportunities for our portfolio companies remain unchanged.

We're optimistic that Dane's results will improve throughout the year, but, more importantly, we believe we have the right processes and stocks to outperform over the next several years. We appreciate the continued support of our LPs (of which we remain the largest). We appreciate your continued partnership and we look forward to keeping you apprised of our Fund's progress. As always, we're available and happy to discuss the Fund.

Sincerely,

Eric

Eric

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