

Ferndale Capital Management, LLC

General Firm Update

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Ferndale Capital Management, LLC ("Ferndale") Public Securities Division reports a weighted cash average yield of 5.9%, down from 6.8% in July, and total value increased to \$138,192 - discussed further below.

Security	Value	Weight	Cash Yield	Wghtd Cash Yield
Harrahs 10.00% due 12/15/15	\$1,820	1.3%	11.4%	0.15%
Harrahs 10.75% due 2/1/16	3,480	2.5%	12.3%	0.31%
Harrahs 10.00% due 12/15/18	8,813	6.4%	16.0%	1.02%
Affinion 11.50% due 10/15/15	4,325	3.1%	15.2%	0.48%
Affinion 11.68% due 11/15/15	<u>3,025</u>	<u>2.2%</u>	<u>19.3%</u>	<u>0.42%</u>
Fixed Income	21,463	15.5%		2.38%
Newmont Mining	15,820	11.4%	3.4%	0.39%
Freeport McMoran	14,839	10.7%	3.8%	0.41%
Veolia Environnement	8,652	6.3%	5.6%	0.35%
Royal Bank of Scotland	7,851	5.7%	-	-
STMicroelectronics NV	6,773	4.9%	4.7%	0.23%
Total S.A.	6,720	4.9%	5.5%	0.27%
Radio Shack	5,406	3.9%	-	-
Apollo Residential Mortgage	4,810	3.5%	18.3%	0.64%
Pfizer	4,702	3.4%	3.3%	0.11%
Lockheed Martin	4,430	3.2%	3.6%	0.12%
Entergy	4,212	3.0%	5.3%	0.16%
Intel	3,832	2.8%	3.9%	0.11%
Verizon	3,256	2.4%	4.4%	0.10%
Briggs & Stratton	2,969	2.1%	2.4%	0.05%
Conoco	2,905	2.1%	4.0%	0.08%
Apple	2,339	1.7%	2.6%	0.04%
Aflac	2,129	1.5%	2.3%	0.04%
NTT Docomo	1,940	1.4%	4.1%	0.06%
Coca Cola	1,939	1.4%	2.9%	0.04%
Ameriprise Financial	1,819	1.3%	2.3%	0.03%
Annaly	1,702	1.2%	15.3%	0.19%
AT&T	1,393	1.0%	5.3%	0.05%
JC Penney	1,046	0.8%	-	0.00%
Eaton	1,020	0.7%	2.5%	0.02%
Tupperware	1,013	0.7%	2.9%	0.02%
Western Union	756	0.5%	2.6%	0.01%
Lumber Liquidators	544	0.4%	-	-
Fortune Brands	526	0.4%	1.0%	0.00%
Zoetis	467	0.3%	0.8%	0.00%
Williams Sonoma	451	0.3%	2.2%	0.01%
Burger King	<u>444</u>	<u>0.3%</u>	<u>1.2%</u>	<u>0.00%</u>
Equities	116,706	84.5%		3.54%
	138,169			5.92%

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- Primary portfolio movements were led by selling Lockheed Martin and exiting Travelport, in addition to taking some early gain from Veolia and Freeport McMoran advancing to above \$33 per share. The lower cash yield estimate was largely related to a decrease in Newmont's dividend per share, impact of exiting the 11.875% Travelport bonds and adding some relatively lower dividend paying equities (down to ~1.5-2.5%, vs. +3.5%).
- New equity purchases over the period included Williams Sonoma, Briggs & Stratton, Fortune Brands, Lumber Liquidators, Tupperware, JC Penney, Ameriprise, AT&T and Radio Shack.
- From a succession planning perspective, the Retail segment continues to provide small business private equity opportunities to acquire long-standing, community fixtures in any given U.S. demographic. Ferndale Group of Companies, wholly owned by Ferndale Capital, seeks opportunities where the next generation of management can be put in place to further the selling parties legacy, in connection with both capital and active support from Ferndale Capital. The Public Securities Division at Ferndale provides a top-down view into the Public Company markets through to the Small Business environment as a way to better understand market conditions.
- Ameriprise provides an overlay and insight into insurance and investment products widely used by the increasing U.S. retirement population.
- In conjunction with government lending programs, Ferndale has the ability to provide owner-operators with up to \$5,000,000 cash at closing and additional value through seller-financing, which can be partially guaranteed by the Public Securities Division at Ferndale Capital.