



October 15th, 2016

Return	July	August	September	Q3	Total Return (Feb 1st to September 30th)
MountainWorks	2.4%	13.6%	1.2%	17.8%	45.0%
S&P 500					11.8%

Dear Member,

During the third quarter of 2016, we returned 17.8%, and a total of 45% since the inception of the fund; this is against an 11.8% return for the S&P 500 (with dividends, the return since February is 15.24%). Since our last letter, I have registered Form D with both the SEC and the NJ Bureau of Securities. We are an investment fund that is exempt from securities registration under Rule 506(b) of Regulation D. In order to comply with the Securities Act of 1933, the fund will be limited to 99 members, of which 35 can be unaccredited investors. My next steps will be to establish a private placement memorandum, documents that verify accredited investor status, and an LLC agreement for each member. When the fund launches next year, members can expect (1)trade updates on a consistent basis, (2)transparency between the fund's holdings and member positions, (3)distributions to members once a year, (4)quarterly correspondence, and (5)an annual meeting. In this way, members will have a close connection to MountainWorks and the achievements that we strive for. Our motifs will be to remain versatile, utilize multiple strategies without constraint, and be nimble with our capital allocation. Our goal will be to find tangible successes in the markets. Below is an example of the access that members would see should they wish to be an active participant in a pooled investment fund that defines success through connections.

Transparent Access. Below is a table of our positions in the fund as of September 30th. Keep in mind that positions may change frequently depending on market conditions. The research on these investments is just as important as the timing; therefore, each security we invest in has both a strategy and a catalyst behind it that will help unlock value. However, because time is a factor, and research is not always fully accurate in a dynamic environment, not all investments will work out 100% as planned. That said, while there are tangible positive outcomes here that are worthwhile and lucrative, we will always work to size appropriately and hedge when necessary. Please feel free to think, question, and scrutinize:

Security	Strategy	Catalyst(s)
ALR	M&A	Abbott signed a deal to acquire Alere for \$56 per share. There are significant deal concerns and regulatory hurdles. Alere has recently sued Abbott to force the merger.
ARLZ	Growth/Spinoff	Yosprala is the company's key drug that was recently approved by the FDA. It is a combination pill of aspirin and omeprazole (stomach remedy). The result of a merger between Pozen and Tribute, ARLZ is a potential takeover candidate
AVG	M&A	AVG was bought by private company Avast for \$25 per share in cash. The deal closed on Sep. 30th
BGCP	Value/Dividend	Acquired GFI Group (which included Trayport & FENICS), 6.8% yield, potential spinoff of real estate assets
CYH	Spinoff	Spun off Quorum Health over the summer, received ~\$2 billion in the process, high capitalization ratio, potentially valued between \$20-\$30
CYHHZ	CVR	Contingent value right based on outcome of Qui Tam lawsuit against Health Management Associates (acquired by CYH in 2014)
DSCR	-	Old position (pre-MountainWorks) that will be sold off. Minimal value in portfolio
GLPI	M&A/Spinoff	Entered position via PNK/GLPI merger. GLPI is a REIT that owns PNK's casino real estate assets. PNK entered into a triple-net lease with GLPI
HE	Value	Hawaiian utility that also owns a bank, called ASB. The HE/NextEra merger for 0.2413 shares of NEE per HE share (about \$30 per share) was blocked by the Hawaii PUC. ASB is worth approximately \$8 per share.
HRI	Spinoff	Herc holdings was spun off of Hertz this year. If HRI's balance sheet holds up, it will be a potential takeover target in the future (possibly by United Rentals or Sunbelt Rentals). HRI has a \$950mm market cap, with annual sales of \$1.6 Billion
HTZ	Spinoff	Hertz spun off Herc Rentals, and as part of the deal, we received shares of both HTZ and HRI. Hertz made ~\$2 billion in the process. The company also signed deals with Uber and Lyft. The company is potentially worth \$60 per share.
NSAM	M&A	NorthStar Asset Management entered into a triple merger with Northstar Realty and Colony Capital. After the close next year, NSAM shareholders will receive a one time dividend of \$128mm (about 10%), and manage Northstar Realty's assets.
PG	Exchange Offer	Proctor and Gamble is selling its fragrance and beauty business to COTY via an exchange offer. We expect to enter into a COTY position this month. COTY is expected to double its annual revenues as a result of the transaction.
RIG	Value	After a ~\$3billion impairment of Goodwill and suspension of dividend payments, the balance sheet remains strong. Shares are potentially worth \$30-40
SPY	Insurance	Owning puts on the S&P 500 provides a method of insuring the portfolio from losses. The portfolio is insured through November.
TBRA	CVR/M&A	Tobira agreed to be acquired by Allergan for \$28.35 in cash, plus a CVR worth \$49.84, based on revenue targets for Cenicriviroc, a NASH treatment awaiting FDA approval
Transocean 7.5% Notes Due 4/15/31	Distressed Debt	These corporate bonds trade at ~\$68 and yield 12%. The par value is \$100.
VA	M&A	Alaska Airlines is acquiring Virgin America for \$57 in cash. The companies have agreed to extend the closing deadline until after Oct. 17th for DOJ investigation.
WTR	-	Old position (pre-MountainWorks) that will be sold off. Minimal value in portfolio

*As of October 15th, we are no longer in a short SPY position.

Is it Repeatable? Is it Scalable? The fund is up over 45% since inception - a remarkable return on investment. This begs the question of whether or not this performance is either repeatable, scalable, or both. First,

we need to keep in mind tax issues that might arise, reducing the actual return generated in 2016. Second, MountainWorks is an upstart fund that is small. Our assets are less than \$100,000. One might wonder if the performance of the fund is simply the result of a few positions generating amazing returns, as opposed to shrewd, ubiquitous money management that generates consistent returns. Although we have had successes that generate returns in excess of 8%, and the largest position we own represents about 20% of the portfolio, we do not put our eggs in one basket. With over 90 transactions across 35 different securities since February, the portfolio has been widespread in its coverage and swift in its velocity. But make no mistake, the investments we embark upon are built on foundations of long term value and event driven outcomes. We are not a high frequency trading fund, though we may execute multiple trades per week. We find value, and work to profit from it. We embrace unique situations, and work to exploit them. There are times when we will make a 10% profit, and times when we will make a 1% yield. But together, those investments compound into market successes and noteworthy returns. The research methods, empirical procedures, and actionable approaches are all repeatable, as long as we remain focused and efficient.

Are our investment processes scalable? Yes! The value-based nature of our investments combined with event-driven outcomes lend themselves to results that are undoubtedly scalable. We have invested in securities with market capitalizations ranging from \$100mm to \$100 billion dollars. That said, the fund is easily scalable to accommodate multi-million dollar assets.

Why Am I Interested in Your Money? It is an important question that should be asked of your personal financial advisor, as well as myself. Why should you give up your money to someone else? How will that benefit you? What are your limitations? What are the drawbacks of MountainWorks? Why do I want your money? The truth of the matter is...that I am not interested in your money. I am interested in successes. Monetary returns are a by-product. I don't want your money, I want you to be successful with me. My experience has taught me that valuable opportunities present themselves on a daily basis; my focus leads me to become better. I hope to provide a unique opportunity that we can both be a part of and profit from for years to come. Next up: Q4, the LLC Agreement, the Private Placement Memorandum, an Annual Report, Rite Aid, Weatherford, Twitter, Syngenta, Dow-DuPont, Johnson Controls, Adient, Chipotle, Under Armour, Square, and FireEye, to name a few.

Best,



Justin Polce
 Managing Member
 MountainWorks, LLC

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