MountainWorks, LLC
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2017 Return	July	August	September	Q3	2017	Return Since Inception
MountainWorks	-5.7%	-1.0%	10.3%	3.0%	22.7%	72.5%
S&P 500				2.6%	12.2%	34.0%

Dear Member,

In the third quarter of 2017, MountainWorks LLC generated a 3.0% return, versus 2.6% for the S&P 500, dividends reinvested (according to DQYDJ). Through September 30th, the fund has returned 22.7% in 2017, and 72.5% since its inception in February 2016. Although we ran into a few speed bumps over July and August - Dillard's (DDS) and Chicago Bridge & Iron (CBI) come to mind - overall the portfolio has performed nicely with the help of our positions in BGC Partners, Inc. (BGCP) & 22nd Century (XXII). I will discuss a few of the major ups & downs that happened in Q3, mention some great news on the business-side of the Fund, and then kick around a few ideas as Q4 ramps up.

Portfolio. Last quarter, I mentioned an expansion into digital currency via Coinbase, and I have since expanded our reach by opening an account with Kraken, an online digital currency exchange. With the availability of both Coinbase and Kraken, I am able to differentiate the portfolio into various cryptocurrencies with the goal of diversifying into a new technological opportunity. At about 3% of the portfolio, I have treated the position like a forex trade, and kept the exposure to a minimum.

Dillard's was a small position in which I was reading into technicals and numbers - mostly short interest and shareholder count - without giving enough consideration to fundamentals in a bad market for retail. As it turned out, Dillard's poor quarterly report led to the trade woefully ending almost as fast as it started, and it now represents yet another inflection point in my continued learning experience.

Chicago Bridge & Iron, on the other hand, is a position I still hold. There was strong movement in the stock after the company settled its dispute with Westinghouse over expensive nuclear projects in the United States. At the time, CBI shares rose over 38% on news of the favorable court ruling worth $2 billion in savings. Yet less than two months later, CBI reported that four projects were holding the company back: two gas turbine projects and two LNG export facility projects, all located in the United States. Management wrote down a $526 million dollar loss, suspended the dividend, and announced intent to sell their higher-margin technology business. Even though shares dropped 27% on the news, I have managed to mitigate some of the losses by trading around the position. Similarly, I believe that CBI represents a value opportunity, albeit some disappointing news. I continue to hold the shares in anticipation of future results.

Conduent (CNDT) is a spinoff from Xerox (XRX) Corporation, an outsourcing company that deals with public and private clients around the world. This company is my first attempt at a short, and although the short position has not yet played out, I expect Conduent will not grow any revenues this year nor into next year. Whether or not the market will reflect this downward trend in its stock price remains to be seen. It is a small short position, but one I am monitoring carefully as earnings reports roll in.

Community Health Systems (CYH) continues to struggle in the midst of both declining patient admissions and uncertainty around the Affordable Care Act. As a highly leveraged company, an investment in Community Health Systems comes with inherent risk. On any news shares could easily move 10+ percent in either direction. That said, Community Health represents a distressed investment. Even though CYH prices have not appreciated, the combination of margin and volatility in CYH shares allows me to use leverage to our advantage while we await earnings.

BGC Partners continues to be my oldest and largest position, and it has performed well. Going forward, as interest rates slowly rise with a Federal Reserve Committee turned hawkish, I expect the company's financial services segment to perform well for the rest of this year and into 2018. I am also expecting the company to announce a spinoff of Newmark, Grubb, Knight, Frank - BGCP's commercial real estate segment - sometime in Q4.

Active Engagement. 22nd Century Group is a plant biotech company with over 200 patents related to genetically modified tobacco and cannabis. By re-engineering the tobacco plant, the company is able to regulate the amount of nicotine in the leaves, and therefore create a "very low nicotine" cigarette. The company is currently researching a similar process that removes THC from cannabinoids. I first discovered 22nd Century last April when I attended the MicroCap conference in New York City; almost immediately, I was intrigued by the 22nd Century story as well as its disruptive technology. I took a relatively small position at $1.25/share, and since then prices have risen to around $3.00/share. What is the reason for the 100+ percent move in less than a year? In July the FDA announced a mandate to target nicotine as the primary agent for cigarette use, implying that future tobacco regulation will almost certainly involve modifying/controlling the amount of nicotine delivered to the user. One of the ways to regulate nicotine content is by producing a low nicotine content cigarette. In other words, the FDA may very well come knocking on XXII's front door asking for help.

Recently, I went to the MicroCap Conference for the second time, and got a chance to speak one-on-one with 22nd Century CEO Henry Sicignano. I asked him questions concerning revenues, future agreements with other tobacco companies & institutional investors, and common stock capital structure. While the company has had multiple direct warrant/stock offerings that dilute shareholder value, it is perhaps a necessary move to raise money and fund the company as we await future catalysts. This was my first time meeting with management, and I was elated with the opportunity and grateful for the experience. In order to strike a chord with the style of active engagement, I provided Mr. Sicignano with a letter from MountainWorks, conveying not only appreciation for their hard work, but also my desire to keep management goals aligned with shareholder interests.

Company News. Running the Fund requires a fairly large amount of filings, recordings, and paperwork, but I am handling it with gusto as we work to grow bigger and generate greater returns. Over the summer I filed an amended Form D with the SEC (it is required annually), and by the end of the year I will file an annual report with the state of New Jersey. Remember, the Fund is open to new Members who in order to become part of the business, must:

1) Read the Private Placement Memorandum (available upon request)
2) Read the Operating Agreement of MountainWorks, LLC (included in PPM) and meet with me to sign it

3) Complete the Investor Questionnaire (included in PPM)
4) Complete Determination of Accredited Investor Status form (included in PPM)
5) Meet with me to sign a Form of Subscription Agreement, and make an initial contribution

I am happy to report that we have added a new Member and the first Director of the Company, James Debbie. I welcome his support during the grass roots stage of the Fund. What's more, I am encouraged that readers of this letter have and interest and want to become part of the business. Having a Board of Directors within the company structure ensures oversight and promotes transparency among myself, any future employees, and the Members. On the operations side, I continue to reflect on my analysis, processes for research (including computer programming), and idea generation.

Fourth Quarter Ideas. Speaking of idea generation, I use several methods to find opportunities in the market. I receive dozens of alerts on a weekly basis through various media outlets, I comb through SEC company documents, and I reach out to investors and companies through Seeking Alpha and attending conferences. One of the small cap companies I found at the MicroCap conference was a mining company called Canuc Resources Corporation. As a very obscure mining company, Canuc owns 444 hectares of land in Mexico that contains bonanza-grade silver (~1,514 grams/ton) on about 10% of the property, which, according to the CEO, could value the mine at about $3 billion dollars. With a current market cap of $15 million, this represents an interesting yet risky speculative opportunity.

Entercom Communications (ETM) is in the midst of acquiring CBS Radio from CBS Corporation (CBS), and the process has taken the better part of 8 months to nail down the specifics, including some divestitures of radio stations across the country to appease regulators. Meanwhile, shares have fallen ~26% since the merger announcement, and by my calculations, ETM prices are comparatively the lowest they have been in four years, despite the steady revenue stream they receive from radio. In this particular case, I am looking forward to their acquisition of CBS radio as a transformative event that will lead to growth and shareholder returns.

Needless to say, it has been a busy 2017 for the Company, and myself but we are moving forward and I have no intention of slowing down. Cheers and good luck on a successful finish to 2017.

Best,

Justin Polce
Managing Member

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