MountainWorks, LLC

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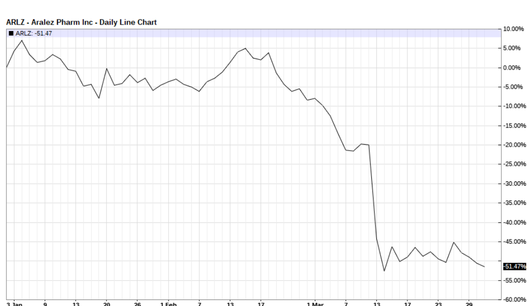
April 15th, 2017

2017 Return	January	February	March	Q1	Return Since Inception
MountainWorks	4.4%	6.8%	-4.3%	6.7%	50.0%
S&P 500				4.7%	27.3%

Dear Member,

In the first quarter of 2017, the Fund returned 6.7%, compared with 4.7% for the S&P 500, dividends reinvested (as calculated by DQYDJ). Since inception (February 2016), the Fund has returned 50%. Our performance in the first quarter was admirable, yet I am not satisfied. Two of our investments - Aralez and Depomed - experienced significant downturns amidst a backdrop of anti-biotech sentiment. I continue to review the investments and expect that while the outcomes will ultimately be positive, the timetable is lengthy and will be approximately 1-2 years. On the upside, we closed out our position in Weatherford for a significant profit, and continue to make use of opportune investments in the oil sector as commodity prices stabilize going forward. That said, in the discussion below I will highlight a few investments in detail (specifically related to last quarter), and also explain what's new with the Company moving forward into 2017.

Portfolio. Below are three-month charts for ARLZ and DEPO since January 1st. In Q1 2017, Aralez reported revenues of $54m, on the low end of guidance, due to slower than expected growth of their Yosprala aspirin/omeprazole combo pill. CEO Adrian Adams commented that cardiologists have been slow to embrace new treatment ideas, yet he believes in the price stickiness of the pill that can help generate consistent revenues. There are about 6 million patients who take both aspirin and omeprazole (think of Prilosec) related to heart disease. At $150/30 count, this equates to a $900m market. Considering that ARLZ is a small cap stock at $100m, there is room for improvement. However, there is great risk in this stock, as generic aspirin and other omeprazole drugs sell for about $75/30 count when purchased separately. Nevertheless, Aralez will be launching Zontivity (an anti-blood clot drug) come June, and the CEO recently purchased 500,000 shares at an average price of $2.46/share; I plan on hanging in there with him.



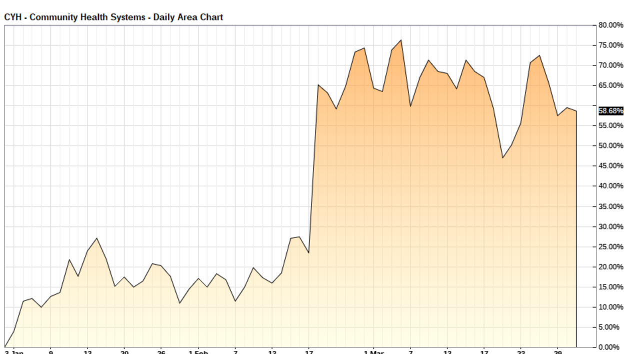
ARLZ - down 51%

DEPO - down 30%

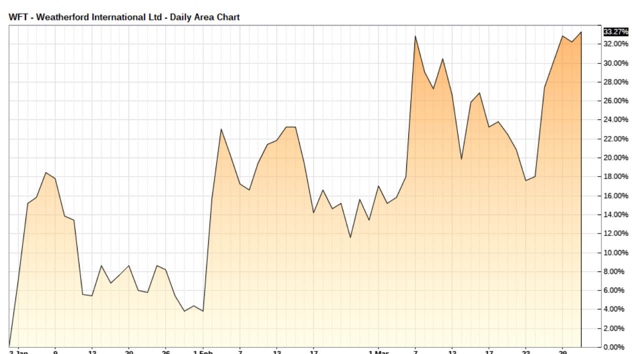
Depomed recently ousted their CEO and appointed Arthur Higgins, along with two new directors - Gavin Molinelli and William McKee - all of whom are the result of Starboard Value exerting activist pressure on DEPO management. Starboard Value owns 8.8% of the shares (as of March 30th) and will presumably push for a sale. But first the company must navigate a turnaround given that their key drug - Nucynta - is a prescription pain medication in a downtrend opioid market. Further, Senator Claire Mccaskill has initiated an investigation into opioid marketing by sending letters to Purdue, Janssen (part of Johnson & Johnson), Insys, Mylan, and Depomed - adding negative pressure to investor sentiment. However, Nucynta was specifically designed to be a less addictive opioid, and therefore a more favorable pain management prescription alternative. A DEPO sale might be worth as much as $20/share, but there is a lot of risk associated with an investment. I continue to watch DEPO intently and look forward to Starboard Value's involvement.

My timing has been poor, and I regularly self-reflect on my decisions in order to become better going forward. What do my ARLZ and DEPO investments have to do with the Fund? Ultimately, these 50% and 30% declines have resulted in a -4.8% impact and a -2.6% impact to the portfolio, respectively. Appropriate sizing and utilization of strategies like options, distressed debt, and merger arbitrage have mitigated the loss. Therefore, I can say with conviction that **our multi-faceted approach, with high velocity-of-money and event driven outcomes is working**.

I am optimistic about the future of the Fund. To demonstrate, I will call attention to two investments that last quarter were losing propositions - Community Health Systems (CYH) and Weatherford (WFT) - but have since turned positive. When I wrote my letter last January, we were sitting on near 40% price drops in both stocks. Below are charts for the first three months of 2017 for CYH and WFT:



CYH - up 59%



WFT - up 33%

Community Health, up 59% since January 1st, reported a good come-back quarter in which their divestiture of 25 hospitals generated $3 billion in revenues that were used to help pay down the heavy debt load on the company's balance sheet (about $15 billion). Investors and analysts liked the guidance of 2-4% comparable hospital growth projection for 2017, despite the 5.1% decrease in revenues experienced in 2016. This particular stock is highly volatile, in part due to the heavy debt load, and therefore undergoes drastic price swings. Because of the precipitous decline over the past 2 years, CYH represents the kind of company that I am drawn to as I look for value & event driven investments. But this is a double-edged sword, as active portfolio management is required when CYH price changes can create drastic gains or losses to the Fund.

Weatherford also represents the kind of undervalued, yet highly leveraged, investment that catches my eye. The company hired new CEO Mark McCollum in March, formerly of Halliburton, and consequently got right to work on a joint venture with Schlumberger ("OneStim") of which WFT will own 30% and receive a $535m cash payment from Schlumberger some time in the second half of 2017. Combine this with ~$500m of warrants purchased by a private investor - with a strike price of $6.40/share - and a ~$500m convertible debt raise, and you've got a fairly compelling price target of about $6.40 for WFT shares. We had a position in WFT that represented about 8% of the portfolio, and sold call options on the position at $6.00 in order to generate greater returns. While I did not expect WFT shares to appreciate over $6.00 so high & so quickly, I was happy to sell the shares for a profit. Even though we have no position in WFT at the moment, I continued to monitor the situation should an opening present itself.

All told, our CYH position contributed a 0.4% increase (with the position still open) and WFT contributed a 1% increase to the Fund. At this point, I want to point out the options strategy I employed to help generate greater returns in WFT. Since October 2016 (a period of 7 months), I engaged in six different options transactions - involving both calls and puts - that generated a total premium of $1,344. By adding this return into the $600 gain (1% of the portfolio) on the purchase and sale of WFT shares, we generated a $1,944 return on $3,000. In other words, our WFT investment returned 64% off of a $3,000 basis, and 3.2% to the entire Fund - **this demonstrates the awesome potential of an adaptable, multi-faceted strategy with catalyst driven outcomes.**

There are a few downsides to some of the strategies that I employ. First, any capital gains earned on options contracts are taxed as short-term gains. As an LLC, MountainWorks will pass those gains on to Members, who will be responsible for paying the tax on it. Second, I invest in securities that are at times highly leveraged with large amounts of debt. This naturally lends itself to high risk, fast-moving securities. Third, use of options requires a margin account, which means there are trades that I engage in using margin, and drastic market swings could result in significant losses to the Fund. While I work to balance the portfolio via sizing and a versatile approach, it is precisely this high-velocity movement that can help generate alpha. I realize the risks involved, and as a result I look for value-based investments that are worth owning in the long-term regardless of short-term outcomes. Hopefully, you can begin to see that there is a vital connection between **embracing value investments while at the same time seeking swift, high velocity-of-money outcomes**.

What's new? Recently, I attended the 2017 Microcap Conference in NYC, and got a chance to engage with company CEOs and hear 16 different presentations on companies in the microcap space. I have posted a few notes on these companies on Seeking Alpha if you are interested in seeing the ideas I will work on going forward. Similarly, I have continued to refine my investment process to include multiple valuation techniques, and be more focused on research time. Usually, before I make an investment I will spend at least 10 hours on research (this easily becomes 20-25 man hours before a full position is achieved; I try to size a full position at about 8% of the fund. Though, this is not a hard and fast rule, as my largest position represents about 20% of the Fund). In light of the 20-30 investment ideas I have at a given time, efficiency is key.

On another note, the Fund has expanded into digital currency, and at this point in time we have two accounts - a brokerage account and a cryptocurrency account. I may break into multiple brokerage accounts in the future (as opening a new account usually carries with it trading advantages or fee discounts), but for now we have expanded into Ethereum, a digital currency similar to Bitcoin. Without going into too much detail, I will propose the analogy that if Bitcoin is digital gold, then Ethereum is digital oil. Both currencies are in effect hedges against the dollar and other foreign currencies, with some catalysts added in (but currency investments are extraordinarily risky; therefore, Ethereum represents less than 1% of the portfolio).

Lastly, the Fund is open to new Members, and I am currently looking for 10 investors (this year, I may only take on 1 investor, due to partnership fees in the state of New Jersey). Before investing, a person must (1) become a Member of the Company by signing the Operating Agreement, (2) complete an investor questionnaire, (3) complete a determination of accredited investor status, (4) sign a Form of Subscription Agreement, and (5) make an initial contribution. There are fees, including a management fee and performance allocation, that are assessed yearly. The fees follow a "1 & 10" structure - a 1% management fee and a 10% performance fee, which roughly translates to 1% in total fees for every 10% of gains. For example, a $10,000 investment that earns 25% in 2017 would at year end have a net asset value of $12,500. A 1 & 10 fee structure dictates a $350 charge for 2017, or 2.8% of the total value. All of these processes, as well as the strategy and risks associated with an investment, are outlined in the Private Placement Memorandum, which I can provide to you at any time you wish. You may even request the PPM without investing in the Fund - it is an informational document that explains what I am trying to accomplish.

I hope that this letter piques your interest in terms of how we can be successful, the amount of focus and effort I am putting into my research & the Fund, and what to look forward to in the future.

Best,

Justin Polce
Managing Member
MountainWorks, LLC

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