



January 15th, 2018

<b>2017 Return</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>Q4</b>	<b>2017</b>	<b>Return Since Inception</b>
MountainWorks	-4.8%	4.5%	5.9%	5.4%	29.3%	81.8%
S&P 500				6.7%	20.2%	43.5%

Dear Member,

In the fourth quarter of 2017, MountainWorks LLC generated a 5.4% return, versus 6.7% for the S&P 500, dividends reinvested (according to [DQYDJ](#)). Although the Fund did not outperform the S&P in Q4, we achieved a 29.3% return in 2017, and an 81.8% return since the Fund's inception nearly two years ago.

Attached to this letter is an inside look at the Annual Report for MountainWorks, with Balance Sheet, Income Statement, Cash Flow Statement, and Statement of Changes in Members' Capital included (Please note: because MountainWorks is exempt from securities registration under Rule 506(b) of the Securities Act of 1933, the financial statements are not audited). In addition to the unaudited financial statements, I will discuss a few ideas in the portfolio and some Company news as we move forward into 2018.

**Portfolio.** Already early on in the year, there's been some bright spots in the market; for our purposes, specifically related to oil. Crude prices have been steadily rising over \$60/barrel, and that has had a marked effect on EnSCO, Plc (ESV), Transocean (RIG), and Chicago Bridge & Iron (CBI). Similarly, about 11 days ago the Trump administration announced plans to allow new offshore oil and gas drilling in U.S. coastal waters - a potential boon to offshore drilling companies. That could also bode well for Chicago Bridge & Iron, whose pending take-over by McDermott for 2.47221 shares of MDR will create a business with combined revenues of \$10 billion and a backlog of \$14.5 billion. We had a position in Atwood Oceanics, which was summarily acquired by EnSCO via a share-for-share merger, and we currently hold a position in CBI. I'm in the midst of researching both ESV and the CBI-MDR deal for signs of potential advantages or opportunities.

Bankruptcy, on the other hand, is perhaps the polar opposite of M&A when it comes to the event-driven spectrum. If a company is broken, then it is up to value investors to find favorable circumstances. Take it from Mr. J. Ezra Merkin, who wrote the following as an introduction (aptly titled "Blood and Judgment") to Part III of Benjamin Graham and David Dodd's timeless work, *Security Analysis*:

If the names of Graham and Dodd are a talisman for value investors, they are practically a sacrament for those who focus on bankrupt companies. After all, bankruptcy, or distressed, investing is perhaps the purest form of value investing, the natural home for those who take Graham and Dodd seriously.

Cumulus Media Holdings is currently facing a restructuring under Chapter 11 Bankruptcy, and I believe there is an opportunity in holding the defunct debt. While this is my first venture into distressed/bankrupt securities, I have sized the position appropriately and I'm excited for the outcome, regardless of the timeframe, which could be anywhere from 1 to 3 years or more.

**Company News.** As I said in a previous Member Note, MountainWorks is a bootstrapped hedge fund, in that I have taken advantage of credit opportunities through my personal 403(b) retirement account and multiple credit card accounts, and borrowed money from banks in order to fund the Company. I started the Fund two years ago with about \$18,000. To date, there is over \$60,000 in assets, and that's after paying off the credit card debt.

I am showing no signs of letting up, and I want other to be a part of it as we go forward. Therefore, in 2018 the initial capital contribution required to join MountainWorks is \$1,500. After 2018, I expect the initial contribution to increase to as much as \$15,000.

Why the increase? There are two main reasons. First, I want the Fund to grow, and I believe our strategies are scalable enough to support a multi-million dollar operation and beyond. Second, the State of NJ demands a \$150 fee payable once yearly for each Member of the Company. That said, the 1% Management Fee I assess yearly will mainly go toward paying NJ State fees.

I am searching for 8 more investors that will form the Board of Directors of MountainWorks LLC. These directors will have responsibilities that promote transparency between Fund operations, the Members, and myself. What does transparency look like? I can provide two examples. First, I have written a small program that provides day-end updates on trades & transactions in the portfolio. Directors will have access to those updates, and will be able to see Fund operations in action. Second, Directors will approve meeting minutes, transaction ledgers, and receive annual documents from the state. Our first Executive Member - James Debbie - participated in this process last month. Remember that if you are interested in becoming a member of the Company, you must:

- 1) Read the Private Placement Memorandum (available upon request)
- 2) Complete the Investor Questionnaire (included in PPM)
- 3) Complete Determination of Accredited Investor Status form (included in PPM)
- 4) Read the Operating Agreement of MountainWorks, LLC (included in PPM) and meet with me to sign it
- 5) Meet with me to sign a Form of Subscription Agreement, and make an initial contribution

Once again, I want to thank all of you for your continued interest in MountainWorks LLC, and as always, please feel free to contact me at anytime.

Best,



Justin Polce  
Managing Member

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