



April 15th, 2018

2018 Return	January	February	March	Q1	2018 Return Since Inception	Return Since Inception
MountainWorks	-3.1%	-10.9%	0.5%	-13.2%	-13.2%	57.8%
S&P 500				3.0%	3.0%	49.2%

Dear Member,

In the first quarter of 2018, MountainWorks lost 13.2% of its value, versus a 3% return for the S&P 500, dividends reinvested (According to DQYDJ). This is the first quarter since the Fund's inception that I have not achieved my goal of outperforming the Risk Free Interest Rate, and I have failed to outperform the S&P 500. It has been an unpleasant start to 2018 and I apologize to the Members for incurring losses in the portfolio. I am reflecting on this past quarter as well as other historical performance, and while this is an unwanted outcome, I believe that the shock to the portfolio will be short-term in nature and we will continue to outperform the overall market in the long term.

Below I will touch upon some ups & downs in the portfolio, and discuss some company news, including some new Members of the Company who have generously provided their support for a future that in my eyes remains bright.

**Portfolio.** I'd like to point out three positions that lost value over the quarter - BGC Partners, Inc. (BGCP), Akorn, Inc., (AKRX) and Bitcoin Cash (BCH/USD) (our cryptocurrency investment). BGCP is down 12% YTD, AKRX is down 44% YTD, and Bitcoin Cash is down 67% YTD. Together, these investments accounted for a 12.9% loss to the portfolio. Basically, these three positions are responsible for nearly all the negative returns for the first quarter. Even though I could have certainly performed better had I sold all or a portion of BGCP/Bitcoin cash, or if I hadn't invested as much money in a merger-arb like Akorn-Fresenius, but it is easy to be a Monday morning quarterback. While hindsight is always 20/20, BGC Partners is our oldest and largest position, and one that I intend on holding (especially pending the NMRK spinoff which I reasonably expect to occur next month). Similarly, Bitcoin Cash represents a new technology that even though has lost its appeal in the short term in the long term it will be a successful innovation on money. It is feasible as both a store of value (like gold) and as a medium of exchange (like the dollar). Furthermore, Bitcoin Cash is cheaper and faster than Bitcoin Core. That being said I've been essentially dollar cost averaging our cryptocurrency position, and I believe my thesis still holds true. The same can be said for Akorn, and their deal to be acquired by Fresenius Kabi for \$34/share. Although the spread widened from \$4 to ~\$14 at a high cost to us, the merger remains surmountable. I've also seen a merger arb spread move explosively when Abbott acquired Alere last year, so while AKRX remains speculative in nature, it is not altogether unorthodox.

Given that we have already achieved realized gains of 5.8% for the portfolio, just about all of the losses are unrealized; I find solace in that notion that while mistakes have been made, we have had great successes in the first quarter as well. Put another way, the strategies I am employing are working, and for the positions the we have unrealized losses on, I am willing to hold, conduct more research, maintain my theses, and wait for a return to positive gains.

On a different yet not unrelated note, below is a quick overview of the portfolio along with the different strategies I am employing, and a one-line summary of catalysts that give reason for optimism. In the quarter, we took new positions in Airborne Wireless, Acuity Ads Holdings, Blackrock Debt Strategies Fund, Fluent, Gabelli Utility Trust, Monsanto, Red Violet, Shire, iPath VIX short term ETNs, and Weatherford. We added to our positions in Aralez, Bitcoin Cash, and Cumulus Media. We did not subtract from any positions during the quarter (please note that there are also options positions in the portfolio that are not described here. Any member who wishes to inquire about our derivative positions can contact me directly).

Security	Strategy	One Line Synopsis
<b>Airborne Wireless (ABWN)</b>	Growth	Patenting a wireless internet using commercial airplanes
<b>Acuity Ads Holdings (ACUIF)</b>	Value	AdTech company with a novel approach to mobile/internet advertising
<b>Akorn, Inc. (AXRX)</b>	Merger-Arbitrage	Semi-broken merger with potential for deal closure at \$34/share
<b>Aralez Pharmaceuticals (ARLZ)</b>	Value	A microcap Canadian pharma trading at below 1x sales
<b>BGC Partners, Inc. (BGCP)</b>	Spinoff	An Interdealer Broker firm that owns a commercial real estate company soon to be spun off (Nemark, Grubb, Knight, Frank)
<b>Bitcoin Cash</b>	Value	A cryptocurrency that is both a store of value and a medium of exchange - this is the "spinoff" of a hard fork from Bitcoin Core
<b>Chicago Bridge &amp; Iron</b>	M&A	Oil services company in the process of being acquired by McDermott (MDR)
<b>Canuc Resources (CNUCF)</b>	Growth	A very small play in the mining space, Canuc owns silver resources in Mexico
<b>Community Health Systems CVR (CYHHZ)</b>	Continent Value Right	A right that can be paid out dependent upon the outcome of lawsuits against HMA in a whistleblower case
<b>Cumulus Media Senior Notes due May 2019</b>	Distressed Debt	Cumulus Media is currently undergoing a Ch. 11 Reorganization
<b>Blackrock Debt Strategies Fund (DSU)</b>	Discount to NAV	DSU trades at about a 7% discount to NAV, and will close that discount using a tender offer
<b>EnSCO, PLC (ESV)</b>	Value	Offshore oil driller who recently acquired Atwood Oceanics
<b>Fluent (FLNT)</b>	Spinoff	Fluent (formerly Cogint) recently spun off Red Violet; it is an adtech firm trading at less than 1x sales
<b>Genworth Financial (GNW)</b>	Merger Arbitrage	Genworth is in the process of being bought by China Oceanwide for \$5.43/share

<b>Gabelli Utility Trust (GUT)</b>	Rights Offering	Gabelli is offering GUT holders an opportunity to buy at \$5.50/share, below market price
<b>Monsanto (MON)</b>	Merger Arbitrage	Currently in the process of being bought by Bayer for \$128/share
<b>Quorum Health Corp (QHC)</b>	Spinoff	QHC is the spinoff of Community Health Systems; it is a rural community hospital company
<b>Red Violet Inc. (RDVT)</b>	Spinoff (short)	With less than \$8 million in revenues, this spinoff of Cogint trades at about 10x sales
<b>Retail Holdings, NV (RHDGF)</b>	Liquidation	A foreign offspring of Singer, this company is in the process of liquidating and returning value to shareholders
<b>Transocean (RIG)</b>	Value	An offshore oil driller who recently acquired Songa Offshore, SE
<b>Shire Plc (SHPG)</b>	Pre-arbitrage	Shire could be bought by Takeda (who must make an offer by April 25th)
<b>Steel Partners Preferred (SPLP.PR.A)</b>	M&A	Steel Partners acquired Steel Excel, and paid SXCL holders in 6% preferreds
<b>iPath S&amp;P 500 Vix Short Term Futures (VXX)</b>	Value (short)	These exchange traded notes have value based on short and mid-term volatility contracts
<b>Weatherford (WFT)</b>	Value (short)	An oil services company with a large debt load
<b>22nd Century, Inc. (XXII)</b>	Growth	XXII holds patents on technology that varies the nicotine content in cigarettes

**Company News.** I recently had the chance to attend the MicroCap Conference in New York City, where I sat in on eight different investor presentations and met with the CEO of Marrone Bio Innovations, Dr. Pamela Marrone. Her company has some of the most innovative technology I've seen in the agriculture/chemical space, and I'm excited to see what the future has in store for Marrone Bio. While we don't have a position in the company yet, MBII is on my radar and I'll be publishing my research on the company in short order. These conferences are a great way to find new ideas in the microcap space, and I look forward to the conference every year (last year, I entered into XXII as a result of the conference, and we are in a favorable 100%+ position as of April 2018).

MountainWorks is a bootstrapped hedge fund, and we are just in the fledgling stages of our great future together. I am happy to announce that during the quarter we added two new Directors to the Company: Frederick Debbie and Richard Polce. They are family members that are extraordinarily supportive of our mission to achieve success through connections. I look forward to their thoughts, ideas, and contributions.

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 6 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 receive monthly message logs updating our progress on various strategies/positions. Third, Directors will approve meeting minutes, transaction ledgers, and receive annual documents from the state. 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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