Fellow Shareholders:

I have many friends in the news business. They always tell me, "never bury the lead." Meaning, when telling a story, don't lead with the secondary importance while postponing more essential points or facts. The lead story is we grew our net asset value per share ("NAV") this quarter by over 10%, to $2.91. In fact, it has been 7 years since we last reported a greater than 10% increase in our NAV for a single quarter. The entire increase is due to the continued positive performance of our public companies.

Even though my age says I am now in my 50's, I like to think I keep current and stay up with the times. I have to. My kids are 16, 14 and 12 years old. I either get with the program, or I become a laughingstock in my house for being an old curmudgeonly dinosaur. I killed it the other night. My entire family was in the kitchen. My middle child was playing music. I walked in and said, "I love this song. Cardi B sings it, right?" They all looked at each other in amazement and said, "Look at you Dad, knowing all the hip-hop rockers of 2018! How do you know Cardi B?" I was on top of the world. I impressed my kids. As side note, and for those that don't know, Cardi B is an award-winning, Bronx-born, breakout, hip-hop rapper. You are probably thinking, what is the point of this story as it relates to 180? The point is: A good investor stays current.

Legendary investor Peter Lynch's core principles for investing were as follows: buy what you understand; always do your homework; and invest for the long term. He often talked about what information you could learn just by walking through a mall and observing what people are buying. 180 had a fantastic Q2 2018 and increased our book value by over 10%. Our growth was led by our investment in Turtle Beach Corporation, a company that designs and markets audio peripherals for video game consoles, personal computers, and mobile devices. If you have been reading about video games in the last few months, you will know that Fortnite is the hottest video game currently being played by gamers all over the world; a true pop-culture phenomenon. Turtle Beach's headsets are used by gamers while they play Fortnite and other multiplayer games. We found Turtle Beach because of our investment in TheStreet, Inc. ("TST"). If you recall, we initiated a privately negotiated investment in TST's publicly traded common stock with the purpose of retiring a $55 million preferred stock at a significant discount. Turtle Beach had a similar capital structure issue whereby the balance sheet included a preferred stock security with $19.3 million in redemption value that was accruing interest at a relatively high rate and had a distant maturity date. In the same manner as TST, we assisted Turtle Beach by participating in the buyout and retirement of the preferred stock for $7.5 million. We bought shares of common stock of Turtle Beach at $3.50 per share as part of that transaction. As the trade was being consummated, and resulting primarily from the explosion in Fortnite, Turtle Beach announced its Q1 and Q2 2018 revenue numbers would be twice the estimates of $21 million. In one short month, our investment in Turtle Beach rose nearly 400% and contributed $0.13 to our NAV, or nearly half the quarter's increase.

What's the moral of the story? It helps to stay current. It improves one's ability to be a successful investor. It helps to know what the trends are. I never thought we would have spent so much time analyzing a video game named Fortnite and a maker of headsets to the gaming industry. But we did. As a result, that research helped propel 180 into having one of the best quarters in recent history.

NET ASSET VALUE PER SHARE

Our NAV increased this quarter from $2.64 to $2.91, an over 10% increase. 180 has three principal components to the variance in our NAV; our public portfolio, our private portfolio, and our expenses. For the quarter, our public companies contributed $0.30 to our NAV while the net change in our private portfolio companies was relatively flat. Operating expenses, net of income, reduced our NAV by $0.016. We also accrued $0.017 in expenses for bonus compensation. More on each of these items in the sections below.

Public Portfolio

A year and a half ago, we embarked on a new strategy to invest in small public companies. How has that worked out so far? Glad you asked. Over the course of the last six quarters, we have added $0.71 of NAV from our investments in public companies. That equates to $22 million in investment gains. Over that same period of time, we generated $0.07 of NAV growth from our private portfolio. I think it's fair to say the decision to shift our investment focus has been nothing short of a wild success. Let's dig into our public portfolio holdings:

- Adesto Technologies Corporation (NASDAQ:IOTS) continued its upward trend rising 14% in the quarter. As the stock reached a price that we believed made it fully valued, we sold 62% of our remaining position during the quarter at an average price of $8.81. Most recently, the company announced two separate acquisitions. Following the end of the quarter, the company also preannounced a disappointing quarter and conducted a $40 million equity raise at $6.00 per share. As such, the stock has declined to a more interesting entry price. For the quarter, Adesto added $0.06 to our NAV.

- Mersana Therapeutics, Inc. (NASDAQ:MRSN) advanced 13% in the quarter. Mersana is biotech company that produces novel drug conjugates. It specializes in oncology agents for the treatment of tumors and cancer. As everyone knows, there is tremendous volatility for a biotech company that is currently in the middle of clinical trials. In this quarter, we benefited as some of the early clinical data for one of Mersana's trials looked promising and expectations increased for additional promising data to be released. As such, the stock price reacted favorably. We sold 22% of our holdings at an average price per share of $21.55. Following the end of the quarter, one patient in one of Mersana's two ongoing trials died and the stock collapsed to $11. We are awaiting news on what occurred and whether the death was related to Mersana's drug or another reason. We expect continued volatility around each and every data point associated with the company's clinical trials. It is too early in Mersana's lifecycle to claim either victory or defeat. For the quarter, Mersana added $0.03 to our NAV.

- Synacor, Inc. (NASDAQ:SYNC) advanced 25% in the quarter. As we have told you previously, our view is that the issue at Synacor isn't fundamental problems with its overall business; it is rather a management credibility issue resulting from the company over-promising and under-delivering. Finally, and at least for one quarter, the company got it right and reported in-line revenues and earnings for Q1 2018. The stock price responded positively. Approximately 40% of Synacor's revenues are recurring and fee-based from its email and Cloud ID businesses. Investors typically pay a minimum of 1x revenues for companies with such sources of revenue, and in many cases, significantly higher multiples. Synacor has approximately $60 million of recurring and fee-based revenue and an enterprise value of $66 million, which means that the market is valuing the rest of Synacor's $80 million of revenue at $6 million. That valuation, in our view, is absurd. The issue isn't the absolute numbers for Synacor. As I said before, it's about management setting reasonable expectations, and then executing to those expectations. If they can execute, we think the stock has meaningful upside. For the quarter, Synacor added $0.02 to our NAV.

- TheStreet, Inc. (NASDAQ:TST) continued its climb and advanced 22% in the quarter. As we have said previously, we believe the retirement of TST's preferred stock cleared the path to enhance value for all common shareholders. When we first got involved, we highlighted that if investors ascribed a multiple of 1x the company's business-to-consumer revenues and 2x the company's business-to-business revenues, the math said we would have upside of 100% to our cost. What did the TST management and Board do this past quarter? They sold its deposit and loan data collection subsidiary, RateWatch, to S&P Global for $33.5 million. At that valuation, RateWatch sold for a price that equals 4x its $8 million of revenues. Clearly, we underestimated the value for some of TST's businesses. After nine months on TST's Board, I have been thoroughly impressed with the management team, the Board, and the collection of its strategic assets. 180's investment in TST symbolizes the kind of constructive activism that is core to our strategy. Since the announcement of our significant investment last fall, the stock is up 100%. For the quarter, TST added $0.06 to our NAV.

- Turtle Beach Corporation (NASDAQ:HEAR) was bought and sold in the quarter. We are, for the most part, investors and not traders. When we generate a 389% gross return or nearly a "4 bagger" in 42 days, we won't apologize for taking a profit, especially when the stock price far surpasses our price target. Like TST, Turtle Beach also symbolizes the kind of constructive activism that is core to our strategy. For the quarter, Turtle Beach added $0.13 to our NAV.

Private Portfolio

As for the private portfolio, although it was relatively flat in the aggregate for the quarter, we did have several positions move around quite a bit. On the positive side, AgBiome, LLC and ORIG3N, Inc., added $0.06 and $0.02, respectively, to our NAV following the successful raise of new rounds of financing by each company. On the negative side, NGX Bio, Inc., and Petra Pharma Corporation reduced our NAV by $0.05 and $0.02, respectively, due to financing and/or business-related issues at each company.

We continue to believe in the potential for our most mature companies to build value, including AgBiome, LLC, D-Wave Systems, Inc., and Nanosys, Inc. With some of the recent progress at ORIG3N, Inc., we believe it should be added to this list as well. There are other companies in the portfolio that also hold promise, however these companies are in early stages of development and the timelines and potential exit values for these companies are highly uncertain.

We have often talked about our desire to actively shepherd our existing private portfolio to exits or opportunities to sell our positions in those companies at what we believe are reasonable valuations. We are pleased to report that on July 5, 2018, we sold our entire position in HZO, Inc. to undisclosed buyers for $7 million, which is an 8% premium to its value as of March 31, 2018. This significant event helps us de-risk our private portfolio on the one hand, and on the other gives us more cash to invest in our core strategy of investing in small public companies. Had the sale of HZO occurred in Q2 2018, we would have reported cash and liquid securities of $43.8 million, which represents $1.40 of our NAV per share. For the quarter, this sale increased our NAV by $0.02.

Expenses

As we have noted, we have dramatically reduced our cost structure under our new strategy. Over the last 5 years, our operating expenses, excluding stock-based compensation and interest on outstanding debt, averaged approximately $1.6 million per quarter. In 2016, and before 180's existence, our operating expenses, excluding stock-based compensation and interest on outstanding debt averaged $1.3 million per quarter. For Q1 2018, our operating expenses equaled $740,000 versus $1.05 million in Q1 2017, a 30% year-over-year reduction. Please note that Q1 2017 was the last quarter for our predecessor company, Harris & Harris Group. We told you last quarter that going forward the quarterly year-over-year comparisons will no longer show the drastic drop in expenses as those reported over the last four quarters. For Q2 2018, our operating expenses excluding sublease income equaled $778,000, a 3% increase from a year ago. This increase resulted from the costs associated with an additional employee and director, offset by decreases in rent and administration and operating expenses. We remain committed to treating every dollar of shareholder money with the utmost care and consideration.

Given our performance this quarter, our Compensation Committee determined that it was appropriate for us to accrue for the probable payment of a bonus to management at year-end. This expense accrual of $0.017 per share, or approximately $540,000, was derived using the same framework and considerations used to determine the bonus compensation in 2017. It also includes the concept of the deferral of a meaningful portion of the bonus to future years to encourage and reward persistent performance. We note that the final bonus amounts will be determined at year end and could change materially from what was accrued this quarter.

TURN/NAV: SUM OF THE PARTS:

For purposes of this exercise, because the sale of our position in HZO closed shortly after the end of the quarter and the $7 million in cash is currently on 180's balance sheet, we're going to treat HZO as no longer a holding of the Company and instead include the $7 million in proceeds in cash and liquid securities. At the end of Q2 2018, our stock price was $2.31 and traded at 79% of its NAV. Our liquid assets, cash, and other assets, net of liabilities represent $1.36 of our NAV. If we received 100% credit for the value of these assets net of liabilities, the market is ascribing a value of $0.95 per share, or $29.5 million, of TURN's stock price to our private portfolio. Given our private assets are valued at $48.2 million, the market is discounting the value of our private portfolio assets by 39%. As we grow our cash and liquid securities, the discount our stock trades to NAV should narrow. In September 2016, we had 20% of our net assets in cash and liquid securities less outstanding debt. At the beginning of our strategy in January 2017, we had 27% of our net assets in cash and liquid securities. At the end of this quarter, that number is 48%. We want that trend to continue. We have made substantial progress in reinventing ourselves and our balance sheet reflects just how far we have come.

Our goal at 180 is to be known as a leader in the small cap activist investing world, with a relentless focus on achieving excellence in our investment performance. Our Turtle Beach investment is the second time we have assisted a company in removing an overhang to its stock. The result was the same: there was a significant increase in shareholder value for Turtle Beach and its shareholders, and most importantly for 180 and our shareholders.

Here are some stats for you to consider. We have increased our cash and liquid securities from $0.64 per share on December 31, 2016, to $1.40 per share today. In our new strategy, our public market stock picking generated a 31% gross return this past quarter, 41% year to date, and 93% for the last six quarters. Over the same period, the Russell Microcap Value Index was up 10%, 11%, and 24%, respectively. Over the same period, the Russell 3000 Index was up by 4%, 3%, and 25%, respectively. I would humbly call that exceptional stock picking. We have drastically reduced our expense base, raised money for two special purpose vehicles, and have successfully exited two of our private portfolio companies, Mersana and HZO, through an IPO and a cash sale, respectively. When we first started, we told you what we were hoping to accomplish over the upcoming quarters. It's nice to be able to report to you that we have exceeded our own expectations, and hopefully your expectations as well. All of these achievements resulted in a stock price that has increased 67% since we started.

And all that said, I am having more fun than I would have if I were at a Cardi B concert!

Kevin Rendino
Chairman and Chief Executive Officer