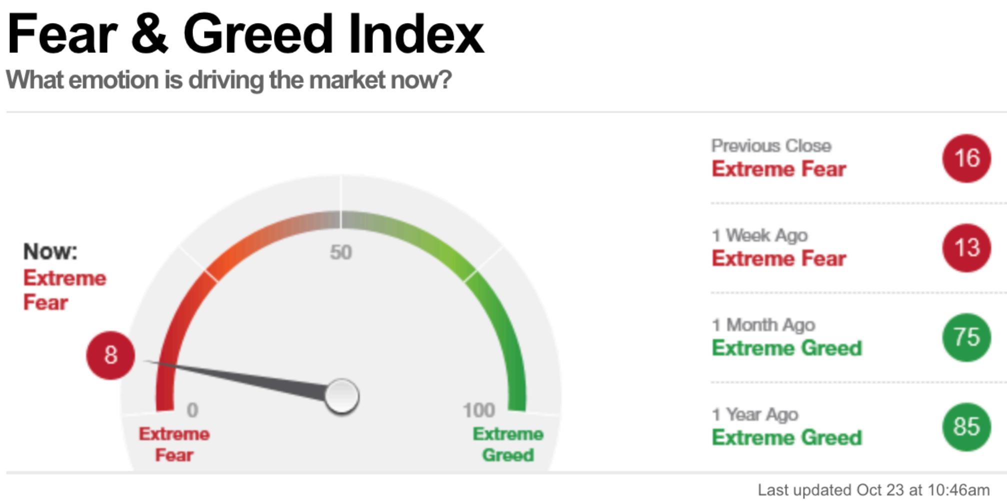
Fellow Shareholders:

I never had an issue with watching the news. Walter Cronkite was a fixture in my home growing up. Occasionally we would flip to Frank Reynolds and Howard K. Smith. Sundays were spent watching my beloved New York football Giants (they are presently killing me!). Once the 4:00 p.m. games were over, at 7:00 p.m., it was the tick-tick of the 60 Minutes stopwatch, and on came Mike Wallace, Morley Safer and the rest. It was as if I was in a school classroom. I trusted those people to keep me objectively informed on all that was taking place in the world. The news wasn't always pleasant, but it all seemed manageable.

Today? There are days I would rather stick a road flare in my eye than watch the news. It all seems really loud. When I turn on the television, all I hear are people yelling at each other regarding their differing views on immigration, taxes, or healthcare. Yelling, yelling, yelling. It all feels very unproductive and, in my opinion, unhealthy for society. I feel a wide range of emotions watching the news. Depending on what is said and who is saying it, in a five-minute period, I regularly go from thinking "the world is going to end" to "things aren't so bad." It's all very exhausting. A recent survey from the American Psychological Association found that more than half of Americans say the news causes them stress, and many report feeling anxiety, fatigue, or suffering from sleep loss. I don't even know if I am actually watching the news half the time; it seems I'm just watching people debate and fight about the news.

Here's the problem. As investors, we are paid to be in the news business. We are wired to pay attention. Successful investors pay attention *to everything*. You have to. Policy decisions in Washington regarding resource-rich countries affect investments in oil, natural gas and commodity-related companies. Trade decisions regarding tariffs affect portfolio holdings in the semiconductor space. We have seen how fears of a trade war with China have negatively impacted American companies (mostly technology) that manufacture in China. Recently, the market has been spinning its wheels as investors have begun to worry about budget deficits, trade wars, increases in inflation, rising interest rates, and intense political discourse. Are these new fears or have we just been ignoring them? I say all the time that investors may not care about something – until they care about it – and then it's the only thing they care about. The China trade war fear is relatively new news. The other concerns listed above aren't new. The key in dealing with the news is discerning what is important and investor-worthy from what is absolute noise and irrelevant. We have healthy levels of employment, and despite the recent slight increases in inflation and interest rates, each remain at historically low levels. Gross domestic product growth touched a four-year high in Q2 2018, rising to 4.1%. The Bloomberg Consumer Comfort Index advanced to a 17-year high. We aren't Pollyannaish at 180. I recognize the stock market has been up for a very long time. I also recognize indiscriminate selling of small cap stocks against the backdrop of a fairly healthy economy. I believe we are in the indiscriminating selling portion of the market these days. We all know how sentiment change on a dime, and how as a result, stocks can experience extreme movements. I recently saw the chart below from CNN.com: a picture depicting where we are on the Fear and Greed Index.



We are currently in a state of extreme fear. I know this from watching our holding Adesto Technologies Corporation (NASDAQ:IOTS), which declined 31% over the recent 13 trading days; with absolutely no news from Adesto reported on any of those 13 days. The most amazing part of the chart above is that just one month ago, the same index showed we were in a state of greed. In one short month, we have gone from a state of euphoria to a state of depression. Has the backdrop really changed all that much in a month? On the margin, the China trade war is relatively new, and we are concerned about it. But the rest? We were probably overly optimistic and oblivious to the realities a month ago. Today we are probably overly petrified and paranoid. Fear and greed.

I apologize for oversimplifying the world, but I think a significant issue plaguing the market is the same thing that casts a pall over the market every year: the months of September and October. I am a big fan of The Stock Traders' Almanac and its editor Jeffrey Hirsch. Hirsch's father, Yale Hirsch, started writing about the "best six months" strategy in 1986, noting how the November-through-April period had delivered the majority of the market's gains, while the May-through-October period was a net drag on returns. History bears out the idea. Imagine two investors, each with $10,000, who started investing in the Dow Jones Industrial Average in 1950--one exclusively in the May-October period and the other exclusively in the November-April period (each 100% in cash for the six months not in the market). Over the next 68 years, the May-October investor would have gains of $1,031, while the November-April investor would have profits totaling $1,008,721. I am looking forward to November 1, and not just because it's my son's birthday.

NET ASSET VALUE PER SHARE

Our net asset value per share ("NAV") decreased this quarter from $2.91 to $2.81, a 3.4% decrease. Despite this decrease in NAV, our year-to-date increase in NAV stands at 8% or $0.21 per share. 180 has three principal components to the variance in NAV: our public portfolio, our private portfolio, and our expenses. For the quarter, our public companies reduced NAV by $0.088 while our private portfolio companies contributed $0.012. Operating expenses net of income negatively impacted NAV by $0.024. More on each of these items in the sections below.

Public Portfolio

A year ago, we embarked on a new strategy to invest in small public companies. Over the course of the last seven quarters, we have added $0.62 of NAV from our investments in public companies. Over that same period of time, we generated $0.08 of NAV growth from our private portfolio. 180's shareholders have clearly benefited from our strategy change. Coming off last quarter's 10% gain in our NAV, Q3 saw a pullback in our public market performance. Let's dig into our public portfolio holdings:

- Adesto Technologies Corporation (NASDAQ:IOTS) had been on an uptrend through Q2 2018. As the stock reached a price that we believed made it fully valued, we sold 62% of our position during Q2 at an average price of $8.81. As we mentioned in last quarter's letter, the company announced two separate acquisitions. In May 2018, Adesto acquired S3 Semiconductors, a developer of mixed-signal application specific integrated circuits, or ASICs. This acquisition materially increases the total addressable market by tenfold for Adesto's products in industrial Internet of Things ("IoT") applications. Adesto followed up that acquisition with the purchase of Echelon Corporation, a company focused on developing open-standard control networking platforms. These two deals have completely transformed Adesto from a specialty memory company to a leading provider of innovative, application-specific semiconductors and embedded systems that comprise the essential building blocks of IoT edge devices.

  Unfortunately, the company coupled these announcements with a disappointing Q2 2018 financial report followed by a $40 million equity raise at $6.00 per share. As a result of all of this, the stock collapsed to an interesting entry price. Never in our wildest imagination did we think, in such a short period of time, we would move from almost totally exiting this position to re-engaging on the buy-side. We have nearly doubled our position exiting the last quarter at an average cost of $5.49. We think this sell-off is way overdone. For the quarter, Adesto reduced our NAV by $0.04.

- Mersana Therapeutics, Inc. (NASDAQ: MRSN) reduced NAV by $0.06 per share. Mersana is a biotech company that produces novel drug conjugates for the treatment of tumors and cancer. As investors know, there is tremendous volatility for a biotech company that is currently in the middle of clinical trials. In this quarter, one patient in one of Mersana's two ongoing trials died, possibly from side effects of the drug, and the stock collapsed to $10 per share as the trial was placed on partial clinical hold by the U.S. Food and Drug Administration ("FDA") limiting the enrollment of new patients. We flagged this event to you in our last quarterly letter and said we were awaiting news on whether the death was related to Mersana's drug. Two months removed from the partial clinical hold, Mersana announced that the FDA lifted the partial clinical hold on the Phase 1 study of XMT-1522. Good news, right? As a result of that positive announcement, Mersana's stock did nothing. Actually, it went down another 15%. That is the definition of an inefficient and fearful market. Essentially nothing has changed other than a two-month delay in the program; and Mersana's stock has gone from $22 to below $7. We know biotech companies can be very volatile and unfortunately, we have seen the negative side of that volatility in this quarter.

- Synacor, Inc. (NASDAQ: SYNC) declined 20% 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, but rather a management credibility issue resulting from the company historically and consistently over-promising and under-delivering. Approximately 40% of Synacor's revenues are recurring and fee-based from its Zimbra (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 if such revenues are coupled with high margins and growth rates. 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, it's about management setting reasonable expectations, and then executing to those expectations. In actuality, Synacor reported a very solid Q2 2018, and its stock appreciated to $2.40. Unfortunately, soon thereafter, AT&T (Synacor's largest individual customer) delivered notice to Synacor they would not automatically renew an expiring contract and sought to initiate renewal negotiations on a potentially new definitive agreement. While it is not certain how this will turn out, investors viewed this announcement as negative with many assuming they would lose the AT&T business in its entirety. As such, the stock traded off 33% from its inter-quarter peak price. If Synacor can resolve the AT&T contract renewal uncertainty, and execute on its business, we think the stock has meaningful upside. For the quarter, Synacor reduced our NAV by $0.02.

- TheStreet, Inc. (NASDAQ: TST) was flat this past quarter. As we have said previously, we believed the retirement of TheStreet'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 of $1.06 per share. What did the TheStreet management and Board do this year? TheStreet sold its deposit and loan data collection subsidiary, RateWatch, to S&P Global for $33.5 million. At that valuation, RateWatch sold for a 4x multiple to its $8 million of revenues. Clearly, we underestimated the value for some of TheStreet's businesses. After eleven months on TheStreet's Board, I have been thoroughly impressed with the management team, the Board, and the collection of its strategic assets. 180's investment in TheStreet 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, TheStreet increased our NAV by $0.003.

In a recent press release, we announced four new investments, two of which were not announced publicly last quarter as we were building our positions, and two that are new this quarter.

- Airgain, Inc. (NASDAQ:AIRG) is a provider of advanced antenna technologies used to enable high performance wireless networking across a broad range of devices and markets, including connected home, enterprise, automotive, and IoT. We bought the stock following a CEO change and Airgain's new commitment to move quickly on product refresh cycles, operating expense reductions, and profitable growth. At our average cost per share of $8.55, Airgain had 37% of its market capitalization in cash. The underlying secular uptrend of increased rollouts of technologies that enable high-speed wireless communications including DOCSIS 3.1 and 802.11ac, plays to the strengths of Airgain as increasing speeds requires high-quality, complex antennas. For the quarter, Airgain increased our NAV by $0.024.

- Emcore Corporation (NASDAQ:EMKR) is a provider of advanced mixed-signal optics products that provide the foundation for today's high-speed communication network infrastructures and leading-edge defense systems. Emcore had a myriad of recent revenue challenges in its CATV (community access television or cable) business, including inventory corrections at one of its largest customers. Essentially this customer over-ordered in 2017, and as a result, had a dramatic decline in its ordering pattern in 2018. It has been our view this inventory correction would dissipate by Q3 of this year and Emcore's visibility to higher future revenues and growth would resume. At the same time, Emcore's state-of-the-art Fiber Optic Gyroscope ("FOG") products are designed for fast, accurate, navigation and gyro-compassing. These FOG products are critical components of high-performance drones and other systems where highly accurate navigation is critical. Emcore recently announced a number of customer wins for these products following a long testing and evaluation period. We believe this part of its business has room to materially grow in the future. With an enterprise value of less than 1x revenues and with approximately half the market capitalization of Emcore in cash, we believe the stock has a favorable risk-reward profile. For the quarter, Emcore decreased our NAV by $0.002.

- Lantronix Inc. (NASDAQ:LTRX) is a global provider of secure data access and management solutions for IoT assets. The IoT gateway market (75% of Lantronix's sales) is experiencing strong growth as businesses are becoming more and more connected. Following years of declining revenues and net losses, a new management team took control in 2015 and embarked on a dramatic turnaround of the business. In its most recent earnings report, the company pointed to the expectation of nearly double-digit revenue growth in the upcoming quarters. We participated in a recent secondary offering that strengthened the company's balance sheet and gives it firepower to make strategic and accretive acquisitions. For the quarter, Lantronix increased our NAV by $0.001.

- PDL BioPharma, Inc. (NASDAQ:PDLI) manages a portfolio of patents and royalty assets in the biotech, pharmaceutical and medical device industries. Our investment thesis is centered that the company will make good use of its cash resources. The company has a market capitalization of $382 million and cash of $395 million. PDL also has $150 million in convertible debt due in 2021. The stock trades at approximately half of book value. Given these metrics clearly fit within ones we look for as deep value investors, we dug in to learn why the stock is trading at such a discount to book value and low multiple of cash. PDL's recent strategy has centered on acquiring commercial stage companies and assets rather than solely royalties, with the first being Noden Pharma DAC and its' hypertension drug purchased from Novartis. Unfortunately for PDL's management team and the company's shareholders, PDL was forced to take a 75% write-down of their Noden stake just 24 months after its purchase; due primarily to an incorrect assessment of the potential for generic competition. They also failed (thankfully) in a hostile takeover attempt of Neos Therapeutics at a price 3x the level that Neos trades today. Our investment thesis is centered on the notion that the Board and management team will have learned from these missteps, and instead, use the company's cash to buy back stock. Subsequent to our investment, PDL authorized a $100 million stock repurchase program. For the quarter, PDL BioPharma increased NAV by $0.004.

Private Portfolio

Our private portfolio added $0.01 to NAV. On the positive side, AgBiome, LLC increased NAV by $0.02 due to option-pricing-model-related inputs to valuation. D-Wave Systems increased NAV by $0.006 due to favorable changes in the Canadian dollar versus the US dollar. Produced Water Absorbents reduced NAV by $0.02 and Petra Pharma Corporation reduced NAV by $0.01 due to financing and business-related issues respective to each company. We also reduced a receivable of accrued interest related to Produced Water Absorbents, which accounted for an additional $0.01 reduction in NAV.

We continue to believe in the potential for our most mature companies to build value including, AgBiome, LLC, D-Wave Systems, Inc., ORIG3N, and Nanosys, Inc. 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 examine opportunities to sell positions at what we believe are reasonable valuations. As a reminder from our letter from last quarter, on July 5, 2018, we sold our entire position in HZO, Inc. to undisclosed buyers for $7 million, an 8% premium to its value as of March 31, 2018. This significant event helped 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.

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. Please note that Q1 2017 was the last quarter for our predecessor company, Harris & Harris Group. We mentioned to you earlier in the year that going forward, the quarterly year-over-year comparisons will no longer show the drastic drop in expenses as those reported over the first four quarters of 180's existence. For Q3 2018, our operating expenses excluding sublease income and the 2017 deferred bonus accrual was approximately $718,000, a $70,000, or 11%, increase from a year ago. The costs associated with an additional employee and a director offset decreases in administration expenses and lower rent. We remain committed to treating every dollar of shareholder money with the utmost care and consideration.

TURN/NAV: SUM OF THE PARTS:

At the end of Q3 2018, TURN traded at 77% of its NAV. Our liquid assets, cash, and other assets net of liabilities were $1.21 per share. Our stock price was $2.17. If we received 100% credit for the value of these assets net of liabilities, the market is ascribing a value of $0.96 per share, or $29.9 million, of TURN's stock price to our private portfolio. Given our private assets are valued at $49.7 million, the market is discounting the value of our private portfolio assets by 40%. 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 2017, we had 27% of our net assets in cash and public companies. Today that number is 45%. We want that trend to continue. We have made substantial progress in reinventing ourselves. 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 investment in Turtle Beach in the Q2 2018 is the second time we have assisted a company in removing an overhang to its stock. The result was the same; a significant shareholder value creation exercise for Turtle Beach and its shareholders, and most importantly for 180 and its shareholders.

Here are some stats for you to ponder. We have increased our cash and liquid securities from $0.64 per share in December 2016 to $1.27 per share today. In our new strategy, our public market stock picking generated gross returns of -8.8% this past quarter, 25.5% year to date, and 63.6% for the last seven quarters. As we begin to reinvest capital generated from our public market investing activities, we have also started to calculate our gross total returns on managed capital to account for this compounding effect. This gross total return calculation includes flows of capital into and out of our public market investment focus as related to our legacy privately held investments. Our gross total returns, compounded quarterly as applicable, were -6.4% this past quarter, 35.9% year to date, and 108.7% for the last seven quarters. We continue to calculate these amounts gross of expenses due to the fact that over half of our assets remain in privately held companies, but full information on our expenses are discussed above and are available in our filings with the SEC. During the same periods as mentioned above, the Russell Microcap Value index was up/(down) by -1.3%, 9.1%, and 22.1%, respectively. Over the same periods, the Russell 3000 index was up by 7.1%, 10.6%, and 33.9%, respectively. Our stock picking has been solid. We have drastically reduced our expense base, raised money for two SPV's, and successfully exited two of our private portfolio companies, Mersana and HZO, through an IPO and a cash sale, respectively. All of these achievements resulted in a share price that has risen 57% since we started.

I feel very good about what we own as we enter the fourth quarter. What I don't know is how long the current unwind of technology-related companies due to fears of a trade war with China will last. As we look at our portfolio, we have made a conscious decision to be long those companies that we believe will benefit from IoT growth. Many of those names have been hurt in recent months. We think the fundamental underpinnings and secular trends of the IoT market are sound. We also recognize the stock market and economic growth have been rising for 10 years. Simply put, there is less value today than there was when the bull market started. It's always a balancing act to make bottoms up investments in individual stocks that look cheap, while having a view on the overall macro-environment. We will also continue to monitor the news of the markets and the world to make sure we are being level headed about the risks that exist. And by the way, for those that refuse to turn on the news because it is all too depressing, Amazon has a special 6-pack emergency highway flare kit on sale for $19.99.

Kevin Rendino
Chairman and Chief Executive Officer