CEDAR CREEK PARTNERS, LLC

Managing Member – Tim Eriksen Eriksen Capital Management, LLC 8695 Glendale Road, Custer, WA 98240

February 01, 2022

Subject: Cedar Creek Partners 2021 Results

Dear Partners and Friends:

2021 was another strong year for US stocks. Cedar Creek had a solid year with a return of 38.9%, net of fees and expenses.[1] Of the major indices we compare against, the S&P 500 performed the best, rising by 28.6% on the year. The Russell 2000 was the laggard, with a very respectable 14.8% return. The other indices we track against were between 19% and 21%. While Cedar Creek Partners focuses primarily on micro cap stocks, and over-the-counter stocks in particular, we compare our returns against larger indices as well since we believe we need to outperform the most prominent passive benchmarks over time in order to justify our existence.

Cedar Creek's average annual return over our nearly sixteen year history is 14.5%, net of fees and expenses, which compares favorably to all the indices we compare against. Cumulative returns since inception for Cedar Creek were 772%, net of fees and expenses.

	Q4 '21	2021	Inception	Ave. Annual
Cedar Creek	**6.4%**	**38.9%**	**772.0%**	**14.5%**
NASDAQ	8.3%	21.4%	575.2%	12.7%
S&P 500 (SPY)	11.1%	28.6%	406.0%	10.7%
DJIA (DIA)	7.9%	20.8%	380.3%	10.3%
Russell 2000	2.1%	14.8%	292.6%	8.9%
Russell Micro Cap	-2.7%	19.3%	227.7%	7.7%

* fund inception January 15, 2006. Index Returns as reported on Yahoo! Finance, Morningstar, Dow Jones and Russell.

$100,000 invested in the fund at inception in January 2006 would have grown to $872,073 as of December 31, 2021, net of fees and expenses, whereas $100,000 invested in the indexes we compare against would have only grown to between $327,653 in the Russell Micro Cap and $675,214 in the NASDAQ.

Fund Holdings are at Incredibly Attractive Prices

On the whole, as of the end of 2021, the fund's holdings were trading at 12 times our estimate of earnings for the coming year, and just 7.5 times earnings net of cash at the respective businesses.[2] Weighted price to book was 1.6. Dividend yield was 0.6%. Weighted return on equity as of December 31, 2021 was 13.6%.

[1] While, no single index is directly comparable to Cedar Creek Partners, we believe that it is important to compare our performance to a passively managed approach. At the core of our investment philosophy is the belief that we can generate superior risk-adjusted returns by holding a more concentrated portfolio of under-valued securities, than an index holding a far greater number of securities. Index returns are calculated from information reported on Yahoo! Finance, Dow Jones, and Russell (see DISCLAIMER for more information).

[2] Ratio excludes cash held by the fund. We add back non-economic amortization in our earnings estimate.

Cash Levels and Fund Repositioning

We started the quarter with cash levels at just under 18% and ended the quarter at 18%. Our biggest portfolio change was deciding to sell our position in **DBM Global** (DBMG). As of September 30, 2021, DBM was 92% owned by Innovate Corp (VATE), formerly HC2 Holdings (HCHC). We reached out to the company to see if they had any interest in acquiring our shares and reached an agreement to sell at $71 per share. The price was well below what the company would fetch if the whole company were for sale, but we have no idea if and when that would take place. In the meantime, we felt we could put the cash to more productive use. In the five years we owned DBM we collected almost $27 per share in total dividends, which was not too far below our $32.50 average cost. While we would have loved to have benefitted from a sale of the company, we are still very pleased with the investment results.

We expect to use the cash to fund a non-public investment. A company we previously owned shares in fell upon hard times during COVID and filed for bankruptcy. We partnered with two other funds and a third-party investor to bid on the company and won the auction. The investment is expected to be less than ten percent of the fund's assets. The business, excluding its ongoing bankruptcy related costs, was operating profitably in recent months. We are in the process of closing and we look forward to providing more detail on the opportunity once everything is closed.

We mentioned last quarter that we had increased cash levels hoping to take advantage of the effects of Rule 15c2-11 on some illiquid names. For those unfamiliar, the rule prevents brokers from not only displaying quotes for non-reporting companies but also restricts transactions to selling only. Institutional accounts, depending on the broker, are not subject to the buying restriction.

We were able to make a few smaller purchases of "expert market" stocks and are on the prowl for more. We hope to have a basket of smaller positions. We are not going to mention names at this point. One purchase was trading at less than five times earnings and near its net cash levels. In addition, earnings have been improving in recent quarters. We hope conditions allow us to continue to take advantage of what is in our view an idiotic rule.

Our current exposure to expert market stocks is just under 15% of the funds assets.[3] Two positions make up about 40% of the amount – **PD-Rx Pharmaceuticals** (PDRX) and **Mortgage Oil Company** (MGAG). We discussed PD-Rx Pharmaceuticals briefly in our Q1 2021 letter, and Mortgage Oil in more depth in Q2 2021 letter (link). We had some brief discussions with the CEO of Mortgage Oil a number of months back and are a bit surprised they are classified as an expert market security since they filed quarterly for March and June on otcmarkets.com but did not file September for some reason. They have always filed annually so I don't really care about quarterly results.

While I haven't put much thought into the idea, it would be nice if authorities would consider something along the lines of allowing certain smaller non-SEC issuers to file semi-annually along with being required to file any material change in revenues or expected earnings, such as +/- 10% from the prior year.

[3] Keeping this percentage at an appropriate level is part of why we decided to sell Pendrell (PCOA) and DBM Global (DBMG).

Update on Top Ten Portfolio Holdings as of December 2021

Solitron Devices (SODI), where I am the CEO, the bid price for shares increased by 33% in the quarter from $8.25 per share to $11.00. We held our annual meeting in December at our recently purchased building. We are in the process of completing the internal buildout in order to relocate this spring. A video recording is available of the meeting on the Investor Relations page of Solitron's website (link). Subsequent to quarter end, Solitron released fiscal third quarter results. Earnings were $0.24 per share for the quarter and $1.90 per share for the first nine months of fiscal 2022. The $1.90 figure includes PPP loan forgiveness and scrap income related to getting rid of old material. At the meeting we did note that we are expecting to achieve $1 million in annual cost savings at the new facility consisting of the elimination of the $40,000 monthly rent, reduced costs for gases and utilities due to the smaller footprint of the new facility and headquarters, the Company's decision to not relocate and operate the Company's wafer fab at the new facility and headquarters, payroll savings and insurance cost savings (link).

Solitron expects a very soft fiscal fourth quarter due to the relocation. In the January 14 press release we noted current estimate for net sales in the fourth quarter of approximately $1.5 million. Based on the improved balance sheet Solitron has begun evaluating possible acquisitions.

PharmChem (PCHM) bid price declined from $4.70 to $4.60 in the fourth quarter. Tice Brown, Thompson Clark and myself won a proxy fight and replaced the prior board in August 2021. Similar to Solitron, we are limited to only noting what has been disclosed publicly. PharmChem offers the PharmChek Sweat Patch for use by its customers to test for drugs of abuse. PharmChem has increased its sales staff in hopes of accelerating growth. It will take a few quarters to know how successful that will be. The company repurchased 90,000 shares in Q3 at $4.95 per share, along with 900,000 deep in-the-money options at an effective price of roughly $2.65 per share. In Q4 the company completed a $3 million tender offer repurchasing 659,320 shares at $4.60 per share. In total the new board has reduced fully diluted shares outstanding by 23.6% at a total cost of roughly $5.8 million. Net cash on hand at year end was $2.2 million (link to filings).

Nocopi Technologies (NNUP) was profiled in our 2021 second and third quarter letters. The fund owns 9% of Nocopi. The bid priced declined from $0.19 to $0.15 per share in the quarter. Nocopi markets specialty reactive inks in the educational and toy markets. Their Rub-it & Color technology can be used for coloring books, activity kits, play sheets, greeting cards, or any paper-based application. Nocopi is a very small company. It has four full-time and two part-time employees. In other words, it is almost a royalty company, although they do mix and sell their specialty ink.

Currently there are just over 67 million shares outstanding at a price of $0.15 per share, resulting in a market cap of $10 million. The company has no debt and cash of just over $2.1 million as of September 30, 2021. Earnings are better than they appear due to revenue recognition rules. When they signed a four year contract, they booked all the guaranteed revenue in the quarter the deal was signed even though most of it would be paid over the life of the contract. The result is quarterly earnings are about $100,000 more than what is reported. Normalized pre-covid annual cash flow was roughly $1 million and growing. The number decreased during COVID and may have also been negatively impacted by supply chain issues. We think the number could be improved.

The problem with the company is the board and the CEO. Their behavior is disgusting. The last shareholder's meeting was in 1999. We submitted a written request from 25% of shareholders to demand a special meeting. The board rejected the request as failing to comply with company bylaws. We think it was a bunch of baloney. Rejecting it allowed them to make a unilateral decision to classify the board and limit or strip shareholder power to remove directors, change the size of the board, and fill board vacancies. In other words, they prevented some directors from being voted on by shareholders for another two plus years.

The Board stated they planned to hold an annual meeting in the Spring of 2022. So far, the company has not done anything. It is not hard to file proxy material. They seem to prefer to wait until a shareholder goes to court to force them to a hold a meeting. While we would prefer a peaceful solution, it seems clear to us that the Board is committed to preventing or delaying shareholders from having a voice over who is on the Board.

As you know, I have successfully been down this path before with Solitron and PharmChem (PCHM), and also with TSR (TSRI). I have no problem doing it again if necessary.

BM Technologies (BMTX) had quite a ride during the fourth quarter. We profiled the stock in our Q3 letter. The price of the common rose from $8.90 to $9.21 in the quarter, which sounds boring, but the stock reached a high of $14.12 in mid-November. We were a big buyer early in October under $8.50 for the common and at $1.30 for the warrants. We trimmed roughly one fourth of the common position between $13.60 and $13.65, and over a third of the warrants at $3.90. We repurchased some common shares between $9 and $9.50 late in the quarter. While not a fan of the taxes on short term gains, we prefer short term gains to no gains.

BMTX has developed a fintech banking platform which provides digital banking and disbursement services to consumers and students in the United States. It facilitates deposits and banking products and services between customers and partner banks. The company provides access to a suite of banking products, including checking, savings, personal loans, credit cards, and student refinancing. They are not a traditional bank. It is a white label platform for other companies such as T-Mobile. During the fourth quarter they announced plans to acquire a bank in the Puget Sound area. It will be interesting to see if the acquisition of the bank will allow it to capture a bigger piece of the revenues that they are currently sharing with Customers Bancorp (CUBI), or if they will pursue both models.

PD-Rx Pharmaceuticals (PDRX) is an expert market stock that has historically released financials yearly on its website. Early in 2021 we increased our ownership to about 6.5% of the company at prices between $2.60 and $2.75 per share. As of June 30, 2020, the company had a book value of $4.00 per share, no debt other than a PPP loan, and net cash of $2.02 per share. After more than a decade of profits PD-Rx did suffer modest losses in fiscal 2020. It was reported as ($0.22) per share but we believed that would get revised upward due to their auditors treating expected PPP forgiveness as a taxable event, which later legislation clarified was incorrect. Absent that, the loss would have been ($0.09) per share. Due to a June year end all of the company's cost cutting measures had yet to take full impact. We did not know if the company had returned to profitability in 2021 or not, but felt the substantial discount to book value, high cash balance, and the fact that accounts receivable was nearly twice total liabilities assuming PPP forgiveness, provided a large margin of safety. As of June 2020, cash plus receivables minus total liabilities was $2.64 per share, approximately the price we paid on most of our purchases.

Late in January of 2022, PD-Rx posted fiscal 2021 results. Sales increased to $21.6 million from $21.0 million. Operating income was $876,000 versus a loss of ($238,000). PPP loan forgiveness and a tax benefit led to reported income of $1.08 per share. Book value was $4.95 per share. Cash decreased a bit due to an increase in inventory and receivables. Our most important take away was the positive operating income. That showed us that the business had recovered. We think PD-Rx can achieve operating income of $1 million in fiscal 2022, which would lead to a fully taxed EPS of $0.45 per share. Shares are trading at half of book, five times our projected earnings and two times earnings net of cash. Those are numbers we will buy all day long.

CompuMed (CMPD) is a provider of diagnostic telemedicine. The Chairman is on the Board of Solitron with me and I have known him and the CEO of CompuMed for a number of years. For quite a while I was uninterested in the stock. In 2017 sales started to grow. With solid margins, increasing sales can make for rapidly increasing earnings. The fund purchased shares in early 2019. The stock has risen five-fold in five years (only a double in three years for the fund), but it is still at a single digit price-to-earnings ratio, net of cash. As of September 2021, trailing earnings were 2.4 cents per diluted share. Cash was 5.5 cents per share. The stock closed 2021 with a bid price of $0.27 per share. They plan on holding a shareholder meeting to approve a 1-for-25 reverse stock split. If approved, it may open up the possibility of ownership to funds that are restricted from stocks trading under $5 per share.

CCUR Holdings (CCUR) is another expert market stock. The company deregistered with the SEC in 2021 after doing a 1-for-3,000 reverse split, reducing the number of shares outstanding to just 2,909. Most recent trade was at $6,000 per share. The company sold its operating business and has cash, equities, and fixed maturity securities. Subsequent to going dark, a SPAC they had co-sponsored with MILFAM, the family office of the estate of Lloyd Miller III, overseen by Neil Subin, and B Riley Securities (RILY), called Spartacus, completed a deal with NextNav (NN), a next generation GPS services and solutions company. They are also involved with MILFAM on a second SPAC, Crixus BH3 Acquisition Company (BHAC). We would estimate current book value at around $20,000 per share, excluding the potential from the second SPAC, or any insurance or legal recovery related to the $13 million loss on an aircraft loan.

The fund's cost basis is above $6,000 per share. We recently purchased additional shares for nearly $7,000. CCUR doesn't have to knock it out of the park for our investment to do well. If CCUR can earn 5% on its $20,000 per share book value, we would be "earning" $1,000 per share on the current $6,000 valuation, or 16.7%. A 10% return by CCUR would be "equal to" a 33% return for our position in CCUR. We are very comfortable at the current valuation for it to be a 3% position for the fund.

Mortgage Oil Company (MGAG) is also presently trading on the expert market. We covered it in more detail in our Q2 2021 letter. It once went nine years without a published trade. It has only 40,915 shares outstanding. Last trade was at $275.50. They do not invest in oil or mortgages, rather real estate, primarily multi-family and some commercial. We bought almost 2% of the company in an hour in May 2021. Current yield is 4.3% based on yearly $12 dividend. Cash and securities equal $118 per share as of June 2021. For some reason there is no liability accrual for taxes on unrealized gains on marketable securities. Distributions from the real estate to the company are typically $20 per year. We expect the stock to be a long term holding that can generate double digit returns.

P10 Holdings (PX) is stock we first began purchasing in 2018 at around $1 per share (unadjusted for the recent split). We did extremely well in the stock in 2020 but exited between $3 and $4 due to our belief that the company was fairly valued. We were wrong. A few acquisitions later and a better understanding of the company led us back into the stock in the summer of 2021. At over fifteen times our estimate of annual cash flow, it is not the screaming bargain it was a few years ago, but management continues to execute. After it listed the A shares on the NYSE, we have been buying in the 12's and occasionally selling in the 14's.

Western Capital Resources (WCRS) is another stock we have owned numerous times over the years. For a few years, it not only traded at a discount to book value, but also near its net cash, all the while paying a decent dividend. Its retail division, which direct markets roses, plants, seeds, holiday gifts and restoration products, did very well during COVID. The stock is around $7.50 with 9.1 million shares outstanding. Trailing twelve month earnings were $1.08 per share. Book value was $8.20 per share as of September 30, 2021. Net cash was $5.07 per share. The company repurchased shares at $7 during the third quarter of 2021.

Treatment of Stocks Impacted by SEC Rule 15c2-11

The fund has always valued unlisted stocks at the current bid price. SEC Rule 15c2-11 prevents the public quotation of bid prices for companies that are not providing current financials. We believe this distorts market pricing. This put us into a bid of a conundrum. Current bid prices are not available, nor reflective of a normal functioning market, last sale price can be distorted due to lack of bid prices and by someone placing a small market sale order. We prefer to avoid any independent valuations that require a great deal of effort and assumptions. In the fourth quarter, due to the lack of publicly available quotes, we began using the most recent sales price to value these stocks.[4]

Currently, it will impact the valuation method on about 15% of the fund's assets. We expect the net effect to be minimal but recognize that it will likely mean more volatility in valuation and could result in a position being priced at a ridiculously low price for a period of time.

Room for New Members and/or Additional Funds

We continue to have more attractive ideas than capital. Thus, there is plenty of room for existing partners to increase their investment and for others to join. Please consider referring friends of yours who may be potential new investors. The basic requirements are 1) that each invests a minimum of $100,000 and 2) that new members are accredited (high net worth) individuals. Subsequent investments must be for a minimum of $10,000.

If this letter was passed on to you and you would like to be added to our monthly distribution list, please email me at the email address below. You can find more letters at eriksencapitalmgmt.com/investor-letters. Should you have any questions regarding the fund, please don't hesitate to call or email.

Sincerely,

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[4] Management reserves the right to adjust the valuation if we believe an unusual trade results in a meaningful impact to overall fund valuation that would be unfair toward incoming or exiting investors.

DISCLAIMERS

<u>Fund Performance</u>
The financial performance figures for 2021 presented in this report are un-audited estimates based on the best information available at the time of the letter and are subject to subsequent revision by the Fund's auditors. Past performance may not be indicative of future results and no representation is made that an investor will or is likely to achieve results similar to those shown. All investments involve risk including the loss of principal.

Net Return reflects the experience of an investor who came into the Fund on inception and did not add to or withdraw from the Fund through the end of the most recently reported period. The reported net return figures will therefore include the impact of high water marks in the cumulative return. Individual investor returns will vary depending upon the timing of their investment, the effects of additions and withdrawals from their capital account, and each individual's high water mark figure, if any.

<u>Index Returns</u>
The S&P500 Index returns are reported using the S&P500 Depository Receipt Trust (SPDR) which trades under the ticker symbol SPY. Reinvested dividends are included in these figures. A spreadsheet showing the SPY performance versus the fund since inception is available upon request.

Nasdaq performance excludes dividends, which historically have been immaterial to the total return of that index. In recent years more technology stocks have begun paying dividends thus the inclusion of dividends would increase the reported figures.

Russell 2000 performance is from data reported on Russell's website, and includes reinvested dividends.

DJIA returns are reported using the SPDR Dow Jones Industrial Average which trades under the ticker symbol DIA. Reinvested dividends are included in these figures. A spreadsheet showing the DIA performance versus the fund since inception is available upon request.

While reported returns for SPY and DIA will likely be a few tenths of a percentage lower than the representative index annually, we believe they are a better reflection of what a non-institutional investor would earn following a passive investment approach.

Index returns are provided as a convenience to the reader only. The Fund's returns are likely to differ substantially from that of any index, and there can be no assurance that the Fund will achieve results that are superior to such indices.

<u>Share Prices</u>
Share price figures for listed stocks are from Yahoo! Finance and unless specified otherwise are the closing price as of the previous month end. Share price figures for unlisted stocks are closing bid prices as reported on otcmarkets.com, except for unlisted stocks classified as expert market, which do not have public availability of quotes, and are marked to last sale.

<u>Forward Looking Statements</u>
This letter and the accompanying discussion include forward-looking statements. All statements that are not historical facts are forward-looking statements, including any statements that relate to future market conditions, results, operations, strategies or other future conditions or developments and any statements regarding objectives, opportunities, positioning or prospects. Forward-looking statements are necessarily based upon speculation, expectations, estimates and assumptions that are inherently unreliable and subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements are not a promise or guaranty about future events.