CEDAR CREEK PARTNERS, LLC

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

May 03, 2022

Subject: Cedar Creek Partners 2022 First Quarter Results

Dear Partners and Friends:

In hindsight it is not surprising that the markets are down this year. Inflation is rising quickly - likely connected to a combination of the Fed's extended zero interest rate policy, massive fiscal stimulus during Covid, and supply chain issues mainly due to Covid. As measured by the S&P 500, the market has only had one negative year since 2008. 12 out of 13 positive years, with the one down year being only 4.6% is quite a run. Cedar Creek held during the first quarter and managed to end the quarter up by 0.5%, net of fees and expenses.[1] Of the major indices we compare against, the Dow Jones Industrial Average performed the best, declining by 4.1% in the quarter. The Russell 2000 was the laggard, declining by 7.5%.

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 sixteen year history is 14.3%, net of fees and expenses, which compares favorably to all the indices we compare against. Cumulative returns since inception for Cedar Creek were 776%, net of fees and expenses.

	Q1 '22	2021	Inception	Ave. Annual
Cedar Creek	**0.5%**	**38.9%**	**776.3%**	**14.3%**
NASDAQ	-9.1%	21.4%	513.7%	11.8%
S&P 500 (SPY)	-4.6%	28.6%	382.6%	10.2%
DJIA (DIA)	-4.1%	20.8%	360.6%	9.9%
Russell 2000	-7.5%	14.8%	263.1%	8.3%
Russell Micro Cap	-7.6%	19.3%	202.8%	7.1%

* 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 $876,307 as of March 31, 2022, net of fees and expenses, whereas $100,000 invested in the indexes we compare against would have only grown to between $302,762 in the Russell Micro Cap and $613,736 in the NASDAQ.

[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).

Fund Holdings are at Incredibly Attractive Prices

On the whole, as of the end of March 2022, the fund's holdings were trading at less than 10 times our estimate of earnings for the coming year, and just 6.5 times earnings net of cash at the respective businesses.[2] Weighted price to book was 1.4. Dividend yield was 0.3%. Weighted return on equity as of March 31, 2022 was 14.7%.

Cash Levels and Fund Repositioning

We started the quarter with cash levels at just under 18% and ended the quarter at 5%. We closed out a few minor positions such as Hennessy Advisors (HNNA) and Colicity (COLIU).

On the buy side we added a number of smaller positions. Many of these are shown in our "basket of deplorables" described later in the letter. We also funded a non-public investment. Tix Corporation, a company we previously owned shares in, fell upon hard times during COVID and filed for bankruptcy. Tix, which sells show tickets in Las Vegas, re-opened last fall with three locations on the strip. We partnered with Jeff Gramm at Bandera Partners, Haren Bhakta at HSB Capital and a private investor to bid on the company and won the auction. Or maybe we should say we were high bidder. We won't know if we truly won for a while. The investment was less than ten percent of the fund's assets.

The business, excluding legal costs related to the transaction, has operated profitably since our purchase at the end of February. Rents along the strip are extremely high which results in significant operating leverage. Once fixed costs are covered incremental margins are very attractive. It is too early to know if the business will get back to pre-covid levels or how much competition we will face. A new competitor entered the market in the last few weeks. Shows are still in the process of re-opening so we are cautiously optimistic about the future.

Expert Market Exposure

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 continue to make smaller purchases of "expert market" stocks and are on the prowl for more. We hope to build a basket of smaller positions. We are not going to mention names at this point. w us to continue to take advantage of what is in our view an idiotic rule.

Our current exposure to expert market stocks is approximately 19% of the fund's assets. Four positions make up about 65% of the amount – **PD-Rx Pharmaceuticals** (PDRX) which is 4% of the fund, **CCUR** (CCUR) which is about 3%, and **Mortgage Oil Company** (MGAG) which is just under 3% of the fund. We are building a position in a fourth, that is currently just over 3%, and look forward to describing it in more detail. We discussed PD-Rx Pharmaceuticals briefly in our Q1 2021 letter, and Mortgage Oil in more depth in Q2 2021 letter (link).

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

Our "Basket of Deplorables"

Not to get political, but we find the name humorous. We are using it in a mixed way – many of the stocks have management, or capital allocation, that is deplorable. Yet in our opinion, the price more than reflects that reality, such that the stocks are not actually deplorable. (We know if you have to explain the "joke," it is not really humorous…). Anyways, below are holdings in the fund that are unloved by the market. They share many similarities. As the majority owner column shows they tend to have a controlling owner. They nearly all are trading at a discount to book value and have significant cash and marketable securities on the balance sheet. Nearly all are illiquid. We use the term basket since none are individually a large component of the fund aside from PD-Rx Pharmaceuticals (PDRX).

Company	Symbol	trading	price	BVPS	net cash/sec	EPS	P/B	P/E	P/E net of $	Major Owner
180 Degree Capital	TURN	nasdaq	$ 6.50	$ 10.66	$ 10.66	from inv	61%			No
Addmaster	ADDC	expert	$ 19.25	$ 31.01	$ 20.47	$ 1.10	62%	17.5	(1.1)	Yes
Alimco Financial	ALMC	expert	$ 7.00	$ 9.87	$ 9.78	?	71%			Yes
ALJ Regional	ALJJ	nasdaq	$ 2.42	$ 4.22	$ 3.23	loss	57%			Yes
Altair	ATCD	expert	$ 2,471	*$ 4,700*	*$ 4,450*	*$ 267.00*	53%	9.3	(7.4)	Yes
CCUR	CCUR	expert	$ 6,625	$ 23,376	$ 10,141	?	28%			Yes
Dyna Group	DGIX	expert	$ 0.44	$ 1.24	$ 0.37	$ 0.16	35%	2.8	0.4	Yes
Symbolic Logic	EVOL	nasdaq	$ 1.00	$ 3.06	$ 3.20	shell	33%			close
Harbor Diversified	HRBR	otc	$ 2.48	$ 3.19	$ 2.27	$ 0.50	78%	5.0	0.4	Yes
Initio	INTO	otc	$ 0.33	$ 1.05	$ 1.05	from inv	31%			Yes
PD-Rx Pharmaceuticals	PDRX	expert	$ 3.00	$ 4.95	$ 1.69	$ 0.47	61%	6.4	2.8	No ?
Pacific Health	PFHO	otc	$ 0.75	$ 0.85	$ 0.79	$ 0.05	88%	15.0	(0.8)	Yes
Pa Warehousing	PAWH	expert	$ 5,600	$ 14,569	$ 14,449	from inv	38%			No ?
Queen City Investments	QUCT	otc	$ 1,300	$ 1,239	$ 708	$ 95.00	105%	13.7	6.2	Yes ?
Reserve Petroleum	RSRV	otc	$ 225	$ 191	$ 123	$ 23.75	118%	9.5	4.3	Yes
Rubicon Technology	RBCN	nasdaq	$ 9.00	$ 12.01	$ 10.63	$ 0.08	75%	112.5	(20.4)	No
Saker Aviation	SKAS	otc	$ 4.30	$ 4.58	$ 3.15	$ 0.96	94%	4.5	1.2	close
Sonics & Materials	SIMA	expert	$ 8.50	$ 9.75	$ 7.13	$ 1.00	87%	8.5	1.4	Yes
Spindletop	SPND	otc	$ 3.15	$ 2.45	$ 2.97	$ 0.25	129%	12.6	0.7	Yes
Enterprise Diversified	SYTE	otc	$ 7.00	$ 7.05	$ 6.46	merging	99%			No *
Western Capital	WCRS	otc	$ 7.35	$ 8.39	$ 5.93	$ 1.10	88%	6.7	1.3	Yes
Altair - haven't seen financials since 2016. Our projections.										
* Steven Kiel/Arquitos owns 28.5%. Proposed merger will make David Sherman the majority owner										

Our preference is for securities that are growing yet are priced like they are not. They are rare. Most high growth stocks are priced for perfection, and due to a high valuation are not attractive to us. That tends to leave us sifting through lower growth stocks that are for various reasons unloved, and no-growth stocks that are selling for less than what we think the business or assets are worth. The above basket is primarily no-growth stocks and most are valued based on their high quality assets (cash and securities). We have to be patient when buying and selling the no growth asset stocks, and avoid becoming too greedy. In other words, in order to make money we try to buy when we think they are ridiculously cheap and try to sell at a more modest discount to a fair price.

A few do not have operating businesses and any growth will only reflect portfolio performance, such as **Initio** (INTO) or **Pennsylvania Warehousing and Safe Deposit Co.** (PAWH), or an eventual acquisition, such as **Rubicon Technology** (RBCN)). A few have nice little businesses such as **Spindletop** (SPND), **Reserve Petroleum** (RSRV), and **Western Capital Resources** (WCRS) where we get decent exposure to the business while retaining substantial downside protection due to their balance sheets. Others have decent businesses but are hiding in the dark, like **Dyna Group** (DGIX). The company does not want to report publicly and due to the presence of a controlling owner there is little we can do about it. Every now and then we can buy shares at less than cash and believe that over time we will earn a decent return.

Queen City Investments – Royally Bad Capital Allocation

One of the names on the list is **Queen City Investments** (QUCT). It was spun off from **Farmers & Merchants Bank of Long Beach** (FMBL) in 1973. FMBL itself was founded in 1907 by C.J. Walker and as far as we know, has been controlled by the Walker family ever since. It is a conservatively run bank. Total assets are nearly $11.7 billion. The bank has always had a very conservative balance sheet. Historically it has kept nearly half of the assets on its balance sheet in government securities. Equity to assets was in the 20% range for decades, which is more than twice what the typical bank kept. Despite the drag of lower earning securities, and excess equity, the bank still managed to earn just under double digit returns on equity. Its earnings are due to a low cost deposit base. In other words, Queen City has a very conservative parent, and it shows.

Queen City has 47,739 shares outstanding with a last trade of $1,300 per share. It is described as an investment company. It initially held securities in FMBL and a 27,000 acre cattle ranch in Arroyo Grande, California (Central coast, inland from Pismo Beach, near San Luis Obispo). We are not sure when it occurred, but it no longer owns shares in FMBL. Today, it really is a trust company. As of the end of 2021 it managed $6.17 billion in assets for 1,391 trust accounts, a solid increase from the $4.34 billion in assets for 1,304 accounts at the end of 2020. In addition to the ranch, it owns some real estate, including one of FMBL's branches.

Queen City also owns a large pile of treasury bills. Roughly $29 million, or over $600 per share of QUCT. That is the problem. The trust business is fabulous, with a return on equity of approximately 90%. What QUCT's management has done is paired this fabulous, capital light, high ROE business with a portfolio of t-bills – an asset that is the opposite – poor performing, capital intensive, miniscule ROE "business." The end result is that all the earnings of the fabulous business are being reinvested at 1.5%, a rate that not only historically very low, but is now well below inflation. To put it another way, every dollar they retain is worth less a year later. (See the next page for our segment analysis).

There is absolutely no reason that we can think of for QUCT to do this. It does not relate the trust business. The annual report notes that the pledged assets to ensure faithful performance of fiduciary duties is less than $1 million. We should also point out, the same poor capital allocation applies to it owning a 27,000 cattle ranch that appears marginally profitable, yet could likely be sold for more than $20 million. Management even borrowed $4 million for a real estate investment at prime (3.25%), which is a great rate, but really makes no sense while perpetually sitting on nearly $30 million of lower yielding treasury bills.

Some may ask, why own it then? Fair question. Last summer, after nearly fifteen years of a stagnant share price, and twenty five years with no dividend increase, we believed that shares at just over $1,000 were an attractive low-risk opportunity. We knew cash and securities were roughly $700 per share and that the business was earning in excess of $80 per share. In other words, we were paying less than four times earnings net of cash, which was attributing nothing to the 27,000 acre ranch. With 47,739 shares, each share "owns" 0.57 acres. If the ranch at the time of our purchase was only worth $14 million, or $300 per share, we were getting the trust business for "free" ($700 per share of t-bills and $300+ per share for the ranch).

We haven't even delved into the rental properties. Our segment analysis shows the rental properties as earning $900,000 and that is after accounting for $754,000 of depreciation. Rental properties are typically valued on FFO (funds from operations) which is basically cash flow or net income plus depreciation. Assuming a 15x multiple, the $1.65 million in

Source: Google Finance

cash flows would be worth around $25 million, or nearly $520 per share. Note 5 of the annual report notes a basis of $25.5 million, so we think we are being conservative. Based on a sum of the parts analysis, which admittedly can be dangerous, the non trust company segments are conservatively worth $1,400 per share. We are up 25-30% since we purchased last year and know if QUCT management ever got serious about creating shareholder value we could do significantly better.

Even if it doesn't happen soon, we think eventually family members, who are shareholders, will catch on over time, and push for change. It seems doubtful the trust business would ever be sold due to its connections to the bank, but the other three segments are not essential. One last point on the trust business that got our attention was that revenue rose $1.1 million in 2021 versus 2020 while personnel compensation declined by $10,000. The prior year, revenue had risen by nearly $700,000 and personnel costs had only risen by $40,000. That is excellent operating leverage, and important since sometimes the profits from these kinds of securities are siphoned off via salaries.

We would propose that Queen City liquidate most of the treasury bills and either pay a $500 per share special dividend or allocate the $500 per share to a tender offer, which would allow them to reduce shares by up to one-third. Either would show that management is serious about capital allocation and would improve shareholders view of the company. After that they could look at either selling the ranch or spinning it off, possibly with the real estate. Lastly, with the trust business not needing additional capital, Queen City could increase the dividend to a more meaningful percentage of net income.

Queen City Investments Inc.

		Segment Information (estimated)			
		Trust Co.	Ranch	Rental	Corporate Investments
Income Statement:	**2021**				
Trust Fees & Commissions	13,450,578	13,450,578			
Interest	436,353				436,353
Gain on Sale of Cattle	724,316		724,316		
Rental Income	2,839,610			2,839,610	
Other Income	415,217	103,804	103,804	103,804	103,804
Total Income	17,866,074	13,554,382	828,120	2,943,414	540,157
Personnel and benefits	6,519,054	6,519,054			
Equipment & Other Ranch	957,163		957,163		
Professional Services	2,003,574	2,003,574			
Rental Operating Expenses	1,679,576			1,679,576	
General Business Expenses	895,995	895,995			
Interest Expense	13,398			13,398	
Total Expenses	12,068,760	9,418,623	957,163	1,692,974	-
Income Before Taxes	5,797,314	4,135,759	(129,043)	1,250,440	540,157
Taxes	1,569,878	1,228,879	(36,132)	350,123	27,008
rate	*27%*				
Net Income	4,227,436	2,906,880	(92,911)	900,317	513,149
EPS	$ 88.55	$ 60.89	$ (1.95)	$ 18.86	$ 10.75
Shares	47,739	47,739	47,739	47,739	47,739
Balance Sheet:					
Cash and cash equivalents	2,788,647	1,832,000	318,882	318,882	318,882
Securities HTM (t-bills, munis)	29,298,003	-	-	-	29,298,003
Breeding Herd	284,692	-	284,692	-	-
Property & Equipment	29,404,296	*500,000*	*8,904,296*	*20,000,000*	-
Notes Receivable	120,000	-	-	-	120,000
Alternative Investments (at cost)	1,712,816	-	-	-	1,712,816
Other assets	1,857,050	1,857,050	-	-	-
Total Assets	65,465,504	4,189,050	9,507,870	20,318,882	31,449,701
Accounts payable	856,134	856,134	-	-	-
Line of Credit	4,000,000	-	-	4,000,000	-
Other liabilities	150,626	150,626	-	-	-
Deferred Taxes	1,308,174	-	1,308,174	-	-
Total Liabilities	6,314,934	1,006,760	1,308,174	4,000,000	-
Shareholder Equity	59,150,570	3,182,290	8,199,696	16,318,882	31,449,701
per share	$ 1,239.04	$ 66.66	$ 171.76	$ 341.84	$ 658.78
Return on (ending) Equity	7.1%	91.3%	-1.1%	5.5%	1.6%
Valuation method	market	earnings	book value	FFO	book value
multiple	market	18	1.25	15	1
	62,060,700	52,323,847	10,249,620	24,814,755	31,449,701
per share	$ 1,300.00	$ 1,096.04	$ 214.70	$ 519.80	$ 658.78

Analysis: Married a great business (high ROE) with solid rental property business and two low ROE business
Getting no credit for marketable securities. Should sell most of securities and pay a large dividend or tender offer

Analysis by Tim Eriksen of Cedar Creek Partners

Tax Information and K-1's

Investor K-1's were issued electronically on April 8. The fund's annual audit report was sent electronically on April 29. If any of the fund's investors did not receive either, please contact us. Due to the lack of timeliness and other issues, we expect to retain a different auditor for the fund next year.

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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DISCLAIMERS

Fund Performance

The financial performance figures for 2022 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.

Index Returns

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.

Share Prices

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.

Forward Looking Statements

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.