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

January 20, 2023

Subject: Cedar Creek Partners 2022 Results

Dear Partners and Friends:

2022 was a difficult year for both stock and bond markets due to rising interest rates. Growth stocks were hit the hardest, with the NASDAQ declining by 33% on the year. The best performing index we compare against, was the DJIA, which, thanks to a strong fourth quarter, declined by only 7% on the year. Cedar Creek increased by 6.2% in the fourth quarter, net of fees and expenses, and was up 8.8% in 2022, net of fees and expenses.[1]

While Cedar Creek Partners focuses primarily on microcap 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 17 year history is 14.2%, net of fees and expenses, which compares favorably to all the indices we compare against. Cumulative returns since inception for Cedar Creek were 848.4%, net of fees and expenses.

	Q4 '22	'22 YTD	Inception	Ave. Annual
Cedar Creek	**6.2%**	**8.8%**	**848.4%**	**14.2%**
NASDAQ	-1.0%	-33.1%	351.7%	9.3%
DJIA (DIA)	15.9%	-7.0%	346.6%	9.2%
S&P 500 (SPY)	7.6%	-18.2%	314.0%	8.7%
Russell 2000	6.2%	-20.4%	212.4%	6.9%
Russell Microcap	4.7%	-22.0%	155.7%	5.7%

* 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 $948,418 as of December 31, 2022, net of fees and expenses, whereas $100,000 invested in the indexes we compare against would have only grown to between $255,713 in the Russell Micro Cap and $451,810 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 December 2022, the fund's holdings were trading at less than 6 times our estimate of earnings for the coming year, and 4.5 times expected earnings net of cash at the respective businesses.[2] Weighted price to book was 1.3. Dividend yield was 0.9%. Weighted return on equity as of December 31, 2022 was 22%.

Cash Levels and Fund Repositioning

We started the quarter with cash levels at 4% and ended the year at 6%. We made minor changes to the portfolio during the quarter, exiting small positions like **bebe stores** (BEBE), **Butler National** (BUKS), **BankFirst** (BFCC), **Sonics & Materials** (SIMA) and **Spindletop** (SPND). We only sold BankFirst to allocate to other ECIP recipients we believe were more attractive. We added to **Citizens Bankshares** (CZBS), **PD-Rx Pharmaceuticals** (PDRX) and **Pacific Coast Oil Trust** (ROYTL).

Expert Market Exposure

Our exposure to shares trading in the expert market increased in the quarter, primarily due to the share price increase of **PD-Rx Pharmaceuticals** (PDRX). Expert market stocks are companies impacted by SEC Rule 15c2-11. 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 don't make the rules, we just try to take advantage of them when they are stupid. We started the quarter with 22% exposure and ended at 29% of the fund.

As noted above, our current exposure to expert market stocks is approximately 29% of the fund's assets. Three positions make up about 75% of the amount – **PD-Rx Pharmaceuticals** (PDRX) which is about 11% of the fund, **Pacific Coast Oil Trust** (ROYTL) is 7% of the fund and **Mortgage Oil Company** (MGAG), which is neither an oil company nor a mortgage company, is nearly 4% of the fund. We discussed PD-Rx Pharmaceuticals briefly in our Q1 2021 letter, Mortgage Oil in more depth in Q2 2021 letter, and Pacific Coast Oil Trust in our Q2 2022 letter (link). We will discuss PD-Rx more below.

During the fourth quarter we joined with Shipyard Capital in filing a joint 13D on **Pacific Coast Oil Trust**. We subsequently added a private investor and Evergreen Capital, who owns 8.5% of the units, to the group bringing it to over 21% of outstanding units. We have called for a Special Meeting to remove the Trustee. We think that the operator, PCEC, is improperly trying to assess Asset Retirement Obligations (ARO) to the trust. ARO's are the cost to return a well back to normal state (i.e., plugging well and removal of equipment, etc.). PCEC contends the Conveyance Agreement allows for it (pages 7 (n), 22 (l)). We contend that the Conveyance Agreement forbids any assessment of costs incurred or accrued prior to April 1, 2012 (pages 5, 20 that govern what pages 7 and 22 refer to) and secondarily that the proforma financials in the offering documents clearly show the liability remaining with PCEC (see the Offering documents page PCEC F-30 asset retirement obligation line). Meaning it did not transfer to the Trust.

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

PCEC had already accrued an ARO obligation when it purchased additional properties in 2008,[3] evaluated it annually, and made adjustments accordingly, prior to the trust being created in 2012. At that time, April 2012, the ARO was approximately $22.3 million[4] and should have accreted (compounded) at approximately a 7 to 9% rate annually. After ten years of accretion, it would be nearly double the original $22.3 million, which is nearly the amount the operator says the assessed ARO obligation was. Further, in all the Offering document proformas no assessment was made to the trust for asset retirement obligations, nor was the Trust assessed any ARO obligation from 2012 through 2019 when, interestingly enough, PCEC was purchased by new owners.

Our argument is that the ARO should not have been assessed to the Trust (unitholders) at all. Thus, all the funds that have been withheld need to be repaid with interest. If true, the operator owes the trust roughly $25 to $30 million, or $0.65 to $0.80 per unit, versus its current $17 million market cap and $0.44 per unit price, and distributions would resume at approximately $.023 per unit per month, or $0.28 annually.[5] We think fair value of the units would be in excess of $2.00 per unit under this scenario, or five times the current price.

What if courts disagreed that the ARO was assessable? Would it be fully assessable or partially? We contend that it is clear in the conveyance agreement that the Trust can only be assessed costs related to production during its existence, not production that pre-dates the creation of the trust or future production. That would mean the ARO cost has to be allocated to production units since PCEC, the operator, purchased the fields, and only the portion related to the time the Trust has been a recipient of cash flows is assessable to the Trust. This would still mean excess funds have been withheld and would be returned and distributions would resume. Under this scenario, we think fair value would be above $1.25 per unit, or nearly three times the current price.

We also believe that the funds should be escrowed since if any of the properties/fields were sold, the ARO transfers to the buyer, thus releasing the obligation. Further we contend that the funds withheld should be credited the discount rate, currently 9%, used in the ARO calculation to avoid double assessment. In other words, the amount that has been paid is the present value of future costs discounted back to the present. It would be double assessment to then assess the increase in the present value due to time to the Trust. Since the amount is pre-paid the obligation to earn the discount rate should be borne by the operator.

Obviously, there is some chance that the courts deem the ARO fully assessable, ignore our calling of a Special Meeting, and allow the Trustee to proceed to an auction since the Trust did not receive the minimum required distributions from PCEC in 2020 and 2021. A strong case can be made that an auction of the properties is clearly a sale and that the ARO obligation transfers to the buyer and the withheld ARO must be paid back to the Trust with interest along with any proceeds from the auction. Even if that argument was rejected, then the near full payment of the ARO obligation means that cash flows would resume in six months from today and in even less time by the time any auction closed. While the buyer

[3] See PCEC page F-9 on initial S-1 filing for purchase allocation and Note 7 on PCEC F-20,21 for ARO changes: https://www.sec.gov/Archives/edgar/data/1538822/000119312512005276/d273119ds1.htm#toc273119_23 It is our understanding that the West Pico and Sawtell properties were purchased in 1992.

[4] The $22.3 million is actually the December 2011 amount. The amount should have accreted by the 7% discount rate through March 31, 2012 plus any other revisions. We have not seen publicly reported amount for March 31,2012.

[5] We are aware that the local refinery is closing in early 2023 and recognize that the Trust may have to pay its share to temporarily truck its oil to refineries further away while it builds a pipeline to connect to the major pipeline nearby. The cost of the pipeline could result in the temporary loss of one or two quarters worth of payments.

has to assess the attractiveness of working with PCEC, we still think fair value is above the current price and likely above $1.00 per unit since the ARO obligation would have been paid and monthly distributions resume.

While there are a wide range of possible outcomes, we are optimistic that most, if not all, of the ARO that has been assessed is improper. If we are correct, the potential Bonanza scenario we described in our 2022 Q2 letter is more likely. As we said before, time will tell. We added to the position during the quarter.

Update on Top Ten Portfolio Holdings as of December 2022

Top 10 Holdings

	start of 2022		end of 2022
1	Solitron Devices	1	M&F Bancorp
2	PharmChem	2	Solitron Devices
3	Nocopi Technologies	3	Citizens Bankshares
4	BM Technologies	4	PD-Rx Pharmaceuticals
5	PD-Rx Pharmaceuticals	5	Pacific Coast Oil Trust
6	CompuMed	6	Tix Corp (private)
7	CCUR	7	Mortgage Oil
8	Mortgage Oil	8	PharmChem
9	P10 Holdings	9	BM Technologies
10	Western Capital Resources	10	Dyna Group

During 2022 we exited **Nocopi Technologies** (NNUP), **CCUR** (CCUR) and **P10 Holdings** (PX). We added **M&F Bancorp** (MFBP) and **Citizens Bankshares** (CZBS) as part of our ECIP play. We also added **Pacific Coast Oil Trust** (ROYTL), although we had owned it in 2021, but stupidly sold for a modest gain. We also made a private investment joining with Bandera Partners, a private investor, and HSB Capital in buying Tix Corp out of bankruptcy.

Below is an update on the larger holdings of the fund:

M&F Bancorp (MFBP) - is a North Carolina based bank with two million shares outstanding. In the summer it received $80 million of low-cost capital through the US Treasury's Emergency Capital Investment Program. The stock is currently at $26 per share. Our cost basis is under $12. In the third quarter M&F earned $0.51 per share. Most of the ECIP funds appear to have still been in cash, likely earning 2% max. Annualizing third quarter earnings gives a $2.05 per share earnings run rate. We expect earnings to have continued to grow in the fourth quarter on the assumption that some of the cash would have been moved to higher yielding short-term treasuries and some of their loan portfolio re-pricing (i.e., existing loan rates increasing due to the prime rate being higher) faster than their cost of deposits has increased.

A buyer today is paying 11-12 times earnings for a bank with the potential to see earnings double or potentially triple from an acquisition using the ECIP funds or steadily grow by attracting deposits and making loans. (See our 2022 third quarter letter for a more detailed discussion of ECIP recipient banks.)

Solitron Devices (SODI) - the bid price for shares decreased by 21% in 2022 from $11.00 per share to $8.70 at year end. As a reminder, I am CEO and CFO of Solitron due to a proxy fight in 2015 and management change in 2016. Solitron's annual meeting was held in January 2023 and I discussed the press release issued by the company related to the U.S stockpile program, which noted.

> In December 2022 the President signed the $1.7 trillion omnibus spending bill. Included in the bill (was) appropriations to replenish supplies used in Ukraine and to increase stockpiles. A number of programs are included in the spending, including two that represent Solitron's two largest revenue sources. The increased stockpiles program is a multi-year program that we currently expect to add approximately $20 million in total revenues starting in late (calendar) 2024 and running through 2028, or approximately $4 million annually. Actual contract awards are expected to occur by the fall of 2024.

Fiscal 2022 revenues were $12.3 million versus the prior years $10.5 million, which shows the significance of a $4 million annual increase. The press release also noted Solitron's cost savings program is achieving or exceeding its targets. In addition, at the end of the fiscal second quarter and first part of the fiscal third quarter Solitron purchased 1.1% and 1.5%, respectively, of the outstanding shares of two small community banks that were recipients of the Emergency Capital Investment Program (ECIP).

Citizens Bancshares (CZBS) - is an Atlanta, Georgia based bank with similar characteristics as M&F. Citizens has roughly 2 million shares outstanding. Shares traded last at $31 per share. The fund started buying in June at $12 per share, which was less half of common book value, and six times 2021 earnings. Our basis is under $18. Citizens received $95.7 million of additional capital (ECIP) at the end of June 2022. Citizens does not report quarterly earnings, but the bank does file quarterly Call Reports which are available on otcmarkets.com. Earnings for the third quarter of 2022 were about $1.27 per share, giving an annualized rate of over $5 per share. Earnings increased due to a chunk of the ECIP funds being invested in US Treasuries during the quarter.

Citizens still had a high amount of cash on its balance sheet as of September 30 and likely increased its securities portfolio in the fourth quarter, further boosting earnings. Assuming a $5 to $6 annual run rate in earnings, Citizens is trading at a multiple around 5-6 times. Over time the capital should move from being in 4% treasuries to being leveraged via growing deposits and loans or securities, which will boost earnings further, or Citizens can use the funds to buy another bank and increase earnings that way. Without an acquisition we think the bank can earn $7 per share in 2024 and in excess of $8 per share in 2025. An acquisition would likely speed that timetable up.

During the fourth quarter Citizens announced receipt of a $5 million preferred investment by TD Bank. Details on the rate were not announced, but we would assume it was favorable as Citizens didn't really need the capital. Our guess is the rate is around 2% and may have a share of future dividend increases.

PD-Rx Pharmaceuticals (PDRX) is an expert market stock that has historically released financials yearly on its website. The company manufactures both brand and generic pharmaceuticals from its Oklahoma City facility. The company had been profitable until fiscal 2019 and 2020, when it incurred small losses. They adopted a cost cutting program. In fiscal 2021 they returned to profitability earning roughly $0.40 per share excluding PPP loan forgiveness. Net cash was $1.69 per share. Through November 2022 we steadily increased our ownership as shares were available at prices between $3.05 and $3.60 per share (we assumed we were paying 3-4 times earnings net of cash). In late December 2022 they reported fiscal 2022 results. After results, the stock jumped to $6.00 per share and we continued to purchase. We marked the position at $6.00 per share, which was the last market transaction. For the year ended June 30, 2022, PD-Rx had earnings of $1.83

per share. Book value increased to $6.90 per share. They have no debt, and net cash of $3.33 per share. In addition to the cash, their $4.46 million of receivables is more than double total liabilities.

At $6.00 per share we are paying 3.5 times trailing earnings and only 1.5 times trailing earnings net of cash. There was nothing in their annual results or management letter that would lead us to believe that earnings will change in the current year versus the prior year. We think PD-Rx can earn $2.00 per share in fiscal 2023 by just investing a portion of their cash in treasuries. While we would love to own the whole business at $6 per share, we are happy to own a part at that price. If earnings in fiscal 2023 are similar to fiscal 2022 results, then book value as of December 2022 is already at $8 per share. We estimate value based on earnings (free cash flow), not book value, and think the company could easily fetch $20 per share in a sale, and likely above $25. We had seen a few years ago that someone who spoke with management had commented that management said they would sell for 1.5x sales which would be over $26 per share. That seemed high at the time, but not at current earnings levels. All but one person in senior management is above 70 years of age, so a sale may well happen over the next few years.

Pacific Coast Oil Trust (ROYTL) was discussed above.

Tix Corporation (private) – was a company we previously owned shares in when it was public. The company sells show tickets in Las Vegas. It fell upon hard times during COVID and filed for bankruptcy. It re-opened in the fall of 2021 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 were the high bidder. The investment was less than ten percent of the fund's assets. As of year end it was just over 6% of the fund, and that was after marking it down 20% during the year to reflect performance of the business and general economic and stock market conditions.

The business has high fixed costs due to rents along the strip being extremely high. Once fixed costs are covered incremental margins are very attractive. Currently Tix is losing money in the slow months and making money in the busier months. We are adding an additional location this spring and working toward adding online sales in the latter half of the year. Online sales should have a different profitability profile due to the absence of rent and most of the labor and replacing it with IT costs, some of which is already necessary at the physical locations. It is still too early to know how well the investment will turn out. Shows are still trying to stick with full cost pricing, a significant departure from the pre-Covid higher volume discount approach, which is a concern.

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 $355.00 per share. 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 4.2% based on yearly $15 dividend. The properties have been on the books long enough their tax basis is negative. That likely means there is potential for gains on sale or distributions via refinancing should rates come back down. Recent distributions from real estate holdings to the company have been roughly $20 per share annually. In addition, cash and securities were $118 per share as of June 2021. We haven't seen financials since that time. For some reason there is no balance sheet liability accrual for taxes on unrealized gains on marketable securities. We expect the stock to be a long-term holding that can give us real estate exposure and generate double digit returns.

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,

Tim Eriksen
Manager
Cedar Creek Partners LLC
tim@eriksencapital.com
(360) 354-3331

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.