CEDAR CREEK PARTNERS, LLC

Managing Member – Tim Eriksen *Eriksen Capital Management, LLC* *567 Wildrose Cir., Lynden, WA 98264*

February 6, 2021

Subject: Cedar Creek Partners 2020 Results

Dear Partners and Friends:

First and foremost, we continue to hope you, your families, and your friends are safe and well. While multiple coronavirus vaccines are being rolled out, COVID-19 cases and deaths have spiked. Many of you may be like me and have lost a family member or close friend. If you have, you have my deepest sympathies.

All the major indices we track against performed exceptionally well in the fourth quarter. The fund returned 13.7%, net of fees and expenses.[1] Returns for the indices we compare against ranged from 10.2% for the DJIA to a whopping 31.4% for the Russell 2000. Year to date return for the fund was 21.9%, net of fees and expenses, which compares favorably to the indices we compare against, except for the NASDAQ, which rose 43.6% in 2020.

	Q4 '20	2020	Inception	Ave. Annual
Cedar Creek	**13.7%**	**21.9%**	**527.4%**	**13.1%**
NASDAQ	15.4%	43.6%	456.2%	12.2%
DJIA (DIA)	10.2%	7.2%	297.5%	9.7%
S&P 500 (SPY)	12.2%	18.5%	293.4%	9.6%
Russell 2000	31.4%	20.0%	241.9%	8.6%
Russell Micro Cap	31.4%	21.0%	174.6%	7.0%

* 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 $627,357 as of December 31, 2020, net of fees and expenses, whereas $100,000 invested in the indexes we compare against would have only grown to between $274,562 in the Russell Micro Cap and $556,239 in the NASDAQ.

Fund Holdings are at Incredibly Attractive Prices

On the whole, the fund's holdings are trading at 8.4 times our estimate of earnings for the coming year, and just 5.8 times earnings net of cash at the respective businesses.[2] Weighted price to book is 1.1. Dividend yield is 3.2%.

[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.

Weighted return on equity is projected to be 12.0%. We believe these to be very attractive levels, particularly in light of the fact that a couple of core positions (e.g. **Pendrell** (PCOA) and **JG Boswell** (BWEL)) are deep value, where the thesis is not based on current earnings, but rather unlocking of balance sheet value.

Cash Levels and Fund Repositioning

We started the quarter with cash levels at 21% and ended the quarter at under 6%. We had a lot of activity in the quarter. We exited our position at **P10 Holdings** (PIOE) after a huge run up, which put the market price above our estimate of intrinsic value. We were unfortunately too early as the stock continued to rise in the quarter. We also closed out our position in **HC2 Holdings** (HCHC). We earned a nice gain, but in hindsight we should have waited until after the rights offering to sell. While we know we can never perfectly time bottoms or tops and don't try, we should have done better on that one. We also exited a small position in **Lakeland Industries** (LAKE) for a short term profit.

We added three new positions, two of which were minor. The third is discussed below. We significantly added to our position in **Alpine Banks** (ALPIB) after it announced a 150 for 1 stock split. The stock had been trading for around $3,600 per share, with earnings of roughly $500 per share annually. Management hoped the stock split would allow for the stock to better reflect the true value of the bank. We thought this was likely and increased our position from less than half of one percent to nearly five percent of the fund. So far, the stock has risen roughly 20% over the last three months. It is still quite cheap at less than nine times earnings, and 1.2 times book value. Dividend yield is just over 2%.

Subsequent to quarter end we closed out our recent position in **Charles Schwab** (SCHW) after it climbed nearly 40% in the quarter. The market seemed to go from not pricing in any future synergies from the TD Ameritrade acquisition to pricing most of them in, so we took profits and moved on to more attractive ideas.

Big News for Pendrell Corporation

Last quarter we profiled **Pendrell** (PCOA) as an interesting, low risk way to play the SPAC craze. Pendrell has sponsored a SPAC, special purpose acquisition company, or blank-check company, and Pendrell's shareholders have the opportunity to benefit from Pendrell being allocated the founders shares. We purchased shares at $75,000 in May and added another in December at $125,000.

A SPAC, or blank check company, is a company created and funded with cash that then seeks to find an acquisition. Once the SPAC finds an acquisition, it is presented to shareholders for approval. Shareholders who do not like the acquisition can choose to get their original investment back with interest, if any has been earned. The sponsor of the SPAC gets an incredible deal. The sponsor gets what are called "founder's shares." Instead of the normal IPO price of say $10 per share, the sponsor pays pennies. It is assumed the sponsor is getting paid to source the acquisition and make a smart deal. For the founders shares to retain full allotment an attractive deal must be presented, which results in a minimal number of shares choosing to have their investment refunded. Obviously due to the low price for founder's shares, it is by the most lucrative piece in a SPAC. Pendrell was the first time we had seen a way for the public to participate on the opportunity for founders shares in a SPAC. Boston Omaha (BOMN) has also sponsored a SPAC, Yellowstone Acquisition Company (YSAC).

In February, the SPAC Pendrell sponsored, **Holicity** (HOL) announced a deal to merge with Astra. Astra makes small rockets to send satellites into orbit. The deal was positively received as Holicity shares went from $10.34 prior to the announcement to $19.25 as of February 5.

Pendrell has 778 shares outstanding per the otcmarkets website. Pendrell owns 6,731,000 shares of Holicity and warrants to buy 5,333,333 shares at $11.50 per share. That works out to 8,651 shares and 6,855 warrants of Holicity for each Pendrell share. At Holicity's current $19.25 share price that makes the value of the Holicity shares equal to $166,547 per Pendrell share (8,651 x $19.25) and the value of the warrants another $53,127 per Pendrell share (6,855 x ($19.25-$11.50)). That makes the current value of Holicity at $219,654 per Pendrell share. As a reminder Pendrell has cash and other investments of roughly $200,000 per share. Therefore, the total value of Pendrell is over $420,000 per share. Amazingly, the current bid price is still just $155,000 and the ask $300,000.

In the $420,000 per share figure I did not place any value on Pendrell's $2.5 billion of net operating loss carryforwards. They are quite valuable. It means they can earn $2.5 billion through 2032 without paying much in the way of federal income taxes. A precise value of the NOL's requires many assumptions as to timing of net income, and no two people would come to the same number. Regardless, knowing that should they earn $2.5 billion of income they would pay no taxes is huge. At the current 22% federal rate it could result in as much as $550 million of potential savings. This makes the investment in Pendrell even more attractive.

As a reminder, the fund values all unlisted stocks at the bid price. In the case of Pendrell we valued it at $125,000 per share at year end, and at $155,000 per share today. The approach is conservative, but reflective of what we would get were we to sell today. The current ask price is $300,000, so there is a big spread, although both are well below the value of Pendrell's assets.

But Wait, There is More (for Pendrell)

After the success of Holicity, we hoped Pendrell would decide to launch another SPAC and repeat the process as soon as possible. Even if they did not, we have already done well and should do much better than $155,000 per share. Well, lo and behold, on February 5 a Form S-1 was filed by Pendrell for a SPAC named, Colicity. They hope to raise $275 million for this SPAC, $300 million if the underwriters over allotment is picked up. After allocating a few shares to insiders, Pendrell will own 6,726,350 founder shares. Their cost basis is under $25,000, or basically zero. In addition, Pendrell committed to purchasing 5 million warrants with a conversion price of $11.50 for $1.50 each, or $7 million total.

The bottom line is that a mediocre acquisition for Colicity that results in a share price right near $10 will create $60 million of value for Pendrell, or another $78,000 per share. If the SPAC is as successful as Holicity it could create roughly $165 million, or another $200,000 per Pendrell share. That would push book value up to near $650,000 per share. Since Pendrell created a subsidiary named X-icity Holdings Corproation, I have to think they will do this as many times as possible. It is not out of the realm of possibility that Pendrell could become a $1 million dollar stock by the end of next year.

Another Illiquid SPAC Play – CCUR Holdings

During the quarter, another company we follow, **CCUR Holdings** (CCUR) also sponsored a SPAC, **Spartacus Acquisition Corporation** (TMTS) and raised $200 million. On top of that CCUR announced that it was going dark via a 1-for-3,000 reverse split which would cash out shareholders owning less than 3,000 shares at $3.06 per share.

Things are definitely a little messier with CCUR than with Pendrell. CCUR is doing the reverse split at a very low price in relation to the current book value. As of September 30, 2019, book value was $6.91 per share. Forty percent of CCUR is held by JDS1, which is managed by Julian Singer. He has a management contract to manage the company's assets, which is favorable to him. We have read reports of reputational issues with the Singer's as well.

On the other hand, Singer is a shareholder, so most of his returns will come from share price appreciation, not the management contract. Therefore, investors and he are on the same side. The SPAC was co-sponsored by MILFAM, which is the partnership of the late microcap investor Lloyd Miller III, and is run by people who, as far as I know, have a good reputation. (Another point of note, if Singer owns 40% of the shares, he isn't really making money charging himself management fees on what he already owns).

Whenever a company announces a reverse split/cash out transaction arbitragers get involved. With a share price around $2.90 per share and a $3.06 per share payout coming in a very short period of time, a number of people are buying just under the 3,000 share limit. While that makes sense on a certain level, we asked ourselves why is the company doing this? First, they can go dark and eliminate public company costs, including D&O insurance, of nearly $1 million annually, or $0.11 per share. That is significant. Secondly, buying out shareholders at half of book value is a tremendous deal for remaining shareholders. Add to that the potential kicker should the SPAC make a good acquisition. We decided the rewards outweigh the risks and decided to make the position up to 5% of the fund.

Two weeks ago, some bad news was noted in an 8-K filing. CCUR had been providing refundable deposits into the aircraft finance market with a firm in Oklahoma City. On January 12, 2021 they were due $8.5 million from the firm. After failing numerous times to reach the firm they found that the owner had been arrested by law enforcement and all the firm's assets had been frozen. Making matters worse, in addition to the $8.5 million loan, CCUR had another financing loan of $5.5 million outstanding. In total that is $13 million for a firm with $62 million of equity. There apparently is crime insurance in place with a total limit of $20 million. Presumably, due to all the uncertainty, the company could not provide an estimate of potential losses in the 8-K.

It appears as though there are 5 million founder shares in Spartacus. Assuming they are split evenly between MILFAM and CCUR, that would mean 2.5 million shares for CCUR. If Spartacus can do a modestly successful acquisition then those founders shares could be worth $25 to $35 million, or roughly $3 to $4 per CCUR share. Add to that the potential for any warrants. So basically for $3 per share, a buyer is getting $5.50 to $7 per share of assets (depending on the aircraft leasing outcome), plus potential gains of $3 to 4 per share on the SPAC, and gains from the reverse split cashing out smaller shareholders at a large discount to book value.

Update on Other Portfolio Holdings

Solitron Devices (SODI), where I am the CEO, the bid price for shares rose 75% in the quarter from $2.86 per share to $5.00. On November 17, 2020 Solitron filed an 8-K with the SEC updating preliminary first half results for fiscal 2021. Prior estimates had been for net income between $0.6 and $0.9 million. Updated estimates were for $1.0 million inclusive of an accrual of $0.2 million for bonuses awarded on November 13, 2020. On December 29, 2020 Solitron issued unaudited financials for the first two fiscal quarters of fiscal 2021 reporting net income of $0.18 per share in the fiscal first quarter and $0.31 per share in the fiscal second quarter, preliminary Q3 net sales of $2.3 million, fiscal 2021 year to date bookings of $11.0 million, and increased estimate for fiscal 2021 bookings to $12.0 to $12.5 million.

DBM Global (DBMG) declined by 7% in the quarter. DBM is 92% owned by **HC2 Holdings** (HCHC). The likelihood of a sale of DBM may have decreased due to HC2 raising equity via rights offering and refinancing their debt from 11% down to 8.5%. In the five years we have owned the stock we have collected almost $26 per share in total dividends, which is not too far below our $32.50 average cost. Hopefully the improved financial situation for HC2 will allow DBM to reduce its debt and increase its earnings. HC2 raised enough via the debt offering that it could choose to buyout remaining DBM shareholders.

PharmChem (PCHM) continues to perform well. The company makes a sweat patch to detect drugs. Revenues have been rising in recent years and climbed 20% in the first half of 2020 versus 2019. Net income climbed from $0.16 to $0.19 per share. We are expecting the strong sales for PharmChem to continue and possibly grow even faster in the second half of 2020. Added to that, the company has made it clear that it is for sale at the right price. In the first five weeks of 2021 the bid price has risen from $3.80 per share to $4.88 per share.

JG Boswell (BWEL) - we are hopeful that there will be announcement soon regarding Boswell selling their Auscott operations. Boswell's market cap is around $620 million, and they are reportedly asking roughly $350 million for the Australian operations. The plan is to focus on core operations in California, which consists of 150,000 acres and roughly 400,000 acre feet of water rights. The focus has shifted somewhat from cotton to highest and best use. They have been planting 3,000 acres of pistachios each year and they are now starting to produce. In total, they have planted about 14,600 acres at a cost of $180 million. A pistachio farm with water rights nearby Boswell's sold for $45,000 per acre, which one attendee at the annual meeting thought was too low. In just a few years the pistachios could be worth more than the entire company. Add in the proceeds from the sale of Auscott and improving remaining California operations and things are finally starting to turn the corner.

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. 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 2020 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.

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.