CEDAR CREEK PARTNERS, LLC

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January 22, 2024

Subject: Cedar Creek Partners 2023 Results

Dear Partners and Friends:

The major indices we track all had a phenomenal fourth quarter. The market continued to be led by a small handful of tech companies propelling the NASDAQ to year-to-date returns of 43.4% and the S&P 500 to 26.2%. The Russell 2000 was up 16.9% and the Russell MicroCap index was up only 9.3% for 2023. Cedar Creek increased by 2.8% in the fourth quarter, and was up 20.3% for 2023, 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 18 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 1,006.6%, net of fees and expenses.

	Q4 '23	2023	Inception	Ave. Annual
Cedar Creek	**2.8%**	**20.3%**	**1,040.0%**	**14.5%**
NASDAQ	13.6%	43.4%	547.9%	11.0%
S&P 500 (SPY)	11.6%	26.2%	422.5%	9.6%
DJIA (DIA)	13.1%	16.2%	418.9%	9.6%
Russell 2000	14.0%	16.9%	265.3%	7.5%
Russell Microcap	16.1%	9.3%	179.6%	5.9%

* 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 $1,140,049 as of December 31, 2023, net of fees and expenses, whereas $100,000 invested in the indices we compare against would have only grown to between $279,578 in the Russell Micro Cap and $647,868 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 2023, the fund's holdings were trading at 7.9 times our estimate of earnings for the coming year, and 6.4 times expected earnings net of cash at the respective businesses.[2] Trailing earnings multiple was 12.6 times assuming no earnings for **Pacific Coast Oil Trust** (ROYTL). The higher forward and trailing multiples as compared to prior quarters is largely due to the poor year by PD-Rx Pharmaceuticals (PDRX). More on that below. Weighted price to book, assuming no book value for Pacific Coast Oil Trust, was 1.7. Dividend yield was 2.1%. Weighted expected return on equity as of December 31, 2023, was 21%.

Cash Levels and Fund Repositioning

We started the quarter with cash levels at 5% and ended the quarter at 7%. The increase was due to cash coming into the fund plus we exited **Unit Corp** (UNTC) and **Harbor Diversified** (HRBR).

Expert Market Exposure

Our exposure to stocks trading in the expert market decreased in the quarter, due to a decrease in the market price of **Propel Media** (PROM) which we profiled in our Q2 letter. 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 started the quarter with 39% exposure to the expert market and ended at 35% of the fund.

Three positions make up about 75% of the expert market exposure – **Propel Media** (PROM) is about 13.5% of the fund, **PD-Rx Pharmaceuticals** (PDRX) is about 9% of the fund, and **Pacific Coast Oil Trust** (ROYTL) is roughly 3.9% of the fund. We discussed PD-Rx Pharmaceuticals briefly in our Q1 2021 letter and Pacific Coast Oil Trust in our Q2 2022 letter. We also provided more detail on both in our 2022 yearend letter (link).

Update on a Few of Our Top Holdings

Propel Media (PROM) **–** was profiled in our Q2 letter and trades on the expert market. During the fourth quarter it declined in price from $1.10 per share to $0.89 per share. Our cost was $0.23 per share when we bought earlier in the year and we have received two dividends totaling $0.019 per share, or 8% of our basis. As you may recall we purchased shares due the potential acquisition of Propel by **IQVIA** (IQV) at a reported $700 to $800 million, or roughly $3 per share. The deal was held up at the FTC. We had no idea if the deal would go through or not but were very comfortable purchasing at 1/12 of the likely deal price. If the deal went through, we would make 12x. If the deal didn't go through, we were comfortable that Plan B would still be meaningfully above what we were paying. Hearings

[2] Ratio excludes cash held by the fund. We add back non-economic amortization in our earnings estimate. At yearend, we used a projection of $0.08 in earnings per unit for Pacific Coast Oil Trust. If courts rule against claims of unitholders and actual earnings are zero, then the fund's holdings are trading at 8.4 times our estimates of earnings for the coming year, and 6.8 times net of cash at the respective businesses. Our use of $0 for book value for Pacific Coast Oil Trust is not meant to convey that is what we think true book value is. The trust is over four years late in filings. The last filing, which was for June 20, 2109, showed the trust having net assets of $199 million, or $5.16 per unit, but that is prior to the ARO assessment.

took place in December. The judge unfortunately ruled in favor of the FTC. Propel and IQVIA decided not to appeal and terminated the deal. At $0.89 per share, the current market cap is approximately $225 million.

We believe the dividends showed that Propel was profitable despite the litigation-related costs. We are very comfortable holding the investment at current prices. One benefit to the deal being blocked is that we would have incurred short-term capital gains had the deal closed, whereas now we are more likely to enjoy more favorable long-term capital gains. We think if Plan B was just a fraction of the deal's value Propel would not have walked away. They would have thrown a hail mary and hoped for a win on appeal. So, we think it is very likely that Propel's management believes that they can see value realization reasonably close to the IQVIA deal over time. Hopefully, having gotten a "taste" of value realization, management will be focused on unlocking value whether it be through a sale, merger, re-registration with the SEC, uplisting, etc.

PharmChem (PCHM) became one of the larger positions in the fund due to a contribution in kind to the fund by the former Chairman of the Board of PharmChem. The transaction was announced August 31, 2023. I rejoined the Board and became Chairman. The fund previously owned about 3% of PharmChem. After the transaction, the fund is the largest shareholder, owning nearly 33% of the company. We look forward to working to unlock value for shareholders.

Solitron Devices (SODI) - the bid price for shares increased by 52% in the fourth quarter of 2023 from $10.00 per share to $15.25 per share. As a reminder, I am CEO and CFO of Solitron. On September 1, 2023, Solitron closed its acquisition of Micro Engineering Inc. (MEI). MEI produces electronic components primarily for the medical industry. 2022 revenue was approximately $5.9 million with operating income of $1.3 million, as compared to 2021 revenue of $5.5 million and operating income of $1.2 million. Subsequent to quarter end, Cedar Creek filed a Form 4 noting the fund purchased an additional 35,000 shares for $10.70 per share in a private transaction. Last week Solitron announced results for the fiscal third quarter ending November 30, 2023. Revenue was $4.1 million, and bookings were $4.8 million. Solitron reported earnings of $86,000 or $0.04 per share. There were a number of one-time items including a $494,000 impact to cost of goods sold due to acquisition related accounting requiring inventory to be marked at fair value on the acquisition date, $200,000 of acquisition related expenses, $21,000 of intangible amortization and $26,000 of non-cash interest expense. Reported operating income was $218,000, while "adjusted operating income" would have been over $930,000, or roughly $0.45 per share.

PD-Rx Pharmaceuticals (PDRX) – reported disappointing fiscal 2023 results late in December. We had expected results to be somewhat similar to fiscal 2022 results, but PD-Rx lost a key contract resulting in a 25% decline in revenues and earnings falling from $1.84 per share to a loss of $0.05 per share. It is frustrating that management wrote their fiscal 2022 letter halfway through the 2023 fiscal year and provided no hint that the business had changed. That is a poor way to treat shareholders. The share price has held up due to the strong balance sheet – book value of $6.84 per share and cash of $4.15 per share. Hopefully they can win back the business in the future and begin to treat shareholders with the respect they deserve as owners of the business. Either one would help the share price.

Citizens Bancshares (CZBS) - is an Atlanta, Georgia based bank that received $95.7 million of additional capital via the US Treasury's Emergency Capital Investment Program (ECIP) at the end of June 2022. During the fourth quarter the bid price increased from $36.90 to $37.70 per share. In a break from past practice, Citizens reported quarterly earnings publicly, instead of just filing a quarterly Call Report. Earnings for the third quarter of 2023 were $0.82 per share due to a $3 million write-down on a loan now held at the parent corporation. Absent the write-down earnings were excellent. We believe the current annualized earnings run rate is approximately $7 per share, resulting in a price to earnings ratio of under six, which is quite low for a bank with this level of potential.

We believe the bank understands how to put the ECIP money to work to grow the bank while also returning capital to shareholders via dividends and share repurchases. Under ECIP, recipient banks are limited to returning no more than the current year's income plus the prior two years' income, less any returns of capital in the prior two years. In 2023 Citizens returned $5.5 million to shareholders by paying $1.5 million in dividends and repurchasing 5% of its shares for a cost of $4.0 million. Our estimate was Citizens started 2024 with the ability to use $16 million for capital return which would grow as they earn throughout the year. This is a significant amount in relation to Citizen's yearend market cap of less than $72 million. We would love to see them repurchase all the stock they can at current prices. We would also expect a dividend this spring of $0.75 to $1.00 per share. We continue to think the stock is worth nearly twice its current price.

Pacific Coast Oil Trust (ROYTL) units decreased from $0.455 to $0.415 per unit in the fourth quarter. Things are progressing slowly in the battle between unitholders and the operator and Trustee. The operator tried to have a replacement trustee appointed that would liquidate. A judge rejected the trustee due to failing to meet the net worth qualifications as specified in the trust agreement. In a separate decision a judge rejected the operator's petition to force liquidation, siding with the Trustee who argued it was in the best interests of unitholders for the audit to be completed first. It should be noted that no financials have been released since June 2019 and the Trustee has not stated publicly why there is a delay. We don't see how the audits will magically be completed in the coming months if they haven't been able to complete them up until now. It appears this investment is going to continue to take some time to work out.

United Bancorporation of Alabama (UBAB) – is another ECIP recipient bank. The current price is $40.50 per share with 3.5 million shares outstanding, resulting in a market cap of just over $140 million. The bank received almost $124 million in ECIP funds. Trailing earnings are $7.31 per share. We expect fourth quarter earnings of $4 per share due to a $9 million capital magnet award (i.e. grant). For 2024 we are expecting $8 per share, meaning the bank is trading at 5 times forward earnings at 1.2 times yearend book value. Of course, book value grossly underestimates the value of the ECIP funds to common shareholders. Fair value of the preferred stock is 15-25% of its face value since the maximum dividend rate is 2%. If we assume fair value is 25% it results in an adjusted book value of $59 per share. UBAB is one of the few banks who has been able to meaningfully increase lending since receiving ECIP funds. Loans have increased from $686 million as of June 2022 to $808 million as of September 2023. So they may be able to have the preferred dividend lock in at a rate lower than 2%. Like Citizens, we think the fair value of UBAB is twice the current price.

Saker Aviation (SKAS) – is a tiny company managing the heliport in downtown Manhattan. Total market cap is only $8.5 million based on just under one million shares outstanding and a current $8.50 share price. As of September 30, 2023 the company had $8.6 million in cash. Earnings in the September quarter were $1.20 per share. Unfortunately, that level of earnings is not likely to continue. During the September quarter the company did not have to pay any concession to the city of New York. Historically that amounted to 18-25% of revenues. Under the recently signed six-month operating agreement (with two possible six-month extensions) that started in mid-December, the new concession will be 30% of revenues. Had the 30% concession rate been in place in the September quarter operating income would have been 50% lower, but still very solid. Saker used to have a management contract with a former related party to manage the heliport. They terminated the agreement early in Q2 and, so far, have been able to manage the heliport themselves with little to no extra cost.

Going forward, assuming they can manage the heliport internally and at least one six-month extension is exercised, we expect Saker to earn $1.70 per share in 2024, even after incurring the 30% concession fee to the city. If they can agree on a longer-term deal that does not require Saker to fund significant capital improvements, we think the stock can trade at a multiple to earnings versus currently trading at a liquidation value. In other words, we think we have meaningful potential upside with minimal downside, a scenario we like to have. It is the potential 50-100% upside from the current price which makes it worthwhile for the fund to have a 2% position in such a small stock.

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

<u>Fund Performance</u>

The financial performance figures for 2023 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.