CEDAR CREEK PARTNERS, LLC

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

April 16, 2019

Subject: Cedar Creek Partners First Quarter 2019 Results

Dear Partner:

The US market experienced a sharp rebound in the first quarter of 2019. This was not surprising to us. In our year end letter, we included a chart of the ten worst quarters for the Russell 2000 index since 1979. The chart showed that the average returns over the next year after a sharp quarterly decline was nearly 32%.

In the first quarter, growth and technology rose more than value, but every major index we compare against performed well. The NASDAQ rose 16.5%, the Russell 2000 rose 14.6%. The fund returned 9.1%, net of fees and expenses.[1]

$100,000 invested in the fund at inception would have grown to $417,739 as of March 31, 2019, net of fees and expenses, whereas $100,000 invested in the indexes we compare against would have only grown to between $209,685 in the Russell Micro Cap and $333,586 in the NASDAQ.

	Q1 '19	Inception	Ave. Annual
Cedar Creek	**9.1%**	**317.7%**	**11.4%**
DJIA (DIA)	11.7%	224.0%	9.3%
NASDAQ	16.5%	233.6%	9.6%
S&P 500 (SPY)	13.5%	187.2%	8.3%
Russell 2000	14.6%	160.2%	7.5%
Russell Micro Cap	13.1%	109.7%	5.8%

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

Cash Levels and Fund Repositioning

We started the quarter with cash levels at 14% and ended the quarter at 4%. We hoped to be active due to the market decline in the fourth quarter, and we were. The fund added six new positions during the quarter and closed out one minor position, **Detroit Legal News** (DTRL). Of the new positions, two were stocks we had previously owned, **Image Sensing Systems** (ISNS) and **Liberated Syndication** (LSYN).

We purchased shares of Image Sensing at around $4.82 per share during February and March. It was a minor position that we have mostly sold out of at around $5.23 per share this month. Nothing overly exciting there, but small gains are better than no gains.

[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).

Liberated Syndication, or Libsyn, is in two businesses - podcast hosting and web hosting. The podcast business has 45% operating margins and has been growing at 20% plus per year in revenue and earnings. Impressive. In 2017 the company purchased Pair Networks, primarily a web hosting business, which was 10% margins and has been experiencing modest sales decline. In other words, a company with a fast-growing attractive business purchased a non-growing unattractive business. If you are scratching your head, you are not alone. Why would a company do that? The reason is that the Board granted shares to the CEO, CFO and, of course themselves, which would be earned if the company grew its market cap (number of shares outstanding times its share price). Normally that means management is incentivized to make the company more valuable. Not surprisingly, the Board did not specify whether the increase could come through a higher share price or through increasing the number of shares. Thus, the company acquired Pair paying for it in part by issuing shares, thereby allowing management to earn a million dollars each for doing something that actually harmed the company's shareholders.

In value investing you frequently have to decide if you want to invest in a company with unsavory management. It is certainly not as enjoyable as investing with management you like and trust, but it can still be profitable. In Libsyn's case I believe management is out to get rich by eventually selling the company. In order for them to get rich they have chosen to grant themselves stock along the way. Thus, management is really working for themselves, but we can benefit since ultimately the end game is selling the company at a high price. Having said that, we would be delighted if there was change in the Board or management. It would greatly increase the value of the stock immediately or give us confidence to increase our ownership substantially.

The fund purchased a 3% position at $1.60 per share in March. That is about twelve times reported earnings, and about eight times cash earnings. The company has more cash than debt. If we thought management was trustworthy, we would have made it a larger position. There have been a few large deals recently in the podcast hosting space at very rich valuations, including two by music streaming company, Spotify. We think it is quite possible that an acquirer would pay approximately twenty times Libsyn's pre-tax cash earnings, which would value the company at $150 million or about $5 per share. The stock has increased to around $2.30 per share as of the date of this letter.

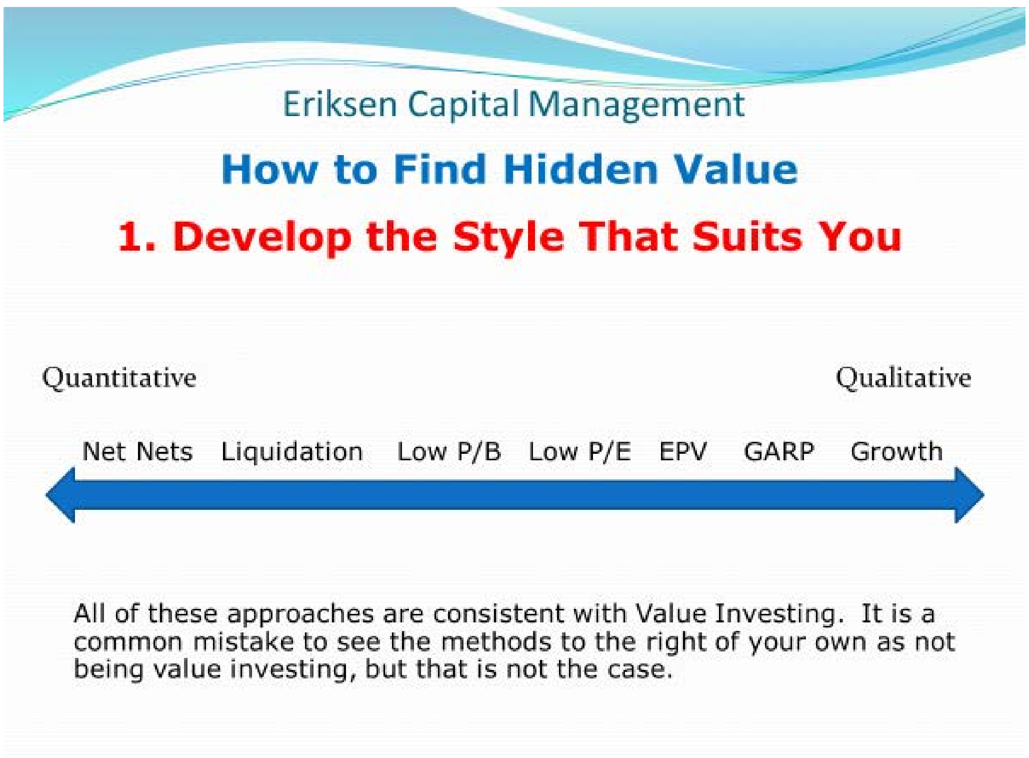
We are still trying to opportunistically buy more shares of most of our other recent portfolio additions, so we will hold off discussion of them for another day. We also made the decision to increase the fund's position in **Diamond Hill** (DHIL) and reduce our position in **Hennessy Advisors** (HNNA). While it meant incurring a large long-term taxable gain on Hennessy due to our low-cost basis, we concluded that Diamond Hill was the more attractive security, and while the fund is mindful of tax implications, we do not let tax avoidance drive investment decisions. At the beginning of the year, Hennessy was a 10% position in the fund. It ended the quarter as a 4% position. During the quarter we continued to reduce our position in **Enterprise Diversified** (SYTE), formerly known as Sitestar. As of quarter end we had a token position.

There was positive news in **Tix Corp** (TIXC) during the quarter. This is another company with less than stellar management. By the way, investing in companies with problem management is not the norm for the fund. We would only consider three of the fund's twenty positions to be in that category. Tix is a provider of discount tickets to shows in Las Vegas. During the quarter, Tix announced that it had resumed selling tickets to MGM Resorts Cirque du Soleil shows at its booths. Tix later announced improved December quarter results, including that operating results had turned positive. The bid price for shares climbed from $0.20 to $0.39 during the first quarter. It should be an interesting year for Tix since it has some justifiably angry shareholders due to management's excessive compensation and pathetic historical returns.

Fund Holdings are at Attractive Prices

On the whole, the fund's holdings are trading at just over <u>five</u> times earnings net of cash at the respective businesses. At the start of the year, the ratio was only 4.7 which was the lowest level we can remember, other than possibly in March of 2009. Due to the nearly ten percent increase in the quarter, the ratio is now about 5.2 which is still incredibly low.

A number of years ago I presented a seminar at a Value Investing Congress in New York. During one part of the seminar, I encouraged attendees to develop an investment style that suits them. We can't all be Warren Buffett, and shouldn't try to be. I then presented the investing spectrum.[2]



We still think of investments as fitting into various styles, or buckets. The fund has historically made the most money in the low P/E area. It generally produces steadier returns than methods to the left of it on the spectrum as well.

A handful of the fund's current holdings would be classified in the net-net or liquidation value end of the spectrum. They are selling below the company's net cash and securities, and below book value. Some are not currently profitable, others depend on gains from securities. The Fund's larger deep value holdings (presented alphabetically) include:

[2] Net nets are stocks selling below net current assets, or the value of current assets minus current (or all) liabilities. Liquidation value is stocks selling below what they would be worth in liquidation assuming a small discount for receivables, and larger discounts for inventory and equipment, while real estate is typically valued at market value less any selling costs. Low P/B is low price-to-book value, meaning stock is selling below what the cost of assets are even though currently the company may be showing a loss, or low earnings. Low P/E is low price-to-earnings. Often out of favor industries or small unknown stocks. EPV is earnings power value. Assumes company can sustainably grow over time. GARP is growth at a reasonable price. Meaning the stock is expensive but is growing earnings rapidly. Growth is not currently or minimally profitable but growing revenues rapidly such that earnings are expected to materialize in the future.

Deep Value	Price	Book Value	Discount to Book	Cash & Securities	Discount to Cash/Sec
Alimco Financial	$ 8.79	$ 12.67	31%	$ 12.01	27%
BKF Capital	$ 10.00	$ 12.20	18%	$ 13.53	26%
Rubicon Technology	$ 8.07	$ 12.66	36%	$ 9.36	14%
Western Capital Resources	$ 3.46	$ 6.69	48%	$ 4.19	17%

Note – we have adjusted BKF's book value by marking all its securities to market.

Rubicon Technology (RBCN) still has additional land and property for sale which it hopes to turn into more cash. **Western Capital Resources** (WCRS) should receive another $0.35 per share in cash from escrow proceeds in October.[3]

Most of the other fund positions are selling at low multiple of price-to-earnings, for example (also listed alphabetically):

Low P/E Holdings	3/31/19 Price	EPS	P/E
Command Center	$ 3.93	$ 0.61	6.4
DBM Global (Schuff)	$ 46.25	$ 8.25	5.6
Diamond Hill	$ 140.00	$ 16.00	8.8
Hennessy Advisors	$ 9.25	$ 1.50	6.2
Liberated Syndication	$ 1.70	$ 0.25	6.8
Orbit International	$ 6.00	$ 0.73	8.2
P10 Holdings	$ 0.90	$ 0.15	6.0
Qualstar	$ 5.48	$ 0.79	6.9
Solitron Devices	$ 2.00	[redacted]	
Tix Corp	$ 0.39	$ 0.06	6.5
undisclosed	$ 0.26	$ 0.04	6.5

Note – EPS is the Fund manager's estimate and includes non-cash intangible amortization and taxes. Solitron Devices EPS estimate is not included due to the fund manager's role as part-time CEO.

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,

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[3] Rubicon is listed on a major exchange and has limited liquidity, the other stocks are unlisted and not liquid. As a reminder the fund values unlisted stocks at the most recent bid price, which may be higher or lower than the most recent transaction.

DISCLAIMERS

Fund Performance

The financial performance figures for 2019 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.