CEDAR CREEK PARTNERS, LLC

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

July 24, 2019

Subject: Cedar Creek Partners Second Quarter 2019 Results

Dear Partner:

The US market experienced a choppy second quarter of 2019. Most indices increased 3% to 4% in April, then fell a similar amount in May, only to increase a similar amount in June. Year to date, the market has experienced a sharp rebound from the late 2018 decline. This is not surprising to us. In our 2018 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, similar to the one in the fourth quarter of 2018, was nearly 32%.

In the second quarter all the major indices we compare against were up. Growth and large cap continued to outperform value and small cap. For the first six months, the fund increased 16.7%, net of fees and expenses, which was in line with the overall indices, which were up between 14.1% and 20.7%.[1]

$100,000 invested in the fund at inception in January 2006 would have grown to $446,654 as of June 30, 2019, net of fees and expenses, whereas $100,000 invested in the indexes we compare against would have only grown to between $211,624 in the Russell Micro Cap and $345,537 in the NASDAQ.

| | Q2 '19 | 2019 | Inception | Ave. Annual |
|---|---|---|---|---|
| **Cedar Creek** | **6.9%** | **16.7%** | **346.7%** | **11.8%** |
| NASDAQ | 3.9% | 20.7% | 245.5% | 9.7% |
| DJIA (DIA) | 3.2% | 15.3% | 234.4% | 9.4% |
| S&P 500 (SPY) | 4.2% | 18.3% | 199.4% | 8.5% |
| Russell 2000 | 2.1% | 17.0% | 165.7% | 7.5% |
| Russell Micro Cap | 0.9% | 14.1% | 111.6% | 5.7% |

* 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 4% and ended the quarter at nearly 8%. We added one small new position, **Westaim** (WEDXF), executed one short term trade (buy and sell) on a liquidation, **Paradise** (PARF), and closed out a small position in **Image Sensing Systems** (ISNS), which we noted in our previous letter.

[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).

While our preference is for long term gains, we have no problem investing in short-term situations, even small ones. Small gains and short-term gains are better than no gains. With that in mind, we purchased a small amount of **Paradise Inc.** (PARF) a manufacturer of fruit cakes and fruit cups, after it announced it would had agreed to sell its larger subsidiary and would be pursuing the sale of its other assets. We have been familiar with the company for many years but had no interest in purchasing the stock or their fruit cakes. We read about the potential liquidation and spent an afternoon calculating the potential proceeds. We purchased shares at $33.50 in April based on the price being at a discount to our analysis of what the total proceeds would be and sold at approximately $39 per share in May as more details of the liquidations emerged, and the market's analysis caught up with ours. These types of transactions are difficult to do with larger stocks due to how efficient the market is, but are doable with smaller stocks, and particularly unlisted stocks, where not as many people are following closely.

## Update on Portfolio Companies

### Positive Contribution in the Quarter

**Liberated Syndication** (LSYN), a provider of podcast and Web hosting services, rose 71% in the quarter from $1.70 to $2.90 per share. There were two factors contributing to the rise. First, Camac Partners, a large shareholder, is calling for a special meeting to replace the Board. Second, the company reported a strong March quarter and seems to have made progress in its underperforming Web hosting business. (See our 2019 Q1 Letter for more details on LSYN.)

**P10 Holdings** (PIOE) rose 56% in the second quarter from $0.90 to $1.40 per share. P10 purchased the management contracts of RCP Advisors, a private equity manager, giving them the rights to RCP's management fee revenue but not incentive fees. RCP manages approximately $7 billion. The purchase was accomplished though issuing shares and cash via borrowed funds. Due to the purchase P10's financials show a large intangible amortization, which is a non-cash charge due to amortizing the non-tangible components of the purchase. This results in P10 generating significantly more cash flow than reported earnings under generally accepted accounting principles. P10's current annualized run rate of earnings is about $0.08 per share, while the cash flow is closer to $0.20 per share.

**Command Center** (CCNI) a provider of on-demand and temporary staffing, rose 43% from $3.93 to $5.62 per share in the quarter. The company had been exploring strategic alternatives, which often results in a sale; however, in this case the company made an acquisition. It agreed to acquire Hire Quest, a privately held staffing company. Hire Quest is unique in that it operates a franchise staffing model. Hire Quest is larger than Command Center and Command Center is issuing stock to Hire Quest's owners. As part of the transaction. The new entity will make a tender offer for 1.5 million shares at $6 per share from pre-merger Command Center owners. The acquisition was completed, and the tender offer will take place later this month. CCNI will then work to sell the existing company owned branches and convert to a franchise model, where the corporate entity will collect a royalty based on branch revenue. It will be interesting to see how the market values the new entity which will have low reported earnings due to large non-cash intangible amortization. On the positive side Hire Quest has been growing at 10-15% a year, so the growth profile will be much better than what pre-merger Command Center's was. We plan on tendering most of our shares at $6 and then watching how the market responds values the new company in the coming months.

**HG Holdings** (STLY) rose 22% from $0.50 to $0.61 per share. The company was once Stanley Furniture, which is why the ticker is so different from the current name. The old business was sold and the remaining entity consisted of cash and note receivable from the sale. When the fund started buying there was $13.5 million, or $0.93 per share in book value consisting primarily of $6 million, or $0.42 per share in cash and $5.9 million, or $0.40 per share of notes receivable. A fund gained control and has begun redeploying the cash. In the past six months book value ahs increased from $0.93 to $1.02 per share.

**Tix Corp** (TIXC) A five percent shareholder nominated a rival slate of directors during the quarter. Tix is a provider of discount tickets to shows in Las Vegas. The bid price for shares climbed from $0.39 to $0.53 per share, or 36% during the second quarter. The Board and management are fighting back by stating the nominations were not valid and the nominees are not qualified. How a Board can be so delusional so as to not realize when shareholders are upset with management's performance and excess compensation is baffling.

### Negative Contribution in the Quarter

**CompuMed** (CMPD), a small telemedicine solutions company declined 31% in the quarter, giving up most of the gains it had made in the first quarter. We know the management and have followed the company for a number of years and started buying shares after it showed a couple of quarters of increased revenues and profitability. One of their customers is Alive cor, a company that sells EKG (ECG) hardware, including devices that use the Apple Watch to perform your own EKG. It is very illiquid, with a wide bid/ask spread, and has a current market cap of under $10 million. In the last year, it recorded revenues of just over $4.5 million, up from $2.7 million the prior year, and net income of $560,000 versus $190,000 in the previous year. At $0.18 per share it is trading at about ten times earnings net of cash.

**Solitron Devices** (SODI), where I am the CEO, declined 21% from $2.00 to $1.58 in the quarter. During the quarter the company announced unaudited earnings of $0.10 per share for the fourth quarter of fiscal 2019. The Company gave guidance that it expected bookings to increase from $8.2 million in fiscal 2019 to $9 to $10 million for fiscal 2020. Both the fund, myself, and another director made open market purchases between $1.75 and $1.85 per share after the earnings announcement which totaled about 3.7% of the company. Adjusting for the stock grants to the Board and management at the end of June, the fund owned 8.9% of outstanding shares.

### Fund Holdings are at Attractive Prices

**On the whole, the fund's holdings are trading at under six 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 fund's nearly 17% increase year to date, and minor portfolio changes, the ratio is now about 5.8 which is still incredibly low.

### 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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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.*