CEDAR CREEK PARTNERS, LLC

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

July 20, 2021 [edited July 26]

Subject: Cedar Creek Partners Second Quarter 2021 Results

Dear Partners and Friends:

While much of the world was still facing the effects of the coronavirus, the vaccine rollout in the U.S. progressed rapidly in the first half of 2021, allowing for some signs of a return to normalcy. The successful rollout combined with the federal government providing massive fiscal stimulus and the Fed being an aggressive buyer of securities, it is no surprise that the stock market did well.

After the surprising outperformance in Q1 by smaller companies, and especially micro cap companies, the market reverted back to recent trends with the NASDAQ and S&P 500 outperforming in Q2. The NASDAQ was up 9.5% in the quarter, while the S&P 500 (SPY) rose by 8.4%. The Russell Micro Cap lagged behind, while still returning a very respectable 4.1%. The fund returned 8.6% in Q2 and 30.0% for the first half of 2021, net of fees and expenses.[1]

	Q2 '21	'21 YTD	Inception	Ave. Annual
Cedar Creek	**8.6%**	**30.0%**	**716.2%**	**14.6%**
NASDAQ	9.5%	12.5%	526.0%	12.3%
S&P 500 (SPY)	8.4%	15.1%	352.9%	10.3%
DJIA (DIA)	4.9%	13.7%	352.1%	10.3%
Russell 2000	4.3%	17.5%	301.9%	9.3%
Russell Micro Cap	4.1%	29.0%	254.2%	8.4%

* 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 $816,186 as of June 30, 2021, net of fees and expenses, whereas $100,000 invested in the indexes we compare against would have only grown to between $354,230 in the Russell Micro Cap and $625,969 in the NASDAQ.

Fund Holdings are at Incredibly Attractive Prices

On the whole, as of June 30 the fund's holdings were trading at under 13 times our estimate of earnings for the coming year, and less than 8 times earnings net of cash at the respective businesses.[2] Weighted price to book was 1.3. Dividend yield

[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.

was 1.6%. Subsequent activity in the third quarter has resulted in the fund's holdings trading at under 11 times our estimate of earnings and less than 6 times earnings net of cash at the respective businesses.

Weighted return on equity as of June 30 was 10.4%, as of the date of this letter it is projected to be 13.3%. We believe these to be very attractive levels, particularly in light of the fact that roughly 20% of the fund (e.g. **Pendrell** (PCOA) and **CCUR Holdings** (CCUR)) are deep value, where the thesis is not based on current earnings, but rather unlocking of balance sheet value. The roughly 20% includes modest positions in a couple of SPACs, **Colicity** (COLIU) and **Yellowstone Acquisition Company** (YSACU), that have no expected earnings until they complete and acquisition, assuming they do.

Cash Levels and Fund Repositioning

We started the quarter with cash levels at 13% and ended the quarter at just under 10%. We had a lot of activity in the quarter. We exited our positions in **Alpine Banks** (ALPIB), **Beaver Coal Company** (BVERS), **Propel Media** (PROM), **B Riley** (RILY) and **Retractable Technologies** (RVP).

While we had not soured on Beaver Coal, we found the issues of dealing with a limited partnership not worth the headache administratively in terms of getting our K-1's to investors in a timely manner.

We had profiled Propel Media (PROM) in our 2020 first quarter letter. Our cost basis was $0.13 per share. It was a speculative position, sized at 1.5% of the fund. It was cheap in relation to 2018 earnings, but the business was experiencing some challenges. When one buys a speculative position, it is easy to envision a possible 5 or 10x outcome. The hard part with speculative plays is the risk reward shifts as the price rises, unless the underlying business has improved as well. In the case of Propel we were completely in the dark as to recent business performance, since they quit publishing financial results at the end of 2019, when earnings were $0.04 per share, down more than 50% from 2018. As the share price rose in May from $0.10 to $0.20 per share, we decided to trim a bit. The price kept rising and we sold out at $0.29, earning a nice gain in just over a year. The stock subsequently went to $0.60 but on very light volume (less than what we owned).

It will be interesting to see if we blundered by selling cheap, or if the stock trends back down. The old adage is "you never go broke taking profits" which is true, but of course you never get big gains that way either. The whole point of a speculative position is speculation after all. The problem is that as it grows it becomes a much bigger portion of the portfolio. Essentially too big for a speculative position. The choice then becomes whether to do nothing and risk losing gains, trim the position size back down by selling some, or taking gains and moving on. If anyone knows the correct answer beforehand, please let us know.

Late in the second quarter we purchased a common stock and warrant position in **1847 Goedeker** (GOED). We sold the common stock before quarter end and the warrants early in the current quarter.

1847 Goedeker is an interesting story. The company came public in 2020. It was a small unprofitable online appliance retailer. Revenues were around $50 million. In the fall of 2020, they announced a deal to buy Appliance Connection, a much larger, rapidly growing, profitable e-commerce appliance retailer for roughly $200 million, or ten times its 2020 untaxed earnings. 1847 Goedeker stock steadily climbed. In the first quarter the price ranged from roughly $8 to $11 per share.

Appliance Connection which had earned $20 million in 2020, earned over $19.5 million in the first quarter of 2021 versus $3.9 million in the first quarter of 2020. The problem was Goedeker did not have the cash or apparently borrowing capacity to make the purchase and they had a deadline to meet in order to close. When they finally came to market to raise the equity the buyers stuck it to them. On May 27 the stock closed at $6.07 per share. The offering priced that night at just $2.25 per share plus one warrant for each share exercisable at $2.25 per share. On May 28 the stock opened at $1.87 per share. This is where a few value players jumped in. With now roughly 100 million shares outstanding and an expected run rate of approximately $50 million in earnings, shares were priced at under four times earnings.

We were unconvinced on the long term prospects of the business. Do most people really want to purchase appliances online? We certainly had concerns about the ability of management after it botched the secondary offering. On the other hand, we did see a company that had been experiencing significant growth trading at a single digit price to earnings multiple. Yet, we also recognized that the warrants were a massive overhang for the stock. Astute investors new that upside was partially limited since fully diluted shares were nearly 200 million instead of 100 million, even if the company would receive $2.25 per share in cash for each of the warrants. We started buying at around $2.50 per share, but the stock started running so in the end it was a small position and we sold at $4.10 to $4.30 per share, after what we felt was disappointing growth. Sales were still increasing rapidly but orders were slowing. The sales growth was due to decreased cancellations, or higher fulfillment rates to use their terminology. For example, first quarter orders were 72,600 while second quarter were 73,200. [correction: The dollar value of orders in May were $72.6 million, while in June they were $73.2 million]. That is sequential growth of less than 1%. With this type of investment, it does not take much for us to get spooked and run for the exits, which we did.

While we focus primarily on the long term we are always willing to take advantage of what we believe are short term mispricings. It does result in short term gains, but short term gains, and the associated tax consequences for investors, are better than no gains.

Mortgage Oil Company

We added one new position – **Mortgage Oil Company** (MGAG). It is an extremely illiquid company. We have followed the company for more than fifteen years. Mortgage Oil once went over nine years without a single published trade. That takes illiquid to a whole new level. The company is small. (Aren't they all in this fund?) It only has 40,915 shares outstanding. Current bid is $299.75 per share and ask is $499.99 per share. It was listed in old Walker's Manual books.[3] Despite the name, Mortgage Oil does not invest in oil or mortgages, although they do invest in real estate. They participate in projects by NALS and to a lesser degree, commercial projects by Marcus Adams. NALS focuses on apartments. Mortgage Oil has one to five percent interests in roughly thirty apartment complexes located primarily in growing markets – Nevada, Arizona, Colorado, Utah, Texas, Georgia, and Washington. One day in May we noticed shares for sale at $275 per share. We purchased them. Then another share block was available, which we bought, and then another. We ended up purchasing 697 shares, or 1.7% of the company in about an hour. Despite that, it is still a small position for the fund.

Mortgage Oil is not a REIT, or real estate investment trust. It is taxed as a corporation. They publish annual financials, and just last week published quarterly financials as well. They follow tax basis accounting and not GAAP. Reported revenues do not reveal all the

[3] I worked for Walker's Manuals from 2004 to 2005 so I have spent a fair amount of time looking at nearly every stock they covered between 1996 and 2005.

cash flow that the company is receiving from the properties, so an analyst must make some adjustments. One big challenge is trying to know, or maybe I should say, guess whether the distributions are from operations or a refinancing, or in the case of 2020 results, partial sales of ownership. Regardless, based on our $275 per share purchase price we were getting over a 4.3% yield that has historically increased every two to three years. The dividend is twice what it was in 2014 and 2015 and six times what it was in 2000.

From 2015 through 2019 distributions from the real estate investments to the company averaged nearly $20 per share. In 2020 due some sales, distributions were an unusually high $66.76 per share. They also have cash and securities with a market value equal to $103 per share, although they have not accrued taxes on unrealized securities gains. Essentially for the $275 per share we paid, we were getting $50 per share in cash, $50 in securities, and real estate that should throw off $20 or more per share annually, plus future price appreciation of the apartment complexes. Hopefully it doesn't take fifteen years for another block of shares to become available.

As much as we are willing to take short term gains like 1847 Goedeker, we love to find long-term holdings like Mortgage Oil that can compound in excess of 10% per year. Of course, at the right price we would sell it today.

Update on Our Top Five Portfolio Holdings as of June 2021

Solitron Devices (SODI), where I am the CEO, the bid price for shares rose 22% in the quarter from $7.00 per share to $8.51. During the quarter, Solitron filed its audited financials for fiscal 2021, year ended February 28, 2021. For fiscal 2021 net income was $0.67 per share versus a loss of ($0.30) per share in fiscal 2020. Net sales rose to $10.5 million in fiscal 2021 versus $9.2 million in fiscal 2020. Solitron also announced closing of an agreement to purchase a new building for $4.2 million. Solitron expects to make improvements to the building in order to relocate its existing operations later in the calendar year. Solitron put 25% down and financed the balance at a 3.8% fixed rate. Late in June it was announced that net sales in the May 31, 2021 quarter were 45% higher than the May 31, 2020 quarter. On July 20 we filed our quarterly filing reporting net income of just over $1 million, or $0.49 per share, for the May 31, 2021 quarter versus $369,000 or $0.18 per share in the May 31, 2020 quarter.

Pendrell Corporation (PCOA) bid price increased modestly from $202,000 per share to $204,000 per share in the second quarter. On June 30, the SPAC Pendrell sponsored, Holicity completed its merger with **Astra** (ASTR). Astra makes small rockets to send satellites into orbit. Its share price has been quite volatile.

Pendrell has 778 shares outstanding per the otcmarkets website. Pendrell owns 6,731,000 shares of Astra 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 Astra for each Pendrell share. Astra closed the second quarter at $12.35 per share but so far in July has fallen to $9.17 per share. Using the lower $9.17 per share makes the value of the Astra shares equal to $79,337 per Pendrell share (8,651 shares x $9.17). In the past we used the intrinsic value of the warrants, when the market value better captures the true value. The warrants ended the quarter at $3.70 per warrant and were $3.05 as of today. Using the most recent $3.05 per warrant makes the value of the Astra warrants equal to $20,908 per Pendrell share (6,855 warrants x $3.05), resulting in a total value for Astra of $100,245 per Pendrell share. We estimate that Pendrell has cash and other investments of roughly $190,000 to $210,000 per share.[4] Therefore, the total value of Pendrell is roughly $300,000 per share. Pendrell

[4] Based on book value per share of $206,980 as of 12/31/2017 less estimated burn rate plus accretive share repurchases.

brought another SPAC, **Colicity** (COLIU) public as well. Colicity is larger than holicity so the economics are even better than with holicity. Should Pendrell find an acceptable acquisition, total value of Pendrell would increase by roughly another $100,000 to $150,000 per share to $400,000 to $450,000 per share.

DBM Global (DBMG) bid price decreased from $65 per share to $63 per share in the quarter. DBM is 92% owned by **HC2 Holdings** (HCHC). DBM Global completed its acquisition of Banker Steel. HC2's SEC filings note that the acquisition is for $145 million. DBM's market cap is roughly twice that, so it appears to be a significant acquisition. In the five years we have owned DBM we have collected almost $26 per share in total dividends, which is not too far below our $32.50 average cost.

PharmChem (PCHM) continues to perform well. The bid price declined slightly in the second quarter from $4.88 per share to $4.85 per share. The company makes a sweat patch to detect drugs. Revenues climbed 20% in 2020 versus 2019. Operating income grew over 31%. Net income climbed 14%. Net income growth lagged due to the expiration of net operating losses. The company went from a 1% effective tax rate in 2019 to a 9% effective rate in 2020. The rate will likely be closer to 21% in 2020. Net cash per share increased to $1.34 at the end of 2020.

We do have some concerns with the company's management and board. We submitted a nomination to the board in order to improve corporate governance. The current board consist of the CEO, CFO and one "outsider." We think the board needs more independence. As part of our nomination, we made a request for management compensation which the company only agreed to send if we signed a non-disclosure agreement. This is interesting since shareholders have a right to the information under Delaware law, which we pointed out to the Company, but apparently management doesn't care about compliance with the law or shareholders. To make matters worse we have found out of additional even more serious concerns that will come up during the proxy fight.

Nocopi Technologies (NNUP) is a new holding. On May 6 Eriksen Capital Management, the managing member of this fund, filed a 13D that we owned more than 5% of Nocopi. Nocopi markets specialty reactive inks in the educational and toy markets. Their Rub-it & Color technology can be used for coloring books, activity kits, play sheets, greeting cards, or any paper-based application. It is a very small company. It has four full-time and two part-time employees. In other words, it is almost a royalty company, although they do mix and sell their specialty ink.

Currently there are just over 67 million shares outstanding at a price of $0.20 per share, resulting in a market cap of $13.4 million. The company has no debt and cash of just over $1.7 million. Earnings are better than they appear due to revenue recognition rules. When they signed a four year contract, they booked all the guaranteed revenue in the quarter the deal was signed even though most of it would be paid over the life of the contract. The result is quarterly earnings are about $100,000 more than what is reported. Normalized annual cash flow is roughly $1 million and growing, except due to apparent cost pressures in 2020, and we think the number could be improved.

The problem with the company is the board and CEO. The CEO ran an activist campaign to gain control of the board in 2000. The last shareholder's meeting was … you guessed it 2000. The guy running an activist campaign basically did all the things he promised not to do. In fact, many of the same people who supported him later filed a 13D against him. He still did nothing. Actually, he changed the bylaws to make it near impossible for shareholders to add a board member and he did give himself a 50% raise. So, we can't say he did nothing. We are still waiting on a return call request from the first week in May after we filed our 13D. I believe over his twenty years of running the company shareholders are still in the red.

The company has also filed more Form 5's than we have ever seen. We had to look up what a Form 5 was because we hadn't run across one is a long time. A Form 5 basically is what you file when an insider buys or sells shares and fails to properly report the purchase or sale to the SEC on a Form 4. We believe there are even more omissions in filings. For example, in their 2020 10-K Director Marc Rash is reported to own 208,333 shares. In the 2021 10-K he is reported as having none, yet he did not file any Form 4 noting any sale or gifting of shares, nor a Form 5. Apparently, they magically disappeared.

Here is another unbelievable item, the Audit Committee currently consists of one person, the CEO. That means the CEO is in charge of retaining an auditor to oversee himself and the CFO. At least they admit in their 10-K that the CEO is not a "audit committee financial expert." It is comforting to know that someone who should not even be in the role of overseeing himself is also not even qualified to be in the role. And don't get us started on what appear to us as improper insider trading by the CEO right before reporting a near 30% drop in earnings in the December 2020 quarter.

We purchased most of our shares in April at under $0.15 per share, so we had a 30% gain on the position in the quarter. Stay tuned to see how it turns out.

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.

New Address and Primer Broker

We have a new address. The new address is 8695 Glendale Road, Custer WA, 98240. We have updated all our forms, please make sure you request a current form for any additions.

We are also in the process of changing prime brokers. We do not generate the trading volume that higher cost prime brokers like to see, so we will be migrating to a new prime broker or multiple brokers. Our current plan is to use both a specialty firm and Schwab, so we can obtain low commission rates on higher volume trades through the discount broker and while still having access to hard to trade securities via the specialty broker.

Sincerely,

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DISCLAIMERS

Fund Performance

The financial performance figures for 2021 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.