CEDAR CREEK PARTNERS, LLC

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

July 28, 2022

Subject: Cedar Creek Partners 2022 Second Quarter Results

Dear Partners and Friends:

Near double digit inflation and increasing interest rates led to a large market decline in the second quarter. The NASDAQ declined over 22% in the quarter and was down nearly 30% in the first six months of the year. The other major indices we compare against were all down more than 10% in the quarter, and other than the DJIA, were down over 20% in the first half. Cedar Creek declined by 10.2% in the second quarter, net of fees and expenses, and was down 9.7% in the first six months, 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 sixteen and a half year history is 13.4%, net of fees and expenses, which compares favorably to all the indices we compare against. Cumulative returns since inception for Cedar Creek were 688%, net of fees and expenses.

	Q2 '22	1H '22	Inception	Ave. Annual
Cedar Creek	**-10.2%**	**-9.7%**	**687.6%**	**13.4%**
NASDAQ	-22.4%	-29.5%	376.0%	9.9%
DJIA (DIA)	-10.8%	-14.5%	310.8%	9.0%
S&P 500 (SPY)	-16.1%	-20.0%	304.9%	8.9%
Russell 2000	-17.2%	-23.4%	200.6%	6.9%
Russell Microcap	-19.0%	-25.1%	145.4%	5.6%

* 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 $787,576 as of June 30, 2022, net of fees and expenses, whereas $100,000 invested in the indexes we compare against would have only grown to between $245,365 in the Russell Micro Cap and $475,984 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 June 2022, the fund's holdings were trading at less than 7 times our estimate of earnings for the coming year, and under 5 times earnings net of cash at the respective businesses.[2] Weighted price to book was 1.2. Dividend yield was 0.6%. Weighted return on equity as of March 31, 2022 was 18.9%.

Cash Levels and Fund Repositioning

We started the quarter with cash levels at 5% and ended the quarter at 14%. The big increase was primarily due to the settlement and sale of shares in **Nocopi Technologies** (NNUP) and new money coming in.

On the buy side, late in the quarter we started building large positions in two microcap companies that we think have the potential to be significant compounders. Both are trading at less than eight times trailing earnings, and we expect earnings to grow in excess of 20% annually for the next ten years without the need for additional capital. Due to the low current price-to-earnings ratio, we think the average annual return for the two stocks will exceed their growth rate if the market re-rates the stocks to a higher P/E multiple. We expect to provide more detail in our Q3 or yearend letter, depending on when we are finished buying. If they are not the most attractive investments we have made in the fund's sixteen-year history, they are certainly in the top three! We are trying to steadily buy without pushing up the share prices, which is extremely difficult in microcaps.

We purchased shares in **Harbor Diversified** (HRBR) during the quarter. Harbor is the holding company for Wisconsin Airlines, which has a capacity agreement with United. The attraction is the high cash balance and current profitability. The concern is the contract with United ends in 2023. Our purchases were at prices below the company's net cash balances of $2.24 per share, and at less than 70% of book value per diluted share. Harbor earned $0.14 per share in Q1 and $0.15 in Q4 of 2021. Neither quarter benefitted from funds from the payroll support program. They should be able to earn $0.60 per share before the expiration of the capacity agreement. The stock currently trades at round $2.20 per share.

In addition, we increased our holdings in **Western Capital Resources** (WCRS) after it declined sharply due to their decision to go dark. Shares are currently under $5 per share. The company has $5.77 per share in net cash, and trailing earnings of $1.15 per share. The company repurchased shares last September at $7. It is 80% owned by Blackstreet and management. We expect the stock to end up on the expert tier or possibly not even trade at all. They did say they expect to make annual repurchase offers, but who knows what the valuation will be.

Expert Market Exposure

We continue to increase our exposure to shares trading in the expert market. These 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 19% exposure and ended at 22% of the fund.

[2] Ratio excludes cash held by the fund. We add back non-economic amortization in our earnings estimate.

We sold out of **CCUR** (CCUR) at a loss, and we received proceeds from the buyout of **Adfitech** (ADFT). We made roughly 70% on Adfitech in less than a year. Unfortunately, there was just never any liquidity to make it a meaningful position. Better a small gain than no gain.

As noted above, our current exposure to expert market stocks is approximately 23% of the fund's assets. Three positions make up about 65% of the amount – **PD-Rx Pharmaceuticals** (PDRX) which is almost 6% of the fund, **Pacific Coast Oil Trust** (ROYTL) is over 4%, as is **Mortgage Oil Company** (MGAG). We discussed PD-Rx Pharmaceuticals briefly in our Q1 2021 letter, and Mortgage Oil in more depth in Q2 2021 letter (link).

Pacific Coast Oil Trust

Pacific Coast Oil Trust (ROYTL) is an expert market stock. It is one of the more complicated and interesting stories we have come across. It is an oil and gas trust that was sold to the public in 2012 at $20 per unit. The trust gives unit holders the right to 80% of cashflow after the payment of production and development costs for oil fields located in Los Angeles and Santa Barbara counties. At the time it went public the seller, Pacific Coast Energy Company (PCEC), formerly BreitBurn Energy, was retaining 52% of the trust units and selling 48% to the public.[3]

Fast forward a few years, oil prices had declined from $100 per barrel to $60 and production had declined from 3,400 barrels per day to 2,200 resulting in sharply lower distributions. By 2018 the trust was trading between $2 and $2.50 per unit and paying roughly $0.30 per unit annually. In September 2019 PCEC was acquired by NewBridge Resources. Just a few weeks later, in October 2019 PricewaterhouseCoopers (PwC), the trust's auditors resigned. In the 8-K filing on October 4, 2019 it stated, "PwC advised the Trust that information had come to PwC's attention that causes PwC to be unwilling to be associated with the Trust's financial statements in the future." You don't see that every day. The November 13, 2019 8-K notes that a 50% owner of NewBridge was or may have been affiliated with a company that filed for bankruptcy in 2015. Clearly there was more to the story. We have read unconfirmed reports that allege the buyers have criminal records that include embezzlement and insider trading. Talk about messy. Yet we aren't actually done yet. That is only the who and the what, it is the how and the why that complete the picture.

In the same November filing, PCEC notified the trust that PCEC intended to deduct future plugging and abandonment costs (also known as asset retirement obligations, or ARO) from the amounts otherwise payable to the Trust under its Net Profits Interest beginning January 2020. The amount of estimated cost was $56.7 million. Annual payout from the trust at the time was about $10-11 million. The costs were not expected to occur for a number of years. Some wells were expected to be exhausted within five years, while for other wells it would be thirty years or more into the future. The assessment would result in no payments to unit holders for a number of years, which would trigger a clause forcing sale of the trust.

The trustee must have pushed back because PCEC commissioned Moss Adams to assist in determining the estimated asset retirement obligation (ARO). Moss Adams calculated it at $45.7 million, which was $11 million lower than before but would still trigger an eventual sale. The trust commissioned their own study by Martindale and came up with $28.7 million and communicated that the trust conveyance permits the amount to be accrued versus how PCEC wanted to treat it (all up front). It seems that the new owners of PCEC

[3] In 2013 PCEC sold 85% of the remaining units it held in a secondary offering at $17, and then in June 2014 sold the remaining units at $13.

wanted to charge it up front knowing it would force sale of the trust in two years, and give PCEC all the cash flows in the interim.[4] The trustee wanted to amortize the ARO over five years believing that was most equitable to unit holders, which was logical, but probably not consistent with GAAP (generally accepted accounted principles) which would require recognizing the present value of the liability immediately.

The prospect of no further distributions sent the unit prices plummeting to 30 cents. No quarterly or annual filings were filed as there was no auditor. Unit holders did get monthly updates via press releases and 8-K filings from the trustee on production, revenues, expenses, operating income and the 80% net profit interest. Then COVID hit and oil plummeted from $60 per barrel to near $0 before resettling around $30 and slowly climbing back toward $60 by fall 2021. Due to COVID PCEC shut some production in. In July 2020 a unitholder filed suit. Unit prices fell to around 10 cents. Then it got even stranger. PCEC's CEO who had the troubled past was ousted and supposedly blew the whistle in court. To make a long story a bit shorter. The court granted standing and prohibited dissolution of the trust. That eventually led to a three person arbitration panel that decided for PCEC, but that decision is still on hold pending settlement discussions.

Units are currently trading around $0.32 per unit. So why did we buy units? We came to the conclusion that there were only a few likely outcomes:

1) Worst case – Unitholders have to pay full ARO and it leads to Dissolution of Trust. The two years of no payments by the trust has already occurred (from spring 2019 to spring 2021), and assuming court decisions all go against unitholders it would lead to an auction of the interests, where after payment of what remains of the ARO the remaining balance of the proceeds would go to unitholders. In this scenario time is our friend, particularly now that oil has risen to around $100 per barrel. As of May 2022, the higher estimate of the ARO remaining was $14.3 million and the balance was declining at about $1.5 million per month. By the time of an auction it could be paid off or nearly so. With oil at $100 the trust is generating roughly $4.5 million per quarter or $0.12 per unit. What would an investor pay for the that? Assuming a conservative three-year payback for the buyer comes to $1.50, and a 5x return for the fund from current prices. If the buyer assumes oil averages $80 per barrel, then cash flow is $12 million per year, or $0.32 per unit, and a three-year payback valuation comes to $1 per unit or 3x the current price.

2) Some kind of settlement where PCEC buys out unitholders or agrees to amortize the ARO. A buyout would likely have a similar valuation of the worst case scenario. A settlement about ARO treatment would result in the trust continuing in existence and unit holders receiving monthly payments. With oil at $100, the trust would earn $0.12 per unit per quarter. What is that worth in the (expert) market if the ARO issue is settled? We think more than the worst case.

3) Bonanza – somehow the court finds PCEC acted inappropriately, or it finds that a major portion of the ARO has already been assessed. We noted to the group filing suit that the original prospectus noted that $22.3 million of ARO had already been accrued before the trust was created.[5] Thus we think it is possible, if not likely, that PCEC is charging something that was already (partially) accrued for. If so, that is $0.66 per unit based on 38 million units outstanding. The value of the units could be near $2 or more.

The bottom line is we don't know precisely what the units are worth, but our analysis concluded that it is likely more than the current price. We made it a 4% position in the fund. Hopefully we are not missing a key issue. Time will tell.

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[4] As best we can tell, the funds did not need to be segregated in a separate account. It may be that PCEC could use the funds for other purposes while retaining the liability.

[5] See note 7 https://www.sec.gov/Archives/edgar/data/0001538822/000119312512212391/d273119d424b1.htm

BM Technologies

In our third quarter 2021 letter we profiled **BM Technologies** (BMTX) a fintech company. Almost immediately after we purchased the shares, the price jumped by 40%. We trimmed the position. Soon after the price began declining. To refresh your memory, BMTX was originally part of **Customers Bancorp** (CUBI). It was sold to Megalith Financial Acquisition Corp., a SPAC. BMTX has developed a fintech banking platform which provides digital banking and disbursement services to consumers and students in the United States. It facilitates deposits and banking products and services between customers and partner banks. The company provides access to a suite of banking products, including checking, savings, personal loans, credit cards, and student refinancing. They are not a traditional bank. It is a white label platform for other companies such as T-Mobile.

Approximately half of BMTX's revenue is from payments by Customers Bancorp for roughly $2 billion of deposits, and technically a sharing of the net interest margin Customers expected to earn. (It looks like it was a sweetheart deal. The CEO of BMTX, Luvleen Sidhu, is the daughter of the CEO of Customers, Jay Sidhu). Customers essentially has been paying BMTX just over 2.75% for their deposits. Late in 2021 Customers informed BMTX that it would not be continuing the relationship after the end of 2022. In a near zero interest rate environment, BMTX had a problem. They were going to see earnings drop precipitously in 2023 as it was highly unlikely they would receive nearly 3% for deposits. Trailing adjusted EBITDA was $2.40 per share. If they only earned 1% on the deposits, EBITDA would be breakeven or slightly negative.

BMTX's solution was to purchase a small bank and bring the deposits in house. They agreed to buy **First Sound Bank** (FSWA) for $25 million. The problem is the level of deposits would far exceed the bank's capital necessitating a large capital raise, which would significantly dilute shareholders. At best net income would hold steady but the share count would double or possibly triple, meaning earnings per share would decline by 1/2 to 1/3. And that assumes they rapidly built up a lending team and loan portfolio, which does not happen overnight.

Another issue also came up at the beginning of the year. BMTX had to restate their financials due to how they treated some stock compensation. Previously the cost had been borne by Customers Bancorp, but auditors decided BMTX should have amortized it over calendar 2021 and 2022. BMTX made the adjustment, filed its annual report, and then dismissed its auditors.

Just one of the major issues BMTX faced - needing a capital raise when you are seen as desperate, are associated with a former SPAC, have had an accounting issue that led to changing auditors, and being in the midst of a sharply declining market – would be a challenge. Facing all was a perfect storm. Buyers were waiting for a bottom. Then inflation kicked up, pushing interest rates up. BMTX went from the likelihood of having the 2.75% service revenue on its deposits declining to less than 1%, to potentially having no drop at all. One-year CD rates are now 3% and have been trending higher. BMTX can broker the deposits out to numerous banks and replace the relationship with Customers. Today, they may be buying a bank they don't actually need, but that is a much better problem than what they faced six months ago.

The strange thing is that the market has not made an adjustment. The stock has languished at $6 per share, which is just 2.5 times trailing adjusted EBITDA of $2.40 per share. BMTX has no debt and we estimate end of June 2022 cash levels to be close to $35 million, or nearly $3 per share. While $25 million will go to buying First Sound, they will still have a solid balance sheet. BMTX announced hiring KPMG as auditors this week, and we expect them to be current in their filings by mid-September.

The risks are that rates decrease. Despite what the current administration says, we are technically in a recession – two successive quarters of negative GDP. Are we likely to return to zero interest rate policy? Probably not, but that does not mean rates won't be lower a year from now. The inverted yield curve also implies rates in the future will be lower. Having spoken with BMTX's CFO, we think BMTX has a proper understanding of the situation and will act rationally. Our hope is that BMTX is able to stay a fintech company and not turn completely into a bank that is subject to regulatory capital requirements. As a fintech they can earn much higher returns on equity and will not need to keep all that equity in the business.

For the moment, we think the current valuation of just over one times EBITDA, net of cash is absurdly low. Assuming the bank purchase closes, the valuation is two times EBITDA net of cash, plus the value of the bank. Barring a drastic change in the other parts of the business, the downside scenario is the company functioning at breakeven. If that occurred two years from now cash would equal the current value of the company. Thus, we think the downside is very minimal, and the upside substantial. In addition, they are still working on gaining additional white label partners, and were successful in the first quarter, and deposits are still growing.

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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Fund Performance

The financial performance figures for 2022 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, except for unlisted stocks classified as expert market, which do not have public availability of quotes, and are marked to last sale.

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.