CEDAR CREEK PARTNERS, LLC

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

July 21, 2023

Subject: Cedar Creek Partners 2023 Second Quarter Results

Dear Partners and Friends:

The NASDAQ continued to destroy the other major US indices in the second quarter and first half of 2023. The NASDAQ rose 12.8% in the quarter and was up 31.7% for the first half. The tech leaders of the NASDAQ were largely responsible for the strong performance of the S&P 500 as well. Cedar Creek decreased by 2.5% in the second quarter, and was up 3.7% for the first half of 2023, net of fees and expenses.[1] Under performance versus the Russell 2000 and Russell Micro Cap was primarily attributable to our higher bank exposure during the quarter.

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 17 1/2 year history is 14.0%, net of fees and expenses, which compares favorably to all the indices we compare against. Cumulative returns since inception for Cedar Creek were 883.9%, net of fees and expenses.

	Q2 '23	1H '23	Inception	Ave. Annual
Cedar Creek	**-2.5%**	**3.7%**	**883.9%**	**14.0%**
NASDAQ	12.8%	31.7%	495.1%	10.8%
S&P 500 (SPY)	8.7%	16.8%	383.6%	9.4%
DJIA (DIA)	3.9%	4.8%	368.2%	9.2%
Russell 2000	5.2%	8.1%	237.6%	7.2%
Russell Microcap	5.3%	2.3%	161.6%	5.7%

* 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 $983,863 as of June 30, 2023, net of fees and expenses, whereas $100,000 invested in the indices we compare against would have only grown to between $261,642 in the Russell Micro Cap and $595,066 in the NASDAQ.

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[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 2023, the fund's holdings were trading at 5.0 times our estimate of earnings for the coming year, and 4 times expected earnings net of cash at the respective businesses.[2] Trailing earnings multiple was 7.6 times assuming no earnings for **Pacific Coast Oil Trust** (ROYTL), or 6.0 times assuming the ARO assessment is improper and ROYTL should have earned $0.27 per unit in 2022. Weighted price to book was 1.3. Dividend yield was 1.9%. Weighted expected return on equity as of June 30, 2023, was 25%.

Cash Levels and Fund Repositioning

We started the quarter with cash levels at 16% and ended the quarter at 8%. We continued to increase our holdings in **PD-Rx Pharmaceuticals** (PDRX) and **First IC Corp** (FIEB). First IC is a community bank focused on the Korean community that was not a recipient of funds through the Emergency Capital Investment Program (ECIP). It trades on the expert market and was selling for about three times trailing earnings, about half of book value, and had a dividend yield of 16%. PD-Rx is also on the expert market and trades at three times trailing earnings, and just over one times earnings net of cash.

Expert Market Exposure

Our exposure to stocks trading in the expert market increased significantly in the quarter, due to purchases noted above in PD-Rx and First IC, and due to the purchase of **Propel Media** (PROM) profiled below. 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 27% exposure and ended at 37% of the fund.

Three positions make up about 65% of the expert market exposure – **PD-Rx Pharmaceuticals** (PDRX), which is about 12% of the fund, **Pacific Coast Oil Trust** (ROYTL), which is roughly 6.5% of the fund, and **Propel Media** (PROM) is about 5.5%. 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).

Amazing Opportunity in the Expert Market We Have Waited For

While we thought it was a stupid decision by the SEC and harmful to retail investors, our hope was that the expert market would create occasional opportunities to put capital to work at incredibly attractive prices. For the first year we were able to build positions in PD-Rx and Pacific Coast Oil Trust (ROYTL) which could be worth five times its current price if, as we believe, the improper assessment of asset retirement obligations to the trust is reversed by the courts. While both of those opportunities are very attractive, we had yet to come across the opportunity we were hoping for. That changed in the quarter.

Propel Media (PROM) **–** trades on the expert market. We briefly covered it in our 2020 first quarter letter (link). At the time it had 246 million shares outstanding. It traded around

[2] Ratio excludes cash held by the fund. We add back non-economic amortization in our earnings estimate. We project $0.22 in earnings per unit for Pacific Coast Oil Trust.

$0.13 per share and earnings in 2018 were $23 million, or $0.09 per share. Earnings were being used to pay down debt.

We sold the entire position at up to $0.29 in the second quarter of 2021 and explained our reasoning - we had achieved a decent gain and the business was declining – earnings had fallen to $0.04 per share in 2019 and the outlook was not positive.

We felt fine about our decision as the stock rarely traded after implementation of Rule 15c2-11 forced it onto the expert market. In fact, between January 1, 2022 through April 30, 2023 it appears only about 20,000 shares traded. Most at $0.10 per share, which the fund actually bought, and about 1,000 shares at $0.01 and an even smaller amount at $0.0001. The only information we had received was in April 2022 when Propel communicated their decision to sell what had been their primary business for a $24 million note receivable, plus potential earnouts, in order to focus on their healthcare advertising business, DeepIntent.

Apparently, we never updated our google alerts because on May 13 of this year we received an alert about **IQVIA Holdings** (IQV) acquisition of Propel Media potentially being blocked by the FTC (link).[3] This was the first report that there even was a potential acquisition of Propel. What got our attention (massive understatement) was the reported price in the article of $700 to $800 million. Assuming no change in the outstanding shares that would be equal to $2.77 to $3.17 per share. Wow! A $0.10 stock possibly being worth $3 per share. We confirmed the share count at otcmarkets.com was essentially unchanged at just over 252 million. We unfortunately had no way to confirm the potential purchase price – we had to trust that the journalist actually had multiple sources and got it right.

Would the stock price of an expert market illiquid security react to a Politico article noting a possible merger? If so, how long would it take? The price of a listed stock typically reacts within minutes or even seconds. An unlisted stock can take hours or occasionally a few days, but volume is usually only enough for a small investor to make a decent gain. Interestingly, the article did not contain ticker links so it did not show up on financial news platforms for Iqvia or Propel. As we write this neither company has mentioned the possible acquisition.

More importantly, could we get shares in an illiquid, expert market security with public news of it possibly being acquired? It was a long shot but worth trying. We already had in place a 100,000 share "stink bid" at $0.01 per share for a while with no hits. Our broker said there were 5,000 shares available at $0.10 per share. While hardly meaningful we took them. Another 5,000 shares came on the market and we bought those too. Combined that was $1,000 plus commissions. Certainly not meaningful. We ended the day buying 20,000 shares at $0.10 per share. We raised our bid to $0.15 per share, which was the high bid, and waited. And waited. And waited. There were no sellers at all. Nearly a month goes by with nothing happening. On June 14 a small seller of 23,000 shares shows up at $0.30. We didn't want to cause a big price jump, but we decided to take them and keep our bid at $0.15. While we were making some progress, it was still not meaningful in relation to the fund's size. Then my broker called to say another seller showed up with 2,500 shares at $0.35 and he thinks there may be some size behind it, meaning the seller likely wants to sell more shares than what was being displayed.

The broker engaged in negotiations with the selling broker and near the end of the trading day the fund purchased just over 300,000 shares at $0.25 per share. At cost, the $75,000 was still not significant, but if Propel were to be bought for $3 per share it would be nearly a $1 million gain. That is meaningful for Cedar Creek. The next day, June 15, we put out a bid for 200,000 shares at $0.25 to see if the seller was still there, with instructions to buy up to one million shares. Crickets. Bummer. A few hours later my broker emails me that he had negotiated a purchase of one million shares at $0.24. Now we are talking. We added

[3] All acquisitions in the US greater than $100 million go through FTC or Department of Justice review.

another 750,000 later in the day.[4] At day end, we owned over 2.1 million shares at a cost basis of roughly $0.25 per share. We added another 98,000 shares on June 16. We continued our due diligence (see below) and purchased another million shares the following week. That made it our 6th largest position at around 5% of the fund. We must have exhausted the seller because the ask jumped to near a $1 and less than 1,000 shares have traded in nearly a month.

If the acquisition is consummated at the current terms, of roughly $3 per share, we would have a return of 12 times our cost basis, which works out to roughly a 50% gain for fund as a whole, net of fees. We had no idea what will happen. We expected both the seller and buyer to work diligently at alleviating any concerns the FTC had. On July 17 the FTC announced that they were suing to block the transaction (link). While approval would have been ideal, the FTC filing suit does not kill the deal. The FTC had done the same thing, with similar reasoning in the Microsoft / Activision Blizzard transaction and the courts sided against the FTC. A court date for the Iqvia / Propel Media matter was set for December 2023.

Possible outcomes are:

1) The court rules in favor of Iqvia and Propel and the deal goes through!!!
2) The court rules in favor of the FTC and blocks the deal. That means Propel has to be valued on its own merits and maximum value is the price of the next best acquirer, which would most likely be below $700 to $800 million. For us to lose money, the value as a going concern or what the next strategic buyer would be willing to pay would have to be less than 1/10 of what IQVIA is willing to pay. That seems highly unlikely. We also think it is reasonable to conclude that it is more likely than not that Propel is profitable, or about to turn the corner on profitability. Why else would IQVIA pay $700 to $800 million?

We had Propel's 2018 and 2019 annual reports which thankfully broke out the revenue of the healthcare advertising business, DeepIntent, at $3.5 million and $10.5 million, respectively. It also noted an operating loss for DeepIntent of $4.3 million for 2018 and $2.4 million for 2019. Revenue grew significantly faster than costs in both 2018 and 2019.

We combed through DeepIntent press releases and other news articles on the company, and found the following interesting data points:

- DeepIntent press release announced that revenue had increased by 300% or more for four consecutive years between 2017 and 2020 (article). Apparently, someone at DeepIntent is not very good at math – 2019 revenue was $10.5 million versus $3.5 million in 2018, a 200% increase, not 300%. Revenues tripling is 200% growth not 300%. The article noted that 2020 also had 300% growth, so we know it was greater than 200%, which would put 2020 revenue between $31 to $42 million (we split the difference in our estimate below).
- We found a release that noted that DeepIntent had more than doubled in revenue annually from 2016 to 2021. For 2021 we are comfortable projecting a doubling of 2020 revenue to a range of $61 to $84 million.
- We could not find specific revenue growth for 2022. DeepIntent said in a release that they grew revenues in both 2021 and 2022, and that 2022 had robust year-over-year growth. We would not define growth of under 25% as robust, so we assumed 50% growth in 2022.
- A number of reports on employee growth line up with our revenue projections. For example, we read that employee growth doubled in 2020 and was planned to double again in 2021.

[4] At this point we had to add to our analysis proper position sizing. How much do we buy? Is this really a speculative play, or a once in a lifetime opportunity of nearly free upside?

- We also found that **SLR Investment Corp** (SLRC) granted an ABL facility[5] to DeepIntent, which had $16.9 million drawn at yearend out of $20 million of borrowing capacity (p. 7 and 30 of SLR's 3/31/23 10-Q). Most lenders limit borrowing capacity to 85% to 90% of receivables. That level of accounts receivable would exceed our revenue estimates assuming 60 day average receivables (60 days of receivables would equal roughly 1/6 of annual revenue, thus 20 million divided by 90% capacity times 6 = 133 million of annual revenue).

DeepIntent

	2017A	2018A	2019A	2020 E	2021 E	2022 E	2023 E
Revenues	831	3,491	10,455	36,593	73,185	109,778	146,004
% growth		*320%*	*199%*	*250%*	*100%*	*50%*	*33%*
Expenses	2,691	7,789	12,856	35,354	65,405	94,837	123,288
% growth		*189%*	*65%*	*175%*	*85%*	*45%*	*30%*
Op Income (loss)	(1,860)	(4,298)	(2,401)	1,239	7,780	14,940	22,716
per share	$ (0.01)	$ (0.02)	$ (0.01)	$ 0.01	$ 0.03	$ 0.06	$ 0.09

In 000's. 2018 and 2019 are from Propel annual report. 2020-2023 are rough estimates by us[6]

Our conclusion was that even if the deal does not close, we are gaining ownership in a fast-growing company at a very attractive price. At $0.24 per share the market cap is $60 million, which is not only less than 10% of what Iqvia is willing to pay, it is less than half our estimate of current revenue, and possibly two to three times earnings.

Update – on July 19, 2023, the Wall Street Journal had an interesting article (paywall) on the changes in how the FTC was viewing acquisitions. It focused on the FTC's adoption of new guidelines and how it viewed vertical mergers, in particular. The FTC was saying they were just codifying current law in their guidelines, while others argued the FTC was putting forth guidelines that have not been successful in courts lately.

Time will tell if we truly found that amazing opportunity in the expert market or not, but so far, the signs are very positive.

Update on a Few of Our Top Holdings

Pacific Coast Oil Trust (ROYTL) units decreased from $0.49 to $0.47 per unit. The special meeting was held on July 12. 96% of unitholders voting supported removal of Bank of New York Mellon as trustee. 93% of those who voted supported allocating the costs to the Trust instead of having them borne by the group who called the Special Meeting; however, it needed 75% of all units outstanding to be in favor and it only achieved 59% due to the 66% turnout. We were very pleased with the result. It was an important first step and we look forward to unitholders being better represented and ultimately being treated fairly, which we do not think is currently happening.

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. Citizens does not report quarterly earnings, but the bank does file quarterly Call Reports which are available on otcmarkets.com. Earnings for the first quarter of 2023 were roughly $1.70 per share. Second quarter call report was released today, and

[5] ABL is asset based lending

[6] We recognize the possibility that we could be significantly off in our revenue, margin and especially profitability estimates.

earnings increased to roughly $1.85 per share. Annualized, earnings are approximately $7 per share, which is quite low in relation to its $42 share price.

We were one of three shareholders at their annual meeting and came away very impressed with the board, management, and their conservative approach to lending. They have already opened loan production offices in Tennessee and Texas. It was also announced that they participated in a syndicated loan to the NFL.

M&F Bancorp (MFBP) - is a North Carolina based bank that was the second of the two banks we purchased that were recipients of funds through the US Treasury ECIP program. M&F received $80 million of low-cost capital. Due to the bank contagion the share price declined in the quarter from $22 per share to $20.75 per share. Our cost basis is under $12. M&F earned $0.88 per share in the first quarter of 2023 as compared to $0.81 per share in the fourth quarter of 2022 and $0.40 per share in the first quarter of 2022. Most of the earnings increase was from ECIP funds being moved into short-term treasuries earning 4-5%.

A buyer today is paying 6 times earnings for a bank with the potential to see earnings double from an acquisition using the ECIP funds or steadily grow by attracting deposits and making loans. (See our 2022 third quarter letter for a more detailed discussion of ECIP recipient banks.)

Solitron Devices (SODI) - the bid price for shares increased by 6% in the second quarter of 2023 from $10.10 per share to $10.70 per share. As a reminder, I am CEO and CFO of Solitron. During the quarter, Solitron announced fiscal 2023 results and the signing of a non-binding term sheet for a potential acquisition. The target company produces electronic components primarily for the medical industry. Revenue for 2022 was approximately $5.9 million as compared to $5.5 million in 2021.

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

Fund Performance

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.

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.