CEDAR CREEK PARTNERS, LLC

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

October 21, 2019

Subject: Cedar Creek Partners Third Quarter 2019 Results

Dear Partner:

The US market experienced a relatively flat third quarter of 2019. Most indices increased between 0% to 1% in the quarter, except for small caps (Russell 2000) and micro caps (Russell Micro Cap) which fell 2% and 5%, respectively. During the quarter, concerns increased that the economy may be losing steam, which led to one 25 basis point interest rate cut by the Fed.

In the third quarter the fund performed slightly better than the general indices we compare against. For the quarter, the fund rose 2.1%, net of fees and expenses. For the first nine months of 2019, the fund increased 19.1%, net of fees and expenses, which was in line with the overall indices, which were up between 14.2% and 20.6%.[1]

$100,000 invested in the fund at inception in January 2006 would have grown to $455,946 as of September 30, 2019, net of fees and expenses, whereas $100,000 invested in the indexes we compare against would have only grown to between $200,080 in the Russell Micro Cap and $345,240 in the NASDAQ.

	Q3 '19	2019	Inception	Ave. Annual
Cedar Creek	**2.1%**	**19.1%**	**355.9%**	**11.7%**
NASDAQ	-0.1%	20.6%	245.2%	9.5%
DJIA (DIA)	1.8%	17.4%	240.5%	9.3%
S&P 500 (SPY)	1.8%	20.4%	204.7%	8.5%
Russell 2000	-2.4%	14.2%	159.3%	7.2%
Russell Micro Cap	-5.5%	7.9%	100.1%	5.2%

* 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 8% and ended the quarter at nearly 6%. We had a lot of activity in the quarter. We added six new positions and closed out six positions. In addition, we had two short term purchase and sales during the quarter, one of which was a position in **Berkshire Hathaway** (BRK/B), while the other was of minor importance.

[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).

We closed out very tiny positions in **BKF Capital** (BKFG) and **Sharps Compliance** (SMED), as well as a token tracking position. In addition, we closed out **Command Center** (CCNI), **Hennessy Advisors** (HNNA), and **Qualstar** (QBAK). Command Center was a little painful. It was 8% of the fund. We noted in our previous letter that we tendered all our shares for a nice gain at $6 per share. A few days after the tender, shares went to $7. That happens. We cannot perfectly time the bottom or the top and don't try to. Hennessy Advisors had been a holding since 2012, and we had done very well. Some of our shares went up over ten fold. In the last year and a half the share price has been declining and we have been trimming. We finally decided it was time to move on.

We purchased Berkshire in early August at under $203 per share and sold in September at just over $212 per share. While our preference is for long term gains, we have no problem investing in short-term situations. We were comfortable owning Berkshire while searching for more attractive opportunities. In September a number of them came along. **Garden City Company** (GCCO) and **Queen City Investments** (QUCT) are just tracking positions where we needed to purchase shares in order to gain access to the company's financials. We also purchased a small position in **Peoples Bank** (PPBB) a well-run bank that is headquartered near to Lynden, Washington (where the fund is based) and trading at just over ten times earnings.

HC2 Holdings

We initiated a more meaningful position in **HC2 Holdings** (HCHC) a company that is run by former hedge fund manager Philip Falcone. HC2 owns some attractive companies, including 91% of **DBM Global** (DBMG), which the fund also owns. Unfortunately, Mr. Falcone is excessively paid, and has over levered the company. Shareholders are unhappy and seem ready to push for changes. In late September a shareholder survey was done, which revealed how strongly many shareholders want change.

When highly leveraged companies unlock value, the increase to shareholders can be substantial. In HC2's case, the market cap is just over $100 million, while total debt is over $800 million. Enterprise value (excluding cash, which is mostly restricted) is thus approximately $900 million. Therefore a 10% increase in value, or $90 million would nearly double the value of the common equity, and a 20% increase would nearly triple the value of the equity. Book value of equity is over $400 million, so it is certainly possible. Of course, leverage can work against the investor in a powerful way.

Beaver Coal

The largest new position is **Beaver Coal** (BVERS), a limited partnership. It is illiquid, and trades on the pink sheets. There are only 24,878 units outstanding and the current bid is $1,300 and the ask is $1,440. It is not unusual for it to go weeks at a time without trading. Our readers are quite knowledgeable, but we would bet 90% have never heard of Beaver Coal. It is quite similar to Pardee Resources (PDER), a company we have owned in the past.

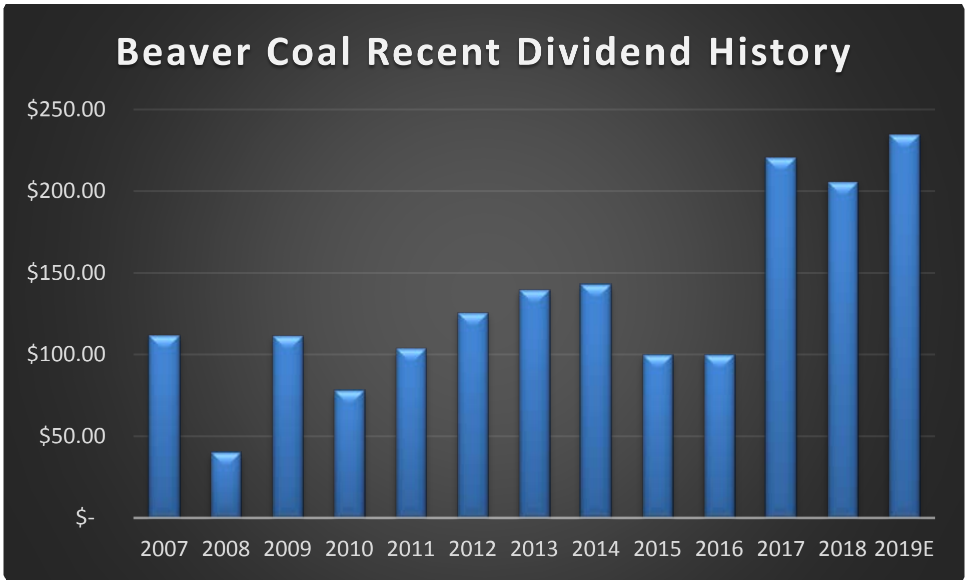
Beaver Coal was founded in 1889 by Anthony Drexel (a banker who founded Drexel University), Logan Bullitt, and J.P. Morgan, when they set out to purchase 50,000 acres of land in West Virginia. Today, Beaver Coal still owns most of that land, from which it receives coal, timber and oil/gas royalties, along with rental income from property, including a storage facility. The royalty model is incredibly attractive. It is capital light, lower risk, and results in low overhead and high gross margins.

Coal royalties are the largest revenue component, which we recognize carries political risk and company risk. The political left is strongly anti-coal, while President Trump has been a staunch supporter, but administrations change. In addition, many coal companies have gone into bankruptcy in recent years. Despite the bankruptcies, the lower cost mines have continued to operate. We also think it is important to note that the coal on Beaver Coal's land is primarily metallurgical coal (used for making steel) and not thermal coal (used in power generation). This means there is not an easy substitute, and that it is more profitable for the producers since met coal has typically traded at two to three times the price of thermal coal even though mining costs are only modestly higher. Beaver Coal has two mines currently producing - The Pocahontas Seam No. 3 (Beckley mine) leased by Arch Coal, and the Affinity mine leased by Metinvest, a Ukrainian company. Both mines began production in recent years. Arch Coal's filings report reserves equal to approximately twenty-five years of production for the Beckley mine. A third mine is currently inactive but may start production in the next year or so. Of course, eventually the coal will be depleted, however, by then the company will have earned substantial sums, and will still have pristine lands, with timber and real estate income, and possibly still oil and gas.

Beaver Coal	**2014**	**2015**	**2016**	**2017**	**2018**
Coal royalties	1,593,326	2,045,790	1,461,622	5,711,329	5,279,696
Rental charges coal	912,631	250,000	295,900	177,600	11,000
Gas royalties	196,060	128,827	133,304	105,405	84,299
Timber	734,813	767,779	1,178,200	934,972	831,958
Rentals	2,129,946	2,060,793	2,129,358	2,079,348	2,150,607
Land Sales	918,661	160,507	-	-	33,558
Other		-	-	-	980,987
Total Revenue	**6,485,437**	**5,413,696**	**5,198,384**	**9,008,654**	**9,372,105**
Salaries & Mgmt Fee	2,085,065	2,061,563	1,923,231	2,086,180	2,607,866
Property Taxes	127,469	130,448	223,456	200,002	215,947
Depreciation	391,016	400,673	419,165	422,261	431,740
Loss on Sale		-	-	16,290	-
Total Expenses	**2,603,550**	**2,592,684**	**2,565,852**	**2,724,733**	**3,255,553**
margin %	*60%*	*52%*	*51%*	*70%*	*65%*
Gross Profit	3,881,887	2,821,012	2,632,532	6,283,921	6,116,552
Interest Expense	102,369	93,410	79,013	66,120	45,188
Profit	3,779,518	2,727,602	2,553,519	6,217,801	6,071,364
NCI	11,343	8,894	9,384	10,087	10,884
Net Profit	**3,768,175**	**2,718,708**	**2,544,135**	**6,207,714**	**6,060,480**
Earnings per Unit	**$ 151.47**	**$ 109.28**	**$ 102.26**	**$ 249.53**	**$ 243.61**
Distributions	**$ 143.00**	**$ 100.00**	**$ 100.00**	**$ 221.00**	**$ 206.00**

Based on the current price, the buyer of the stock is effectively paying approximately $680 per acre. What attracts us most is valuation. We have been buying at just over five times earnings. We also have little reinvestment risk since most of the profits are distributed to owners.[2]

[2] Distributions are subject to a 6.5% West Virginia tax, which the fund plans to accrue and pay so that investors will not have to file individually in West Virginia.



JG Boswell

Another addition to the portfolio in the third quarter was **JG Boswell** (BWEL). JG Boswell engages in the production, processing and marketing of agricultural commodities, primarily cotton, cotton seed, tomatoes, alfalfa, grains, and more recently orchards in the Central Valley of California and Australia. The company has been around for nearly 100 years. Over the last twenty years it has been a vehicle for many value investors to play water rights, as the company has extensive rights in California and Australia. The company tries to stay under the radar. They do not send out financials unless you inform them and show proof you are a shareholder. Boswell is the only company we know that copyrights in financial statements (or at least acts like it has).

Total land holdings are estimated at approximately 285,000 acres. Boswell has one million shares outstanding with a recent price of $650 per share. Book value as of June 2018 was $609 per share. Fiscal 2019 results should be out any day, if not already. In fiscal 2018 revenues were $579 million. Operating income was $23 million, and net income was $9 million, or $9 per share. Results were not typical as the benefitted from a $5 million tax credit but were dampened by a $12 million impairment and $16 million hedging loss. Fiscal 2017 earnings were $30 million, or just over $30 per share. Based on a price to earnings multiple, the company is higher than what we normally pay, but the unlocking of the value of part of their Australian operations shows how unique and valuable Boswell's assets are.

"Whiskey is for drinking; water is for fighting over" *– allegedly Mark Twain*

While we did not purchase Boswell solely because of their water rights, they are a fascinating call option. Prior to starting Cedar Creek Partners in 2006, I worked part-time writing articles for Walker's Manual of Unlisted Stocks Newsletter. In June 2005 I wrote an article on JG Boswell and looked at valuations as a going concern versus with water sales. At that time we estimated Boswell to have rights to 350,000 to 400,000 acre feet of water. One time sales were $125 to $300 per afw and sales of permanent rights were $1,250 to $3,000 per afw.

According to **Tejon Ranch**'s (TRC) 2018 Annual Report (10-K), TRC sold 9,442 acre feet of water in 2018 at an average price of $968 per afw TRC's property is roughly 60 miles south of Boswell's property. We haven't seen any reported prices recently for permanent sales in California. Based on how much water prices have risen in the last fifteen years (4x) and the current low interest rate environment, we think 20-30 times the one time sales rate of $750 to $1,100 per afw is possible, or $15,000 to $33,000 per afw.

We do not think it is likely for Boswell to do a large transaction since it would be public, could get political, and have significant impact to the Central Valley if that many acres were suddenly not farmed. We do think small incremental sales could start to happen in the next ten years. If they could get $1,000 per afw, every 1,000 afw would generate $1 million in revenue. Selling annual rights to 10% of their water, or 40,000 afw, could bring in $40 million of revenues. If water prices continue to climb the impact could be two or three times higher in a decade while costs will be relatively similar. A permanent sale of 20,000 afw (which is just 5% of their water rights) at the higher end price ($33,000 per afw) is equal to $660 million pre-tax, which is more than Boswell's current market valuation. So, while it wasn't the immediate reason for our purchase, it is certainly a factor in our valuation.

Boswell - Recent Catalyst

The more immediate reason we purchased was based on the value of the assets and recent events which we do not believe are priced into the stock.

One key asset is its 46% ownership of Phytogen, a joint venture with **Corteva** (CTVA), a recent spin off of the ag sciences divisions of Dow Chemical and Dupont. Phytogen primarily markets cotton seeds, which makes sense since Boswell is reportedly the largest cotton producer in the United States. Phytogen is reported to have 70% market share domestically for cotton seeds. Boswell's 46% ownership share of Phytogen is carried on Boswell's balance sheet at around $25 million yet Boswell's share of fiscal 2018 earnings were $13 million pre-tax. We would estimate that Boswell's 46% ownership is likely worth $150 million to $200 million, or 10-15 times pre-tax earnings. To be clear, we don't expect any sale of Phytogen; however, we did want to note that book value was significantly understated.

What ultimately motivated our purchase was the Company listing and selling part of its Australian operations, Auscott Midkin, for sale. We have tried to piece together various bits of information to get a more complete picture. We know from old annual reports Boswell purchased Auscott in 1990 for $74 million, of which Midkin was a part. Over the years they expanded and increased operations. We believe Boswell's Australian operations consists of 120,000 to 150,000 acres of farmland and eleven cotton gins. Recent news stories noted that valuations of large agricultural operations were quite high. Boswell listed its Midkin operations for sale. News reports listed it at 17,300 hectares. Since 1 hectare equals roughly 2.47 acres, that means they sold approximately 42,000 acres, along with 50,000 acre feet of water rights. It appears only two or three of Auscott's 11 cotton gins were sold. So we ballpark what was sold at 20-30% of Auscott's total operations. Reports were that the listing and sale was at AUS$300 million plus, or over US$200 million. Since Auscott is probably less than half of Boswell's operations, the price was substantial.

We would estimate Boswell to have a pre-tax gain on the sale of $125 million to $150 million. Boswell is not going to put out a press release. They do not draw attention to themselves, or the value of their assets. The sale certainly shows that current market prices for Boswell's assets are substantially higher than the market value of Boswell's stock.

Update on Portfolio Companies

Two of the fund's holdings announced settlements with activist investors. **Liberated Syndication** (LSYN), a provider of podcast and Web hosting services, did so just after its CEO and CFO entered into settlement agreements with the SEC. The CFO resigned, while the CEO gave back some stock grants. **Tix Corp** (TIXC) settled with an activist investor after management tried to claim the annual meeting votes for the activist investor's slate were void. The settlement saved the company money, since the activist would have sued and almost assuredly won. There is now a divided board. Immediate victories for the activist investors probably would have moved the stock prices up more, but we think in both cases the new board members can make positive changes.

It is really unfortunate to see the amount of shareholder funds management and boards will waste in trying to retain their jobs. When the board of a company valued at $10 million spends a million or two it is quite damaging to shareholders. We know of one case where the costs have gone even higher.

Solitron Devices (SODI), where I am the CEO, climbed 24% in the quarter. Subsequent to quarter end, Solitron announced fiscal second quarter results and that it had retained an auditor for fiscal 2019 and 2020.

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 19% increase year to date, and minor portfolio changes, the ratio is now about 6.0 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.