September 2, 2022

Dear Partner:

Arquitos returned -26.3% net of fees in the second quarter of 2022, bringing the year-to-date return to -35.8%. Please see page four for more detailed performance information.

I took longer than usual to get this quarter's letter out because we were completing Enterprise Diversified's transition to new leadership. The company, now named ENDI Corp. and with the ticker symbol ENDI, closed on the acquisition of CrossingBridge Advisors on August 11. CrossingBridge's CEO, David Sherman, is now ENDI's CEO, and I have transitioned from chairman to director.

Leaders from both companies are excited for the combination. The merger combines CrossingBridge, which is primarily a fixed income asset manager, and Willow Oak Asset Management, ENDI's asset management arm, which is focused on providing operational services to private funds. ENDI also has a pile of cash (approximately $16 million as of the end of the second quarter) and its legacy internet business.

Arquitos took control of ENDI, then named Sitestar Corporation, in late 2015. At the time, the company had some cash, some residential real estate holdings, and operated an internet service provider. We liquidated the real estate over time and did a capital raise in order to provide seed capital to David Waters in order to launch Alluvial Fund. Those endeavors were successful, and eventually led to the launch of Willow Oak Asset Management and its partnerships with Bonhoeffer Fund, Focused Compounding, SVN Capital, and Arquitos.

I made my share of errors, as well. The company, at my direction, made ill-fated attempts in the HVAC industry and in residential real estate in Kentucky. Ultimately what doomed those efforts were the small size of our company and the burdens associated with those subsidiaries complying with public company requirements. Both of those companies could be successful as private companies but were much more difficult to incorporate into the public company structure than we imagined.

I am extremely proud of the efforts that everyone at the company made both in the successes and failures. This was a tremendous learning experience. I am grateful for the people involved in the company, from the board level all the way down. I am certainly a better investor for the experience, seeing the challenges and opportunities that happen behind the scenes of a small public company.

The company decided to acquire CrossingBridge for two primary reasons: we believe that David Sherman is the right person to lead the company and generate significant shareholder value going forward; and we believe that more than doubling the size of the company through this acquisition will allow it to better manage the expenses associated with being an SEC-filing, publicly traded company. I want to thank everyone who came along for the ride. We built a strong foundation over the last few years, and I believe that the future will be more exciting and profitable than the past. I have no plans to sell shares.

It would be helpful for me to share how I view the new ENDI. I want to be clear that this is my own opinion and not necessarily how the company views valuation. My role with the company from here on out is as one of five directors and not as a decision-maker.

I view the company as having three buckets:

1. CrossingBridge Advisors, which is primarily focused on fixed income-like returns through mutual funds and managed accounts;
2. Willow Oak Asset Management, which provides operational services to private investment funds; and
3. Opportunities, which is the pile of cash that can be opportunistically deployed and the legacy internet service provider business.

CrossingBridge provides predictable cashflow. Willow Oak is volatile due to its heavy reliance on fee shares that depend on the performance of the funds in which it is partnered. With the exception of the internet business, the results from the opportunities bucket will be unknown, but I expect that over time investment returns made from this bucket will be substantial.

CrossingBridge and Willow Oak can be valued through traditional income statement metrics such as free cash flow generation, net income, etc. Opportunities can be valued on its balance sheet until it is deployed, though I will say that I believe that the value of the internet operations is far in excess of what it shows up at in the balance sheet, so a private market adjustment can be made to it. It will take a few clean quarters to determine ongoing overhead expenses for the entire company.

ENDI's latest filing was through June 30 and did not include any CrossingBridge financials. However, the current stock price is below the company's June 30 cash position, so there is now a substantial margin of safety.

****

It goes without saying that this has been a difficult year for overall performance in the fund. However, I am optimistic about the portfolio. There is a significant disconnect between the current stock prices of our holdings and their value. These disconnects do not last forever.

I have not made material changes to the portfolio since the end of last quarter. Our largest positions remain ENDI, Countryside Partnerships (CSP.LN), St. Joe (JOE), Pendrell (PCOA), Nam Tai Properties (NTP), and ALJ Regional Holdings (ALJJ). Share prices of each (other than PCOA) have taken a hit this year—some substantially so. However, these companies' underlying operational performances have held up. While some patience is required, I also won't hesitate to sell a position that I consider cheap in order to buy into another cheaper and safer investment. I continue to scour our investable universe for new opportunities.

It has been an exciting time to be an investor. There are a number of interesting special situation opportunities in the markets right now, both in large and small companies. I expect more restructurings, divestitures, and spin-offs, as well as increased activism, tender offers, and other company-specific activities. These are the things that I follow in order to find new opportunities. The environment is ripe for them.

Thank you for your support through the years, both of Arquitos Capital and ENDI. I look forward to keeping you updated on our progress.
Best regards,

Steven L. Kiel

Arquitos Performance Compared to the S&P 500

	Arquitos (Gross)	Arquitos (Net)	S&P 500
2022 YTD	-35.5%	-35.8%	-20.0%
2021	56.5%	54.9%	28.7%
2020	-1.3%	-2.3%	18.4%
2019	-13.8%	-14.7%	31.5%
2018	-30.6%	-31.3%	-4.4%
2017	80.8%	64.0%	21.8%
2016	65.4%	54.9%	12.0%
2015	-14.0%	-14.8%	1.4%
2014	72.8%	57.8%	13.7%
2013	58.7%	46.6%	32.4%
2012*	9.0%	7.2%	4.9%
Cumulative	358.3%	205.6%	235.0%
Annualized	**16.0%**	**11.5%**	**12.5%**

*Founded April 10, 2012

Disclaimer

This letter is for informational purposes only and does not reflect all of the positions bought, sold, or held by Arquitos Capital Offshore Master, Ltd. or its feeder funds, Arquitos Capital Partners, LP, and Arquitos Capital Offshore, Ltd. Any performance data is historical in nature and is not an indication of future results. All investments involve risk, including the loss of principal. We disclaim any duty to provide updates or changes to the information contained in this letter.

Performance returns presented above are for Arquitos Capital Partners, LP and reflect the fund's total return, net of fees and expenses, since its April 10, 2012, inception. They are net of the high water mark and the 20% performance fee, applied after a 4% hurdle, as detailed in the confidential private offering memorandum. Arquitos Capital Offshore, Ltd. was launched on March 1, 2018. Returns from Arquitos Capital Offshore, Ltd. may differ slightly and are not presented here.

Performance returns for 2022 are estimated by our third-party administrator, pending the year-end audit. Actual returns may differ from the returns presented. Positions reflected in this letter do not represent all the positions held, purchased, or sold.

This letter in no way constitutes an offer or solicitation to buy an interest in Arquitos Capital Partners, LP, Arquitos Capital Offshore, Ltd., or any of Arquitos Capital Management's other funds or affiliates. Such an offer may only be made pursuant to the delivery of an approved confidential private offering memorandum to an investor.