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Sporting Ranch Capital 2012 Year End Investor Letter

2012 witnessed a variety of macro-economic events including the re-election of Barack Obama, additional stimulus that has nearly tripled the size of the Fed's balance sheet, an increase in national debt that is now in excess of \$16 trillion and continued European contagion. On a positive note, 2012 witnessed the launch of Sporting Ranch Capital. SRC has closed on four ranch acquisitions since August and is currently conducting due diligence on two additional acquisitions before closing Fund I.

The Hidden Lake Ranch

SRC closed on our first acquisition on August 15 paying \$6,600,000 for the Hidden Lake Ranch. Hidden Lake is a 760 acre property located 21 miles from Pagosa Springs, CO. This was a classic distressed sale that Dan Murphy of Team Murphy Realty characterized as, "the best buy in this valley in the last two decades." SRC has budgeted \$1,450,320 for improvements over two years as follows: \$775,000 for stream enhancement. \$252,650 to add a new lake. \$54,670 to enhance 5 existing lakes and install custom pond aeration systems. \$177,000 to construct 18,000 feet of buck and rail fencing. \$25,000 for clean-up and structure removal. \$47,000 to bury 8,100 feet of power cables. \$34,000 for a complete overhaul of the irrigation systems including 9 new head gates and ditch maintenance. \$85,000 for a 45 ft. x 16 ft. HS-20 load bridge over the river.

SRC hired a project foreman named Bob DeWees that has proven to be a valuable team member. SRC is paying Bob \$25/hour and have thus far paid him and his two helpers \$15,672 for removing brush and trash piles, demolishing old barns and cabins, winterizing the remaining cabins, restoring historical structures, eradicating weeds, and monitoring for security. Bob located a 6-person salvage crew in Cortez, CO that worked for ten days removing old fencing, structures and debris. They hauled off eight tractor-trailer loads of junk and their only compensation was retaining the scrap metal.

SRC retained the services of CFI Global for fisheries enhancement (for more on CFI go to www.sportingranchcapital.com > Investment Strategy > Enhancement Strategy). CFI is currently working on Phase 1 Data Gathering including biological data collection and analysis, aerial and topographical delineation, water quality monitoring, basin hydrology research and interpretation, and historical flow analysis. CFI has also installed Doppler data

loggers in the stream bed to monitor current flow rates. Phase 2 CAD Design & Permitting begins in February. In June CFI will begin Phase 3 Habitat Construction. Stream enhancement has become quite the advanced science. We have thus far paid CFI \$181,500.

The Hidden Lake Ranch will be available to investors for recreation by Labor Day 2013. The cabins are adequate and Elk tags are sold over the counter. Please contact us if you are interested in making arrangements for hunting in 2013. SRC will also begin marketing the property for sale by Labor Day 2013.

Woods Creek Ranch

SRC closed on our second acquisition on October 9 paying \$765,000 for Woods Creek Ranch. Woods Creek is a 160 acre property located 3 miles from Driggs, ID. The previous owner was a developer that paid \$2,000,000 for the property in 2009 and spent another \$80,000 improving the wetlands habitat. SRC has budgeted \$500,000 for improvements: \$200,000 to enhance 1.2 miles of Woods Creek. \$29,000 to add a 1 acre trout pond. \$10,000 to construct an entrance, 450 feet of buck and rail fencing and bridge railing. \$32,000 to bring power to the property and bury power cables. \$19,000 to construct a skeet range. \$210,000 to build a beautiful three-bedroom cabin.

SRC has purchased and installed a magnificent entrance for \$3,963. The entrance was constructed for a buyer that agreed to pay \$10,000 but was unable to complete the transaction. Bridge railing has been installed at a cost of \$1,500. 450 feet of buck and rail fencing has been constructed and existing fencing repaired at a cost of \$4,925. Power has been brought onto the property at a cost of \$25,447.

SRC has purchased a beautiful three-bedroom cabin from Pioneer Log Homes for \$25,985. Once again, the cabin was ordered by a buyer that agreed to pay \$56,000 but was unable to complete the transaction. The cabin will be moved onto the property this spring, finished out and ready to use by July. Constructing a home is not usually part of the enhancement strategy, however, SRC concluded that for the resale of a property in this price range, a cabin would add incremental value.

SRC has retained the services of Dave Rosgen for fisheries enhancement. Rosgen is the "godfather" of the industry and takes on a limited number of projects each year. SRC is fortunate that Dave accepted a teaching assignment nearby and wanted to use Woods Creek as his "classroom." Rosgen has submitted his enhancement plan and will begin work in the late spring.

Woods Creek will be ready for investor use in July. Close proximity to the Henry's Fork, Bitch Creek and the South Fork of the Snake offer exceptional fishing opportunities. The waterfowl and upland bird hunting is considered the best in the area. The property is a 35 minute drive to Jackson Hole, WY and forty minute drive to the southwest entrance of Yellowstone National Park.

The Chama Ranch

SRC closed on our third acquisition in December. The Chama Ranch is a 518 acre property located 5 miles south of Chama, New Mexico. The previous owners contributed the property to the Fund in lieu of a cash investment at a value of \$4,500,000. SRC spent considerable time and effort to ensure this was an arm's length transaction and concluded the purchase was appropriate for the Fund at the agreed upon valuation. SRC has budgeted \$104,000 for improvements: \$12,000 to add 100 pounds of fish per acre to the Rio Chama. \$20,000 to add 300 pounds of fish per acre to the 5 lakes. \$48,000 to construct an ATV bridge over the Rio Chama. \$19,000 to construct a skeet range. \$5,000 to create an upland bird component.

The property contains 2 miles of the Rio Chama and 5 beautiful lakes all of which have been professionally enhanced. The Chama Ranch also contains a 100 year old three bedroom adobe home and log barn as well as a one bedroom guest apartment. SRC will construct the bridge, improve the fisheries to Gold Medal status and begin marketing the property for sale this summer.

The Chama Ranch offers an excellent opportunity for investor recreation. The accommodations are very nice and the area is well known for its trophy elk and mule deer populations. The property has 5 land owner elk tags and mule deer tags are sold over the counter.

The Upper Provo River Ranch

SRC closed on our fourth acquisition on December 13 paying \$3,190,000 for The Upper Provo River Ranch. The Upper Provo is a 204 acre property located 20 minutes from Park City and 11 miles from Deer Valley. The property was previously owned by the Mormon Church and the purchase was complicated. SRC worked with another buyer that had the property under contract but was unable close. SRC also had to negotiate with the Church to purchase adequate water rights. SRC has budgeted \$1,000,000 for improvements: \$350,000 to enhance the Upper Provo. \$550,000 to enhance 2.1 miles of the north spring creek and add 2.64 surface acres of oxbow still water. \$100,000 to enhance the south spring creek and add a 1.7 acre pond. SRC is in the process of bidding out the ranch entrance and fencing.

SRC has retained the services of CFI Global for fisheries enhancement. SRC has also retained the consulting services of Tyler Alred and Harriet Natter to facilitate stream design and permitting in Utah. This was necessary due to the presence of the Columbia Spotted Frog on the property. SRC hopes to have permitting approved and to begin enhancement in July.


This acquisition was unique in that the Mormon Church rarely sells land and properties on the Upper Provo are highly coveted.

Commitment Summary

SRC has drawn \$15,000,000 of capital from fourteen investors and has several large commitments yet to be called. We intend to close Fund I at \$25,000,000 which will provide capital for several more acquisitions and remaining capital expenditures.

Please never hesitate to contact us with questions or comments and thank you for your continued support.

Best regards,


Jay Ellis
Founder

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