BISON INTERESTS LLC

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Dear Bison Investors, July 25th, 2018

For the month of June, Bison was up 0.94%, net.

We are pleased to announce we have moved. We are fortunate to have been invited to a building owned and occupied by a client and highly successful value-add real estate investor.

The oil & gas credit market, especially for medium and larger size companies, is as strong as we've seen it in the last several years. Credit deals are being priced as if the '08 financial crisis and '14 oil price crash didn't happen.

As value investors, it's insanity.

That said, the robust credit market is supportive of oil and gas equity prices over time and certainly boosts asset valuations, especially on the larger side.

This credit phenomenon is feeding into a trend we're observing- a trend that will substantially benefit Bison's portfolio. A move towards consolidation for two particular reasons:

1. The bigger an oil & gas company is today, the cheaper cost of capital they're able to obtain

2. Blind indexing and passive investing has grown more and more popular and a material amount of money has moved away from active management and into this crowded approach. This has pushed companies towards merging so that they're larger and, therefore, qualify to be included in whatever index or ETF they aspire to be included in-

We recently saw a transaction in Canada take place that only makes sense when you take the above two things into consideration. Baytex Energy Corp. announced the acquisition of Raging River Exploration (Raging River) in an all stock deal. Best we can tell, Baytex gets access to cheaper credit while Raging River backfills its higher valuation, both accomplished by getting bigger through this merger.

Beyond the strong credit market, there is an aggressive appetite for assets. Ironically (or not), the more people tell us the asset market is softening, the more CAs are signed in sales processes, the more bids are being submitted, and the higher prices assets are selling for relative to market expectations.

We attribute this to part of the cyclical nature of things- the minute everyone agrees something has been left for dead, everyone participates.

As more of the money that has been raised by energy private equity funds over the last three years gets deployed into assets, Bison benefits. The transactions taking place at such extraordinary prices are supportive of the Bison portfolio.

The Bison portfolio company we referenced last month that has pipeline assets and gas plants under LOI has progressed to a definitive agreement. As a refresher, this is a natural gas production company, trades at a low cash flow multiple, and is being treated as if it is going out of business.

The assets now under definitive agreement and progressing towards sale are unused pipelines and gas plants and the sale will have no impact on the company's cash flow. Further, there is no cash flow provision on the sale.

This same company is in the process of entering into another LOI to sell down additional non-core assets that are supportive of Bison's initial valuation of the company and this particular sale will have no impact on the cash flow or operations of the business.

These types of transactions substantiate part of Bison's strategy and approach when assessing an investment:

> Invest in the stock of a company that has non-core or non-cash flowing assets that can be sold for a profit and
>
> - recover a material portion of our cost basis and
> - realize a meaningful increase in the value of the company we invested in-
>
> <u>this happening even without production growth or a commodity price recovery</u>

Another Bison portfolio company we own because it's down the fairway for what we look for – well run, cheap on a cash flow and production basis, growing double digits within cash flow, and has less than one times debt to cash flow - recently announced their intent to sell an asset in an emerging shale play. The asset should sell for 5-10% of their market cap, despite the company having paid nothing for it when they acquired the land position for a different oil formation years ago.

Apparently, word is out on this anticipated transaction as the stock has nearly doubled over the last two months and is up another 13% in the last two weeks.

These things get priced in to a position we're invested in, we will trim, manage risk, and retain that capital in order to buy more of that stock if a pullback takes place after the official announcement is made. Alternatively, if there isn't an opportunity to buy more of that stock at an attractive valuation, we'll redeploy the capital elsewhere. And when there are no more such opportunities, we will return capital to our investors.

Resolute in our approach, we're identifying and investing in valuable companies that trade at a big discount, independent of the oil price increasing over the last 12 months.

We are grateful for your trust and confidence in us and thankful to have you as an investor. Please reach out to us directly if you have any questions or if there's something you'd like to discuss further.

Make It Count,

Carter Higley

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