

November 11, 2010

Trec Office Mv LLC
567 Mountain Village Blvd Ste 106A
Telluride CO 81435-9522

**RE: New Ski Area Master Plan, New Golf Course Master Plan,
New Town of Mountain Village Comprehensive Master Plan**

Dear Trec Office Mv LLC,

I would like to share information with you regarding the three plans listed above, and why they are so important. These plans have been worked on independently, but simultaneously, over the past two years. I am reaching out to you, because it is very important that these plans merge and balance with one another in order to achieve sustainability for the Telluride Ski Area and the Town of Mountain Village – to protect and enhance property values, and optimize this alpine community for the people who live, work and play here.

Without a stable economic foundation, the town will not be able to sustain important services, and municipal shortfalls could end up on the backs of property owners and small businesses. If the village's economic model is not corrected, people could be forced to "carry" the town because the local village economy is weak.

The current macro economic recession has exposed the weak underpinnings of Mountain Village. Without continual "development fees" to rely upon, the municipality continues to burn through reserves at a rapid rate. The town's dependency on real estate development fees is not sustainable in the long run. The economic model for the Town of Mountain Village needs to be tweaked towards a sustainable, long-term, operational framework while protecting both the quality and character of the community.

Historically, there has been a struggle to understand why Mountain Village lacks vitality and economic sustainability aside from just a few holiday periods each year. Many experts have done studies and made recommendations, but solutions have not matured or solidified.

The time has come to get involved in shaping a more sustainable community in Mountain Village.

SKI AREA MASTER DEVELOPMENT PLAN

To give you some background information; the ski area is currently operating under a USFS plan which was approved in 1999. TSG has been asked by the USFS to update this plan. We are excited about this process, and appreciate all the input we have received.

We have held 5 public meetings, done extensive on-line surveys and had several one-on-one conversations with 2nd homeowners, full-time residents, business owners/operators and governmental officials regarding this plan.

Several potential improvements to the ski resort have been identified, including:

- A) ***New On-Mountain Restaurants*** – We feel this is important, as the dining experience defines the high-quality brand of the resort. The European model indicates a larger number of small restaurants, with exceptional service and menus. The American model indicates a smaller number of large restaurants with self-service and plastic trays. Feedback indicates a preference for the European restaurant model on-mountain. Alpino Vino is a good representation of the European model. Of course Gorrone Ranch, Big Billie's and the Village restaurants will continue to supply grab and go options.
- B) ***Expanded Ski Terrain*** – The feedback we have received strongly supports additional terrain, especially in the non-expert category. We are being encouraged to develop additional intermediate to advanced terrain. Both open ski runs, and thinning out of the forests (glading) is desired.
- C) ***Expansion into Delta Bowl*** – We have heard from a majority of people that they would like to see this chairlift, as well as the associated intermediate and advanced terrain developed. The area is located to the southeast of the Revelation pod. Access would be gained from a new surface lift above the Revelation lift. Lift construction would be quite easy using a helicopter, causing minimal environmental impacts. An old mining road already exists from the top terminal to the bottom terminal. Because the entire pod is above tree line, there is no tree removal associated with the project and no wetlands would be affected. We already have underground power near the top terminal. The project would require only a small expansion of the ski area USFS permit boundary.
- D) ***New Children's Learning Center*** – This would be separate from the main base area ski runs.
- E) ***New Summer Trails*** – Feedback indicates a desire for more summer trails, which are not too steep in pitch.
- F) ***Proactively Managing the Comfortable Carrying Capacity*** – We have heard that our guests want the ski company to protect the high-quality ski experience. We agree, and are absolutely committed to this goal. There are several points which I would like to cover on this item:
- a. TSG has clearly demonstrated that we are consistently ahead of this issue. Lift lines, except for a few peak holiday times, are far below what other high-end destination ski resorts experience. We believe it is important to continue to offer an experience which avoids overcrowding and we are committed to this business model. In fact, our business model is based on the concept of fewer people paying more. Other ski resorts have a business model based on more people paying less – which results in a compromise of the experience over time, in many cases.
 - b. We have extensive experience in-house regarding proper ski area planning and design and have developed a sophisticated Geographic Information System (GIS) computer model which analyzes slope capacity (based on optimal densities). The downhill slope capacity is compared to existing and future uphill lift capacities. We have identified opportunities to improve how the comfortable carrying capacity will work for our skiers in the future.
 - c. Several existing chairlifts are candidates for replacement in the future such as Chairs 7, 8, 9 and 10. When this happens, they should be built with additional uphill capacity.

- d. Potential new lifts have been identified such as Palmyra Basin, Gorrone to the top of Gold Hill, Delta Bowl, Skunk Creek as well as one in the “Rock Slide” area.
- e. Improved uphill capacity, combined with trail improvements and expansion, allow the ski area to protect and improve the ski experience as more people choose Telluride as their ski destination over time.
- f. Lift ticket sales limits – another strategy for the future is placing a limit on lift tickets sold per day. We have had conversations with Deer Valley regarding the strategy and procedures they use to limit crowding. TSG Club Members, season pass holders, multi-day cards and hotel guests with packages redeemed will have priority, and daily lift ticket sales would be periodically shut down during peak times. The ideal total “people-at-one-time” is calculated based on the amount of terrain open, number of lifts open and the carrying capacity of the restaurants. We are seriously considering a policy and procedure similar to this in the future, in order to assure that a high-quality ski experience is preserved in Telluride.

G) *Long-term Economic Viability of the Ski Area* – Telluride Ski Area is in an awkward position in terms of its economic sustainability.

To be clear, we offer a high-end experience with far less revenue than comparable resorts such as Deer Valley and Beaver Creek. We don’t have real estate for sale, and don’t own/operate substantial hotels. We have an old non-compete agreement with Telluride Sports, so we are also without the ski shop and ski rental revenue streams.

We are able to pay the current bills and payroll, but long-term capital investments to replace aging infrastructure and improve the resort experience are not supported at 450,000 skier visits. We desire to continue to offer a high-end and high-quality experience, and need to see a few things change in order to achieve long-term financial stability.

After doing significant research, working with numerous consultants and talking with the CEOs of other successful destination ski resorts, we have learned that the single most important driver which will set the ski company up for long-term success is adding high-end hotels such as the Four Seasons, Ritz-Carlton, Grand Hyatt and other similar brands in Mountain Village, which leads me to my next topic.

MOUNTAIN VILLAGE COMPREHENSIVE MASTER PLAN

The Town of Mountain Village has been working on a new “Comprehensive Plan”, which will guide land use over the next several decades. The ski company has been supportive and very involved in this initiative. They have held numerous public workshops, created a “task force” of individuals to help guide the process and also hired qualified consultants to help.

The ski company has been waiting for the town’s process to take shape in advance of the finalization of the ski area plan. In other words, the Town’s process will influence the ski company’s design and development – because the two must balance in regards to the comfortable carrying capacity and economic sustainability. TSG recently invested in new restaurants, new retail stores, the Revelation lift and the opening of substantial new terrain with the belief that the Town would move forward to create and enable new high-end hotel sites. Essentially, the ski area has “lead the way” with improvements to demonstrate our commitment to the community’s sustainability.

It has been widely recognized that the village core lacks foot traffic and is not vibrant most times of the year (with the exception of a few holiday windows or during heavily subsidized events). This makes it difficult for the retail shops and restaurants in Mountain Village to offer a high-quality and predictable level of service or even to keep their doors open.

Mountain community planners know that improving the vitality of the MV core will support and improve the value of all the estates in Mountain Village, as well as create a much more pleasing atmosphere for residents and visitors alike. Many people are unaware that the per square foot value of a single family home in Mountain Village today, is far less than those homes in comparable alpine resorts.

The improved local economy would generate more income for the Town of Mountain Village, reducing the dependency on “development fees”. In order for this to happen, additional high-end hotel beds are required to create the desired foot traffic. Given that land is scarce, optimizing and directing future development to upscale hotels is a top priority.

The notion of having high-end hotels such as the Four Seasons and Ritz-Carlton is consistent with the business model and brand of the Telluride Ski Resort. Remember, we are not looking to pack in the crowds with people who are looking for an inexpensive experience.

To improve existing occupancies as well as attract a new hotel, such as the Beaver Creek Grand Hyatt or the Bachelor Gulch Ritz-Carlton we will need to improve the MV conference facilities. The existing MV Conference Center functions as a nice ballroom, but lacks the necessary “break-out rooms” that other destinations offer. The town’s master plan foresees zoning land for these break-out rooms near the village core, which TSG supports.

Other ideas have also surfaced in this planning process. One such idea is zoning land for a medical building, which we also feel would benefit the needs of the community. We envision not only having a clinic which can service the needs of Mountain Village residents and visitors, but professional destination medical uses such as elective surgery. A good model to look at is the Steadman Clinic in Vail. A MV recreation center is something that is also potentially supported by the community.

Parking on the roads has been a sore subject for years now, with most people wanting to see it come to an end. The Gondola Parking Garage was designed to have 2 additional decks, but funds are lacking to make this happen. The ski company and the town have been working together to better understand and solve the long-term parking requirement, including creating revenue streams which will not burden the Mountain Village property owners. Telluride Ski & Golf and town recently signed an agreement allowing the town to charge a small fee for parking in the Gondola Parking Garage, with the intent of reducing the financial burden for operations and maintenance.

Adding to the available parking, future hotels that are contemplated in the town’s land use plan will supply a certain amount of additional underground parking. Completing the last 2 decks on the garage and potentially stacking a deck on the Meadows parking lot are viable options as well. This is an area where the town’s plan and the ski area plan need to blend together seamlessly. We will total the existing parking, the new underground parking spots supplied from new hotels and the expanded Gondola Parking Garage and compare that number to the new comfortable carrying capacity of the ski area (after lift and trail capacities are updated) in order to make sure everything is balanced within the context of the skier experience model described above. Parking may not be as big of a problem, if the desired hotels are zoned and developed as discussed. Parking capacities in the Town of Telluride will also go into the calculations and balance analysis.

Employee housing has been an interesting debate. On one side, some folks would like to see significant new units zoned in Mountain Village, subsidized and deed restricted. On the other side, some people are concerned about diluting the existing voting base of 2nd homeowners and today's residents. We'd like to hear more input from you on this issue. Would you like to see worker housing located in the village, or potentially outside the village in an area such as Illium Valley?

GOLF COURSE MASTER PLAN

Our company also owns and operates the golf course in Mountain Village, which is set up as a semi-private club structure.

We have heard that our members would like to see improvements made to the golf course and clubhouse. In response to that request, we have been interviewing golf course architects who can help us develop a phased plan to prioritize certain changes to be made to the course.

The town's land use plan is considering zoning an area for a new year-round clubhouse in the vicinity of the south driving range.

We are very interested in pursuing golf course improvement projects, but as with the ski area improvement projects, we will need to see the town's master plan come to fruition, so that we have a stronger level of certainty and confidence in the long-term economic sustainability of the village.

We are also considering the notion of expanding the ratio of private play, to preserve the quality of the experience for the club membership. It is likely that it will be necessary as the destination matures.

CONCLUSIONS

We understand that the amenities our company supplies and the actions that we take are incredibly important to this community, on many levels:

- Protecting and enhancing the investments people have made in 2nd homes and primary residences
- Jobs and prosperity for the people who live and work here
- Stability and sustainability for other small businesses such as restaurants and retail shops in the core
- Protecting the environment and watershed
- Enhancing the recreational experiences we supply – such as skiing, golf, eco-adventures
- Offering high-quality dining and shopping opportunities
- Ski & Golf Club membership value
- Top-notch resort facilities

This is a very exciting time in the history of the Town of Mountain Village and the Telluride Ski & Golf Company. The plans described above, if based on a sound understanding of what it takes to create a truly fantastic alpine community, can work.

Of course, in this macro economic climate, things are not going to happen quickly. The intent of these plans is to create certainty and provide a reasonably easy path for progress once the opportunities emerge. Good planning will provide for predictability and sustainability in the long-run.

We are sometimes concerned about the tendency to compromise what it will take to achieve great things in the name of political expediency, or the simple fear of change. This letter hopefully answers some questions you may have had.

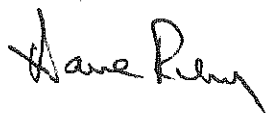
Resort planning is complex, but it is not rocket science. Elected officials may come and go, but the ski company's ownership and management is here to stay and intends to act as a stable and effective force in the future, just as we have in the past. We are committed to being a part of a community vision.

I want to help you understand all of these complex issues without having to spend the time sitting in meetings as I do. I would appreciate your support as a partner in creating a great future for this beautiful mountain community.

Your input and participation is necessary to help make this work. Please feel free to contact me directly at ceo@tellurideskiresort.com with your questions and comments.

Kindest regards,

TSG Ski and Golf, LLC

A handwritten signature in black ink that reads "Dave Riley". The signature is written in a cursive, slightly slanted style.

Dave Riley
Chief Executive Officer