

VAIL RESORTS[®]

EXPERIENCE OF A LIFETIME[™]

March 25, 2014

Dear John:

I read with interest your recent quote in the *Park Record*, "Vail should be talking with us about ways to resolve this dispute...". I completely agree with that sentiment, but am puzzled because as you know, we offered to meet with you on numerous occasions last fall and you said you were not interested.

I am sure we can both agree that the resolution of these issues is of the highest importance to the Park City community. As such, I thought it was appropriate for me to outline to you where we believe things stand and to share this letter with the community, so we can begin a process that is fully transparent to everyone in Park City. I apologize in advance for the length of the letter, but I believe these are critical topics that need to be discussed.

Background

I think it's important to provide some context as to how we both find ourselves here today. For many years, PCMR leased substantially all of its ski terrain from Talisker Corporation. The lease provided PCMR a very favorable lease rate (press reports indicated only \$150,000 per year.) The lease was coming due on April 30, 2011, but it allowed PCMR to renew for an additional 20 years if PCMR provided written notice to Talisker by March 1, 2011. As you know, PCMR did not provide timely written notice to Talisker. In December 2011, Talisker informed PCMR that PCMR had not appropriately renewed its lease. PCMR disagreed that the lease had ended. Talisker offered PCMR a new lease with more expensive terms. PCMR declined to take Talisker's offer and filed a lawsuit against Talisker. More than a year after PCMR refused to pay Talisker's new rent request and then sued Talisker, Talisker secured a new tenant and new economic terms for the land, from companies associated with Vail Resorts in conjunction with leasing the Canyons to Vail Resorts.

While there has been much emotion and drama regarding these events, what transpired is relatively simple: a landlord believed that its tenant's lease had expired and wanted higher rent. The tenant refused to pay and sued the landlord, so the landlord found a new tenant.

Vail Resorts' Interest

As you know, our Company has had an interest in coming to Utah for a long time and has had a serious interest in Canyons that dates back to 2007. We approached Talisker about the Canyons again in August 2012 and our conversations initially focused solely on that resort. However, Talisker indicated an interest in also leasing to us the PCMR land. They indicated that they were not happy with PCMR as the tenant and wanted to bring in an operator like Vail Resorts.

Robert Katz, Chief Executive Officer

Vail Resorts ~ 390 Interlocken Crescent, Broomfield CO 80021

Given the acrimonious relationship between Talisker and PCMR and the ongoing litigation, we understood that there would be challenges as a result of entering into this situation. We hoped that we could be a catalyst to find a solution that would be in the best interests of both parties, guests of the resort and the community.

Our Company believes that joining together the ski experiences of both Canyons and PCMR will create a one-of-a-kind opportunity that could be a game changer for the Park City community and for Utah skiing and tourism. As you know, Ski Utah recently proposed the One Wasatch concept that PCMR as well as Canyons supported. This concept of creating an interconnected ski experience is widely believed to drive tremendous enthusiasm among skiers and riders. Unfortunately, despite the relative ease with which it could be done, Canyons and Park City have never been able to complete such a connection. Our Company hoped to be a part of the effort to make it happen. Of course, guests also want each resort to retain its unique character and history - something that Vail Resorts has been and is committed to, not just in Utah, but for all 10 of our resorts.

Negotiation

As you are aware, our Company reached out to you immediately upon becoming involved in this situation in an effort to see if an amicable solution could be reached, and you and I had a face-to-face meeting in June 2013¹. In October 2013 and again in November 2013, I advised your representatives that I would be willing to meet with you and your family anytime, anywhere in an effort to see if a solution could be reached. I was told that you did not believe it was the right time for a discussion. Since that time, I have not received any offers or requests from you or anyone else at PCMR to meet and to discuss the situation. We took this to mean that PCMR had a strong conviction about the strength of its legal case and wanted to continue to pursue that avenue in the hopes of prevailing.

As you are also aware, as part of our deal with Talisker, Vail is responsible for overseeing the litigation on Talisker's behalf. And because you initiated this litigation, Talisker is the **defendant** in this case. We intend to continue to vigorously defend Talisker in this lawsuit, but that should not be misconstrued to suggest that we don't want a negotiated resolution, which we have consistently told you is our preference.

¹ As you know, we agreed that the contents of our discussions were confidential. However, if you agree, we would be happy for both of us to disclose the contents of all these discussions to the community, in the interests of full transparency.

Robert Katz, Chief Executive Officer

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Outcome of the Litigation

If a Court ultimately rules that PCMR's lease with Talisker was renewed, then PCMR's belief in its case and its numerous public assertions will be upheld and I would assume that PCMR will be able to continue to operate on Talisker's land for the foreseeable future. If this is the outcome, I will offer you my sincerest congratulations. Our Company will also remain very interested in continuing to work with PCMR on opportunities to create a better guest experience at our respective resorts.

However, if a Court ultimately rules that PCMR's lease has expired, then Vail will become Talisker's tenant on that land and it is absolutely our intention to utilize and operate that terrain, which was Talisker's intent in leasing it to us. For some reason, you have consistently tried to portray such a situation as without "purpose" or "futile". In the recent *Park Record* story you mentioned that we "would be left with land without any economic purpose....without the base and parking facilities, which neither Vail nor Talisker own, Vail cannot operate a ski resort on the property."

I am not sure I understand those comments. You seem to be suggesting that because you own the base and parking facilities, even if your lease to PCMR expired, Talisker, as landlord, has no right to find another tenant that would pay more than you would. Further, there are numerous ways that this terrain can be potentially used for skiing, particularly since the land is immediately adjacent to Canyons and the two can be easily connected with a new chairlift. But if the intent of your comments was to suggest that using your base lands allows for a much better guest experience and is critical for the Park City community, then we completely agree. But, if your lease has been found to have expired and we are the new tenant, there are many ways for us to work together for everyone's benefit.

Sale

Vail would be willing to purchase the base and parking facilities from PCMR. In a guest editorial in the *Park Record*, you said that Vail was looking for a "steal-of-a-deal," and in *Business Week* you said Vail wanted you to sell "at a discount." Just to be clear, Vail Resorts would be willing to pay fair market value for any of the assets you have that would be helpful to us in operating the resort. We would also be willing to jointly retain independent third parties to help us arrive at a fair value. While each situation is unique, there have been countless appraisals performed on land and parking facilities at the base of ski resorts. If you were willing to sell those assets, we are confident we can reach a fair price for both parties and ensure the continued smooth operation of the resort.

Robert Katz, Chief Executive Officer

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Access

On the other hand, if you are not interested in selling the base and parking facilities, we think we can work with that as well. In the *Business Week* article, you mentioned a “nuclear option” under which PCMR would build a Woodward facility on those base lands.

PCMR has already made an application to the city to put a Woodward facility on those base lands and your plans are completely consistent with allowing access through that property to the ski resort. Our Company would be more than willing to pay the cost or fair value for all the skier parking and skier facilities described in your plan. In this way, you could build and operate the Woodward facility, profit from any residential or commercial development on the site, AND provide continued access to the mountain and the ski facilities.

There seems to be a concern in the community that if you lose your lease, you could use your base lands to block access to the ski mountain through that portal. Given that much of the Town’s planning and investment has relied on that portal, we think it’s important to let folks know that’s not going to happen. Candidly, we are not sure why you would ever consider doing that. Even if you lose your lease to the mountain, you have a very valuable piece of property. But its value comes from the access it allows to the ski mountain. As every realtor and developer in Park City knows, whatever you might want to do on that property, it will be far more valuable if skiers use that land to access the resort. Threatening to block access through your property simply does not make good business sense.

Further, PCMR recently submitted to the Court certain development agreements entered into between PCMR and the City. Interestingly, as outlined in the agreements, PCMR has already made a commitment to the City that PCMR’s land at the base of the resort would always be used, whether for development or otherwise, in a way that is consistent with providing access through those lands to the rest of the ski resort. And those agreements specifically contemplated a situation where PCMR may not be operating the resort.

As such, for a whole host of reasons, even if you are not interested in selling the base and parking facilities, we believe it is in your financial, legal and the community’s interest to work collaboratively with us on the design and function of those properties to both maximize their value to you and ensure continued access to the resort.

Robert Katz, Chief Executive Officer

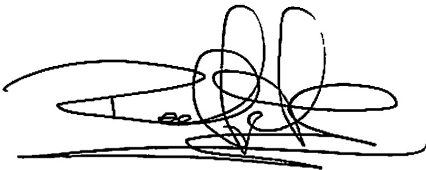
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Employees

More important than almost anything else is how any of this may impact the PCMR employees. Obviously, this is PCMR's responsibility. However, should PCMR lose its lease to the mountain, we want to make it clear that our Company is willing to hire substantially all of the PCMR employees who are involved with running the resort. This would be true whether we are able to purchase the base and parking facilities or if PCMR continues to own those assets, and we work out an access agreement of some sort.

Everyone at Vail Resorts is very cognizant of how difficult this has been for PCMR, its employees, its guests, its partners and the Park City community. But, if PCMR should lose its lease, PCMR alone needs to take responsibility for that outcome. PCMR's choice to file this litigation, rather than accept Talisker's new rent proposal, was a calculated business decision. Blaming Talisker or calling Vail a "bully" is not warranted or constructive. This phase of the litigation will come to a close soon enough, at which time we need to move on to a reasonable and constructive solution for all involved. As before, we remain available to meet at any time and in any place to discuss these matters.

All the best,

A handwritten signature in black ink, appearing to be 'Rob Katz', with a horizontal line underneath.

Rob Katz
Chairman of the Board of Directors and Chief Executive Officer
Vail Resorts, Inc.

Robert Katz, Chief Executive Officer

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