



March 30, 2009

Dear Friends of Magic:

Thank you all for your review of my letter last week in which I introduced the concept of co-operative ownership of Magic. I am encouraged by the number and the tenor of the responses. I understand that further details need to be presented in order for many of you to make a commitment to purchasing shares, and the purpose of this letter is to answer many of the specific inquiries which have been posed. In addition, in short order I will present a business plan, a five year budget, and a list of capital projects and the associated costs. As always, I appreciate your input, commentary, and questions, and I am hopeful that you all will continue to provide them.

There have been a number of questions regarding the purchase price per share and how the money would be spent. After reviewing the comments about the purchase price, especially considering the current economic times, my inclination is to price the shares at \$3000 in order to make the co-op affordable to a larger number of people. Those with the wherewithal to purchase multiple shares are free to do so, and we would encourage that practice. Additionally, in order to reach as many interested parties as possible, we will consider allowing payment plans whereby a purchaser could put 10% down (\$300) and thereafter make monthly payments of \$75 for three years. There would be a small amount of interest due from those who choose the payment plan. The co-op will not be viable if everyone chose this option, so I am hopeful that only those with the need to spread out the payments would purchase a share on the payment plan.

In terms of how the money will be deployed, as you will recall, the threshold for moving forward rests at 300 shares which would generate \$900,000. First, let me state that any money collected from shares sold would be held in an escrow account until there is a definitive determination that the co-op will in fact move forward. There will be no comingling of co-op funds with those of my LLC which is running the mountain nor with those of the current ownership. If per chance the co-op does not proceed, then all money will be refunded immediately. The first \$300,000 would need to go to the current ownership in order to effectuate a purchase and transfer title. The co-op would be purchasing all assets including but not limited to land, buildings, infrastructure, and

equipment. The current ownership would then hold a note or perhaps preferred equity for the remainder of the purchase price. A question has been raised as to why the co-op would purchase the mountain right away. The reason for doing so is to assure that the co-op holds title to the property and therefore collateral to secure the money invested. After transfer of title, the co-op would be left with \$600,000 from the co-op share sales to put into improvements and operations. This figure is over and above the revenue generated by the mountain which in the first year should fall between \$600,000 and \$700,000. My recommendation for the first off season improvements (this summer and fall) would be to put \$400,000 into capital improvements devoted to snowmaking upgrades, repair and maintenance of the groomer, and to assuring that both the Red and Black chairs are operational at the outset of the season. We would then have \$200,000 remaining to combine with revenues to ensure proper operation of the mountain which would include a dedicated amount for early season snowmaking. I am putting the finishing touches on a budget and revised business plan which will outline in detail the costs of operations, projected revenues, and capital expenditures for the next five years. It will be important to sell more than 300 shares, as that figure only represents the amount required to get the co-op off the ground and get the mountain open next season with some snowmaking and operational improvements. In order to implement a schedule of capital improvements, substantially more shares need to be sold and the goal should be 1200 shares sold by year three and 1500 by year five.

In terms of improvements, there is near consensus that snowmaking must be the number one priority. The focus on snowmaking has caused some to express concern that we are trying to mimic other southern Vermont resorts thereby eliminating some of Magic's uniqueness. I want to assure you all that the thinking behind improving the snowmaking is to insure that the unique aspects of Magic, the terrain and the trails, are available on a more consistent basis. We are not trying to make Magic a different place; we are only trying to make it more reliable. We need to avert the possible closure of the mountain after a mid-season thaw, and we need to assure that there will be skiing/riding available during Christmas week. We must be able to assure the ski clubs which book trips and races that we will have adequate coverage. In short, snowmaking is a necessary reality in order for the mountain to be economically viable. At the same time, we will maintain the spirit of being different, and nothing will change our classic terrain.

In terms of lifts, we need to assure that the Red and Black chairs are operational, as it is mandatory to have a back-up lift to the summit and a means to alleviate lift lines on busy days. With respect to finishing the third chair which would access intermediate terrain there has been some debate. The arguments in favor of completion focus on being able to open earlier and on the fact that the lift is 75% complete and finishing it just makes sense rather than scraping something so close to completion into which substantial money has already been invested. This lift would also provide faster access to the race hill and prevent racers from having to ride to the top of the mountain which in turn would free up the Red Chair on race days. Those against it point out that it is not needed from an uphill capacity standpoint and that money should be spent elsewhere. In sum, it is not on the top of the list from a capital improvements standpoint, but it would probably be worthwhile completing in year two or three if revenues warrant it. Finally, revival of the

former beginner area and installation of a Magic Carpet has been well received by many, most of who remember the days when it was in operation. It seems like a good idea, as Magic's current beginner area is not ideal and is served by a handle tow which is often difficult for young kids and rank beginners to negotiate.

Many have commented on the benefits to the shareholders and have questioned the \$250 mandatory spending requirement. Again, the primary benefit is that the mountain is preserved and continues in a much more stable and reliable fashion. Additionally, more tangible benefits include an ownership interest in the property, a discounted season pass and a limited number of discounted tickets. In response to some suggestions, I would be amenable to increasing the number of discounted lift tickets available to shareholders from five to ten. This could provide incentive for shareholders to invite friends and perhaps attract them as regulars. With respect to the \$250 spending requirement, this was adopted from Mad River and is in place in order to assure a minimum level of income before the season in order to get the mountain open. I think we could eliminate this requirement and not adversely affect the revenue stream. In most cases, the shareholders will be season pass holders, and therefore instead of requiring a minimum purchase which most would apply to their pass purchase, we could simply set a date as to when the shareholder discounted passes must be purchased and accomplish the same goal (early season revenue). For those shareholders who are not pass holders and who generally would not be spending \$250 at Magic, there would be no requirement to purchase anything. Eliminating the purchase requirement would remove any additional financial requirements attached to being a shareholder and hopefully encourage the participation of those who might not regularly spend money at Magic annually.

Many of you have inquired whether these letters should be shared with others. We are trying to spread the word, and anything that you all can do to assist us is appreciated, so yes, please forward this and the previous letter and anything further to parties you think might be interested. Please also suggest that they contact us and request to be added to the e-mail list. Additionally, I have no objection to my communications being posted on web-sites or blogs. Those forums often provide opinions outside of the inner Magic circle which are important to consider, and again hopefully such postings will attract some aficionados with whom we have not been in contact.

As stated above, I will soon be posting a business plan with specific budgets for everyone to review. Again, I am appreciative of the comments and questions provided, and I encourage you to keep them coming. I intend for this offering to be transparent and understandable and reflective of the wishes of the potential shareholders. In that regard, I am happy to speak with or reply to e-mails from anyone, so feel free to communicate with me at any time. Thank you all for your interest and support.

Sincerely,

Jim Sullivan
President
Magic Mountain