

November 28, 2013

To: All Castle Mountain Resort Leaseholders

From: The Board of Directors

Re: Subdivision of Castle Mountain Resort

The Board of Directors of CMR has heard from many leaseholders about the need to subdivide CMR's lands into individual lots reflecting the current lease lots. The Board of Directors believes this would be in the long-term interests of both the community and the corporation.

Benefits of Subdivision

- subdivision will facilitate mortgage financing of real estate transactions at CMR;
- subdivision will clarify leaseholders' rights;
- subdivision will improve CMR's reputation among real estate professionals;
- subdivided lots will be more valuable than unsubdivided lots;
- subdivision will facilitate community development;
- subdivision will restore CMR's access to capital;
- subdivision is the first step toward a possible future sale of freehold titles; and
- subdivision and freehold ownership will facilitate access to infrastructure funding .

For a more fulsome discussion of these benefits see Attachment 1.

CMR is entitled to subdivide its lands under its existing Area Structure Plan. However, this Plan prohibits sale or distribution of the resulting freehold titles.

The MD of Pincher Creek has indicated it intends to address both subdivision and ownership, in some form, in a revised Area Structure Plan which is currently being drafted. The Board believe it is in our interests to work co-operatively with the MD to achieve a mutually satisfactory result on this and many other issues, and expects to file a subdivision application coincident with approval of the revised ASP.

However, should progress on the revised ASP cease, or should the revised ASP fail to address subdivision and ownership, the Board believes CMR should be positioned to immediately file a subdivision application with the MD of Pincher Creek. Should such application be denied, or onerous conditions or fees be imposed, the Board would be prepared to appeal our application to the Municipal Appeals Board. We believe we would have a very strong case.

Subdivision Costs

At the last AGM, our shareholders approved proceeding with subdivision with the condition that leaseholders pay all directly related costs. Most of these fees and charges are on a per lot basis. Where applicable, we have negotiated attractive fees based upon the assumption an overwhelming majority of leaseholders will participate. Based upon firm quotes and estimates, these costs total approximately \$1850 per lot.

Since the majority of the costs of subdivision are not payable until after an application is approved, the “at risk” portion of the cost of subdivision, in the event an appeal is denied would be a maximum of \$600 per lot.

The MD of Pincher Creek has the right to levy a charge called Municipal reserve, to provide for green space. The MD has significant latitude and the Board hopes to negotiate a reduction, deferral or waiver of this fee. In an effort to minimize the upfront costs payable by leaseholders, CMR will pay any fee for Municipal Reserve and defer its recovery until at least 180 days following completion of the subdivision.

Overwhelming Majority Required

It is impractical to subdivide some lots but not others. Therefore, an overwhelming majority of leaseholders must elect to participate, and agree to pay their pro-rata share of the costs, in order for CMR to proceed with filing an application

If a leaseholder chooses not to participate at this time, there is no guarantee that CMR will be willing to apply for subdivision of their lot at a later date. If CMR is willing to apply at a later date, costs will be significantly higher.

The Board of Directors believe subdivision is in every leaseholders’ interest. However, due to the costs and time consuming process, we are unwilling to proceed without the agreement of an overwhelming majority of leaseholders.

Therefore we ask each leaseholder to sign and return the attached Subdivision Agreement by December 30, 2013 to:

Castle Mountain Resort,

Attn: Brad Brush

PO Box 610, Pincher Creek AB.

T0K 1W0.

Yours very truly;

The Board of Directors of CMR Inc.