

**RED MOUNTAIN RESORT**

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Dear Red Mountain Friend,

If you are a Canadian considering investing in RED and have registered with FrontFundr you can now invest in RED and will be given access to a lot of legal and financial information. Without giving you a summary, I wanted to point out a few facts and deal points related to the offering documents and RED's offering of Class D Units.

What is discussed below is also relevant to our US friends who have reserved but will have to wait until sometime around November 2<sup>nd</sup>, 2017 to invest.\*\* It is also relevant to all of the residents of countries outside of Canada and the US who I know are waiting to hear from us with respect to their opportunity to invest in RED. As stated in our FAQ's, in the coming months we will be providing updates regarding which other countries can participate in the offering. We hope to provide an update before we go live in the US, since any additional investors outside of Canada and the United States will use the Start Engine Portal to invest – stay tuned!

[You can also click here to go directly to our FrontFundr campaign page >](#)

First, your Class D Unit investment will be “last money in, first money out”, ahead of Class A, B, C and C2 unit holders. In other words, in the event of a sale, your capital will be paid back before any other Unit holders. Your capital investment will only rank behind our institutional debt of approximately C\$4,900,000 as more fully described in the Canadian Offering Memorandum. You can also find this in our Limited Partnership Agreement, which is posted on FrontFundr.

Secondly, as noted in the Canadian Offering Memorandum, on June 30, 2017 two lenders to RMR Acquisition Corp. ("RMR"), a wholly owned subsidiary of the Partnership, converted a little over C\$23.5M in principal of loans to Class C Units in the Partnership. These lenders agreed to convert their loans on a principal only basis and to waive all accrued interest owing by RMR to such lenders. In exchange for doing so, these lenders received a profits participation interest in the form of a new Class C2 Unit as described in the Canadian Offering Memorandum. The conversion of this debt has a very positive long term impact on the income statement, balance sheet and the business of the partnership. All of the Class C and C2 Units issued in connection with this debt conversion rank behind the Class D Units with respect to repayment of capital.

Third, the RED Ski Resort has just experienced its two most successful ski seasons (fiscal years ended April 30, 2016 and 2017) on record (records dating back to 1988). Compared to an average of the previous best four seasons since current ownership of RED was acquired in 2004, the 2015/16 season saw an 8% increase in guest visits. The 2016/17 ski season saw guest visits increase 21% compared to the same four season average. The 2016/17 ski season saw an increase in lift revenues of 23.9% over 2015/16. We are excited and hopeful that the addition of the 106 room Josie Hotel and some nice winter weather will continue this trend.

Fourth, although we are going live in Canada on August 14, 2017, RED has already commenced construction of the remodeling of Paradise Lodge, High Performance Center, Piste Off Retail Center and the expansion of the parking lot, using a short-term bridge loan as described in the Canadian Offering Memorandum. All of these projects are disclosed in the use of proceeds section of our Canadian Offering Memorandum but we wanted these four projects to be complete by the beginning of this upcoming winter. We are hopeful that our Fight the Man campaign will be successful in order to repay the bridge loan for these projects.

Fifth, a number of you have asked what percentage the Class D Units will get of the partnership. The partnership works a little differently than some of the companies you may have invested in before. The partnership is governed by a partnership agreement which sets out how each class of units will be treated, including with respect to the waterfall of distributions made by the partnership. As mentioned above, holders of Class D Units are at the top of the waterfall – they will get their money back out of any distributions before any distributions are made to holders of Class A, B, C and C2 units. Class D Units will rank in priority to all of these issued securities in terms of repayment of capital. After the repayment of all capital and priority distributions in the waterfall for all classes of

units, Class D Units will participate in residual distributions with all the other classes of units as set out in the Canadian Offering Memorandum and the Limited Partnership Agreement posted on FrontFundr. It is estimated that the proportion in which the Class D Units would participate in the residual distributions is based upon a “pre-money” (i.e. prior to the Class D Unit offering) enterprise valuation of approximately C\$53,104,977, as further described and subject to the assumptions set out in the Canadian Offering Memorandum. If the maximum offering of C\$10,000,000 of Class D Units is achieved, it is expected the holders of Class D Units would receive approximately 15.85% of the residual distributions (after the repayment of capital and priority distributions of the other classes of units)— see pages 16-17 of the Canadian Offering Memorandum for the calculations and assumptions behind this example. However, RED does not expect to be making residual distributions in the foreseeable future. Since Class D Units do not carry voting rights, there is no percentage of voting power afforded to the holders of the Class D Units. Investors should read the Canadian Offering Memorandum describing the terms of the Class D Units and the other units of RED.

Sixth, it is anticipated that the overnight cabins and clubhouse forming part of our tiered rewards will be constructed in the summer of 2018 and available for use in the 2018-19 ski season. The clubhouse will be a small cozy space for members and guests of members only on Grey or Granite Mountain. The clubhouse will be located on mountain in general proximity to the overnight cabins. It will include a fireplace and a few different social gathering areas and will have a cash bar and select daily menu food service. All members will be issued a membership card and will be allowed to sign in guests (based on space availability). The clubhouse will be open every day during lift operation hours during the winter season. Subscribers who invest \$10,000 or more (Tier 5 or 6) will become RedHead members and will be given priority access and pricing to overnight on-mountain cabins based upon a reservation system to be finalized at a later date. Nightly fees for members are anticipated to initially be approximately \$100/night per cabin (housekeeping fee). The cabins are anticipated to be open during the winter ski season, weather dependent. After the RedHead club member priority period has closed the cabins will be open to public reservations if space is available. Minimum stay will be one night. Maximum stay is yet to be determined based on reservations. Reservations will be required to be secured with a credit card and full payment will be required prior to check in. For large groups requiring more than one cabin a 20% non-refundable deposit will be required at the time of booking. Balance will be required 60 days prior to check in. Regular membership to the clubhouse and RedHead membership to the overnight on-mountain cabins will be transferrable by the holders thereof but may not be divided amongst two or more individuals. These memberships will not be attached to the Class D Units and are being provided as special incentive under this Offering. Subscribers wishing to transfer their Class D Units (in accordance with applicable securities laws, including restrictions on resale set out elsewhere in this Offering Memorandum), may choose to transfer their membership to the subsequent purchaser of Class D Units, or not.

Finally, for me personally, this has been one of the most interesting, challenging and nerve wracking projects that I have ever lead. We have opened up our house for you to review and hopefully you will appreciate this opportunity to be an owner in RED. We know that this investment is not right for everyone. But for those who want to join our family, and stand up for independent skiing, welcome to Red Mountain. We look forward to sharing our common goals and dreams as partners in what we think is one of the greatest ski resorts in the world!

Cheers,

Howard Katkov, Chief Executive Officer

[Click here to go directly to our FrontFundr campaign page >](#)

*\*\*Important Note to U.S residents: No money or other consideration is being solicited in the United States at this time, and if sent in to Red Mountain will not be accepted. No offer to buy securities of Red Mountain can be accepted in the United States and no part of the purchase price can be received from U.S. investors until Red Mountain's U.S. offering statement is qualified with the SEC and a Canadian offering memorandum has been delivered to potential investors. Any such offer to buy securities may be withdrawn or revoked, without obligation or commitment of any kind, at any time before notice of its acceptance is given after the qualification date. Any indications of interest in Red Mountain's offering in the United States involves no obligation or commitment of any kind.\*\**