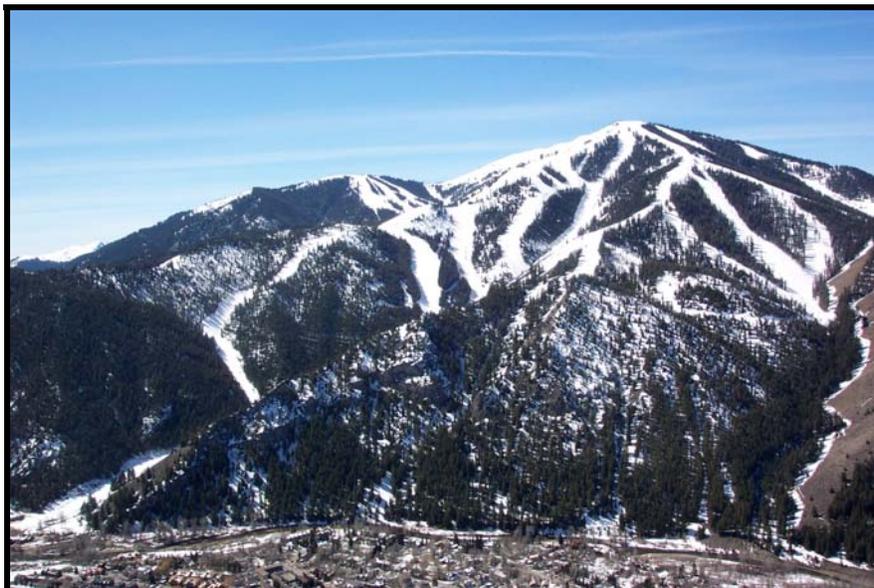


I. INTRODUCTION

A Master Plan for the Sun Valley Ski Area was approved by the United States Forest Service in 1989. In 1991, Ecosign completed a study of the Sun Valley Resort area that included several concepts for the development of the Bald Mountain, River Run and Warm Springs base areas and expansions to the Sun Valley Village. This Mountain Master Plan update will be a logical extension of the previously completed and approved 1989 Master Plan, as well as the work completed by Ecosign in 1991. This updated Master Plan will incorporate changes in technology and market conditions that have occurred since the previous work was undertaken. Since the completion of the 1989 Master Plan, substantial lift, trail and snowmaking upgrades were undertaken by the Sun Valley Company. Furthermore, the improvements to the Warm Springs and River Run base areas (1996), have created a significant change in the distribution of skiers accessing Bald Mountain from the River Run base versus the Warm Springs base.

.1 Location and Regional Context

The Sun Valley Resort and associated ski facilities are located in the Smoky Mountains of south-central Idaho. The resort is located adjacent to the towns of Ketchum and Sun Valley, Idaho. Ketchum is situated on the banks of the Big Wood River. The Big Wood River flows from the Sawtooth Mountains, to the north, through the Wood Valley, and south to the Snake River. Ketchum is approximately 154 miles northeast of Boise, Idaho, 82 miles northwest of Idaho Falls, Idaho and 297 miles northwest of Salt Lake City, Utah, as illustrated in Figure 1. Sun Valley Resort is accessed by U.S. Highway 75 from Twin Falls, Idaho, 82 miles away. Figure 2 illustrates the Regional Context of Sun Valley Resort.



The nearest airport is located in Hailey, 11 miles to the south on U.S. Highway 75. Friedman Memorial Airport, owned by the City of Hailey and Blaine County has a 6,602-foot runway but does not have a Transponder Landing System to assist pilots to land during marginal weather. The airport currently accommodates regular scheduled flights by Horizon Air and Sky West Airlines, as well as significant private prop and jet traffic. Horizon utilizes a combination of Bombardier Q 200 – 37-seat turbo Props and Q400 - 70 turbo props. Sky West, a Delta Connection Partner, utilizes the Embraer 120 - 30 seat turbo prop. The commercial air carriers service Sun Valley through the gateway cities of Seattle, Washington, Oakland, Los Angeles, California and Salt Lake City, Utah. Air travel time between Salt Lake City is approximately 65 minutes respectively. Boise and Twin Falls, Idaho provide air service support. In December of 2002, Horizon Air started a new direct air service from Los Angeles, California utilizing the new Q400 aircraft. Occasionally, aircraft are diverted to Twin Falls, Idaho due to poor weather conditions. When this is the case, bus transport to the airport is provided.

The existing ski facilities located on Bald Mountain are illustrated in Figures 7a, 7b and 7c. Bald Mountain is located to the west of the town of Ketchum, with access to the mountain through the Warm Springs Base on the north side of Bald Mountain and the River Run Base on the east side of the mountain. The slopes of Bald Mountain fall within the Sawtooth National Forest. The Bald Mountain Ski Area encompasses 1,984 acres of National Forest, 1,365 acres of Bureau of Land Management land and 170 acres of private land. The base elevation is 5,757 feet at River Run Base and the top elevation is 9,151 feet at the Bald Mountain Forest Service Lookout. Bald Mountain caters to mainly intermediate through expert skiers. Dollar Mountain is located between Ketchum, Sun Valley and Elkhorn. Dollar Mountain is accessed from both the Elkhorn and Sun Valley Village sides. Dollar Mountain has a summit elevation of 6,638 feet, with a vertical drop of 628 feet. Dollar Mountain caters to the beginner through low intermediate skiers. The existing facilities at Dollar Mountain are illustrated on Figures 8a and 8b.

.2 Historical Perspective

The Sun Valley area has a colorful history. Before the white man came to the region, the area was inhabited by the Shoshoni, Blackfoot and Bannock Indian tribes. The Indians resided in the Wood River Valley until the Bannock Indian War of 1879, at which time the tribes were forced to find other camp grounds. After the war, prospectors and miners moved into the area and mined galena ore which is a combination of silver, lead and zinc. During the prosperous mining years, the towns of Ketchum, Hailey and Bellevue were established. Around the turn of the century, the mines finally ran out of ore and the miners went "bust". As the mining subsided, sheep ranching started to flourish. During the early 1930s, Basque sheep headers tended their flocks. In 1935, Averell Harriman, then Chairman of the Board of Union Sun Valley

Pacific Railroad, was searching for a way to encourage additional passenger traffic to the west. His dream was to create a "Destination Resort" and he employed Count Felix Schaffgotsch to find an appropriate site. The Count traveled much of the western United States in search of the perfect site. His travels took him to Mt. Hood, the San Bernardino Mountains, Yosemite, Lake Tahoe and other beautiful sites, but all were rejected due to altitude, wind, too close to cities or too far from the railroad. As Schaffgotsch was on his return trip to the East he happened upon Ketchum, Idaho. After touring the area with a local boy on barrel slate skis, he wrote Harriman that "It contains more delightful features for a winter sports center than any other place I have ever seen in the United States, Switzerland or Austria." Within days of Harriman receiving the Count's letter, he had directed the Union Pacific Railroad to purchase the 4,300 Bass Ranch, Harriman hired Steve Hannagan, the marketing genius that made Miami Beach a popular resort, to promote Sun Valley. They both agreed that Sun Valley must be a first class resort with swimming pools, exquisite food, impeccable service and even an orchestra that performed nightly. It was this style and class that attracted the "Rich and Famous" from the East Coast and Hollywood. Construction of the world's first chairlift began in 1936 and was overseen by Jim Curren, an engineer with the Union Pacific railroad, who had experience with the construction of mine and banana tramways. Initially, skiing was limited to Procter, Ruud and Dollar Mountains. In 1938 and 1939, three single chairlifts and their associated ski runs were constructed on Bald Mountain. During the Second World War the ski facilities at Sun Valley did not operate. The U. S. Navy used the resort facilities for a hospital and recuperation center. Between 1945 and 1965, the Union Pacific Railroad developed and operated the facilities on Bald Mountain as an exclusive destination resort. In 1964, the Union Pacific Board of Directors felt that running a railroad and a destination resort had little in common. The Janss Corporation had been commissioned to determine the extent of future resort development. The Corporation purchased the rest from the Union Pacific Railroad in 1968. Over the next nine years the resort saw the construction of 605 condominiums and a walking village of shops and restaurants.

In 1977, the resort was purchased by Mr. R.E. Holding. Since this time, improvements on Bald Mountain have included the upgrading and replacement of most of the chairlifts to "state of the art" high speed, detachable technology at the time of their installation and expansion of the snowmaking and snow grooming fleets, and the construction of world class skier lodges on Seattle Ridge, Warm Springs and River Run and Dollar. One of Sun Valley's goals remains to continue to strive for the quality and style, with which the resort was originally conceived.

Historical Skier Visitation

Plate I.1 illustrates the historical skier visitation at Sun Valley from 1978 to the end of the 2001/02 season.

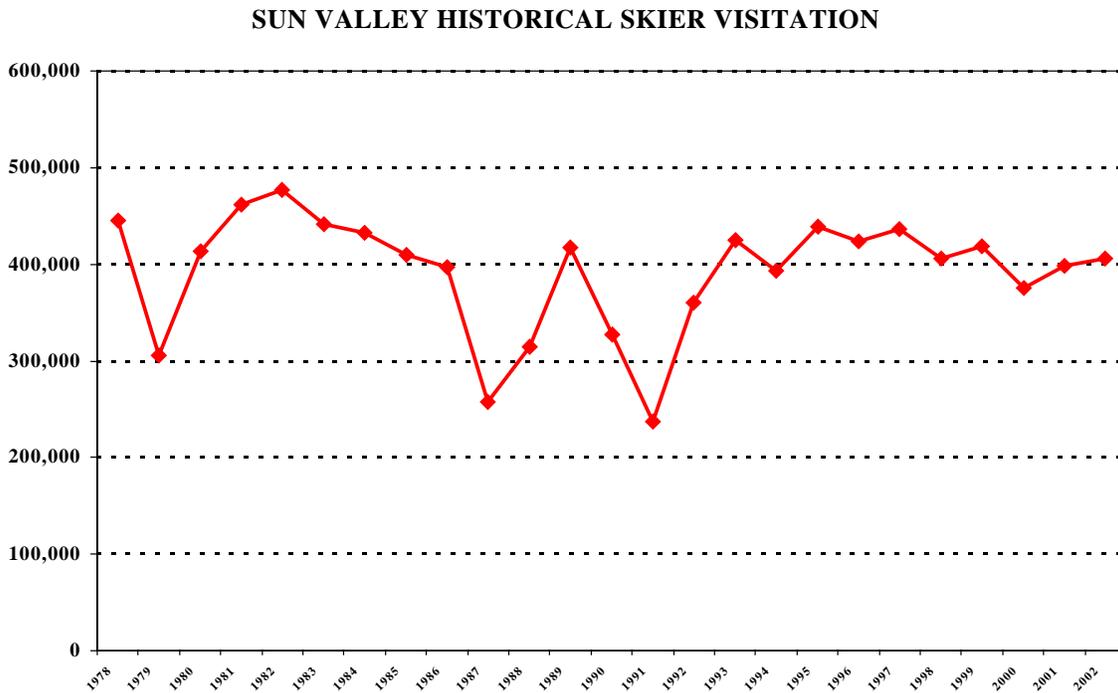


PLATE I.1

Table I.1 lists the historical skier, days of operation and skiers per day for Sun Valley from 1978 to 2002, where data was available.

ABLE I.1
SUN VALLEY HISTORICAL SKIER VISITATION
1978-2002

SEASON ENDING	SKIER VISITS	DAYS OPEN	SKIERS/ DAY
1978	445,394	140	3,181
1979	305,577	135	2,264
1980	414,154	143	2,896
1981	461,894	134	3,447
1982	476,322	156	3,053
1983	441,681	158	2,795
1984	431,926	164	2,634
1985	409,952	147	2,789
1986	396,610	144	2,754
1987	258,061	143	1,805
1988	314,939	143	2,202
1989	417,238	150	2,782
1990	327,879	135	2,429
1991	236,627	142	1,666
1992	360,120	n/a	-
1993	425,000	n/a	-
1994	392,725	n/a	-
1995	438,537	160	2,741
1996	423,550	128	3,309
1997	436,674	151	2,892
1998	405,937	144	2,819
1999	418,010	151	2,768
2000	376,000	151	2,490
2001	398,076	151	2,636
2002	405,700	143	2,837

.3 Planning Issues

The successful design and operation of a mountain resort requires a solid footing on three separate pillars. The three critical resort elements, as illustrated in Plate I.2, are: physical, market and economic characteristics and factors.

CRITICAL RESORT ELEMENTS

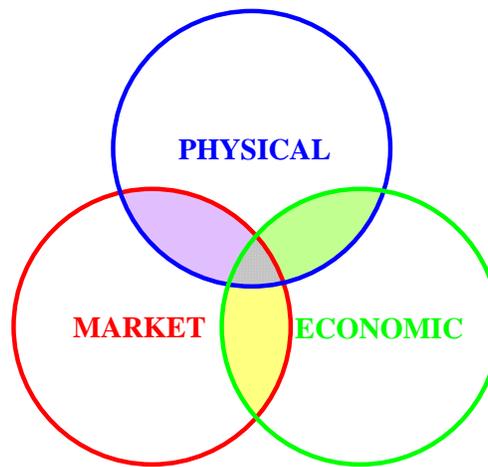


PLATE I.2

The physical site characteristics include:

- environmental resources including water, air, soil, vegetation and wildlife
- terrain
- climate
- natural hazards
- visual resources
- recreational resources

The master planning process incorporates research by scientists, ecologists and recreational planners to document the physical characteristics of each individual site with air photos, topographical maps, three-dimensional computer models, on-site field work and surveying and analytical planning technologies.

The next critical element necessary for a feasible mountain resort deals with the market characteristics including:

- access to the site
- the size and proximity of local, regional and destination markets
- population demographics, such as: age, income and education
- population dynamics, such as: growth, aging and social trends, such as fitness

Finally, there are economic factors and characteristics to be considered such as:

- resort capacity
- length of operating season (winter and summer)
- infrastructure cost and availability
- capital costs of facilities
- operating efficiency
- revenue sources and pricing
- human resources

Every resort possesses a different blend of these characteristics. It is very important to understand and document the balance between the physical, market and economic characteristics of each individual project.

A master development plan is more than a physical layout of lifts, trails, restaurants, parking and accommodation zones. A master plan is a flexible responsive business plan which sets out physical and financial strategies which can respond to a variety of market scenarios including: growth, zero growth, or even declining growth. This report outlines a planning program supported by these three critical elements for Sun Valley.

.4 Ski Industry Overview

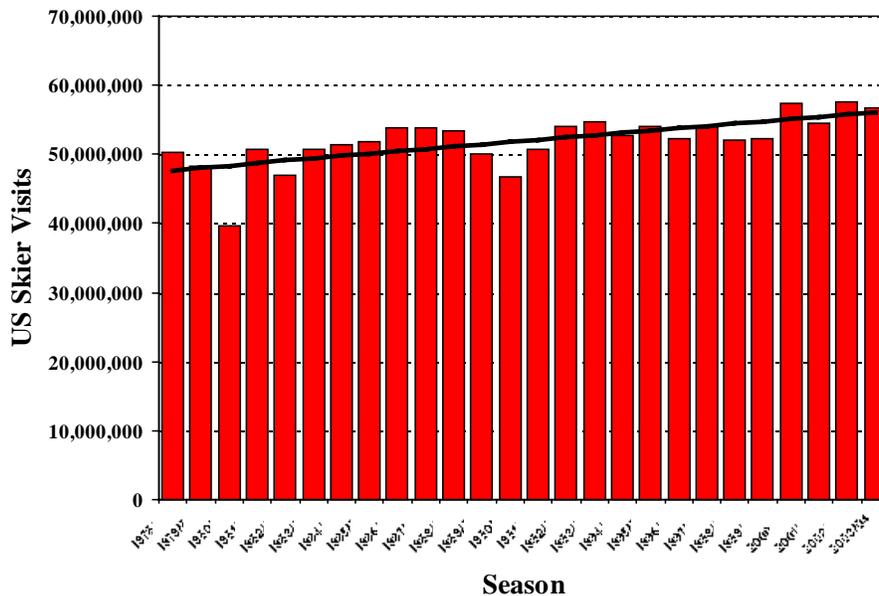
Skiing is a relatively young sport and recreational pursuit, having a primary economic take-off point which occurred in the post World War II period. While the physical plant and participation in the sport grew moderately during the 1950's, the 1960's ushered in an explosive era of ski development in North America, which centered in the Northeast Corridor, the Rocky Mountains and the West, with participation growing in excess of 15 percent per annum. While the North American average annual growth rate has leveled off during the past 30 years, some regions continue to experience growth. Industry analysts have suggested that these growth regions (i.e. Colorado, California, Utah and British Columbia) have sustained their positive growth patterns through continued resort development; thereby substantiating the tenet that in the sport of skiing, supply creates demand. Other identifiable growth stimulators within the sport of skiing include: population growth; technological improvements of ski lifts, equipment, clothing, and slope grooming techniques; the parabolic or shaped ski boom, snowboarding, airline deregulation and co-operative packaging of lifts, equipment, transportation and accommodation, thus creating a "total resort experience".

In the latter part of the 1980's, growth in the North American skier market slowed considerably. Plate I.3 graphically illustrates the historic total skier visitation between the seasons ending 1979 and 2003. Total visitation in the United States remained at the 53 million level between 1986/87 and 1988/89, and dropped to 47 million by 1990/91.

Skier and snowboarder visits through the early 1990's continued to show an increase, with the United States recording close to 51 million visits. This increase could be a reflection of several factors: the end of the Persian Gulf War; partial economic recovery; fairly good weather conditions for increased snowmaking efficiency; exposure and enthusiasm from the Winter Olympics; the continual upgrading and replacement of older chairlifts with high speed quadruple and six-passenger lifts; increasing capacity, as well as concentrated efforts of technical and managerial staffs to market the product better.

The 2000/01 season was a record-breaking season in terms of number of visits, with a total of approximately 57.3 million visits, a 5 percent increase over 1999/00. This increase is attributed mainly to strong visitor numbers over the Christmas season and the average length of season increasing from the previous season. Snowfall accumulations were varied throughout the regions, but some areas reported a 12 percent increase in snowfall. Season pass sales increased in all regions and was also a contributing factor to the substantial increase in visitation for 2000/01.

**TOTAL SKIER VISITS
UNITED STATES**



Source: Kottke National End of Season Survey 2003/04

PLATE I.3

During the 2001/02 season visitation decreased 5.5 percent from the previous season to approximately 54.4 million. Contributing factors for the decrease include the aftermath of the September 11 terrorist attacks, poor early season weather and snow conditions. Additionally, a general economic recession in many parts of the country was to blame for the drop in skier participation. However, the 2001/02 season was still considered one of the top seasons on record, behind the 57 million in 2000/01 and 54.6 million in 1993/94.

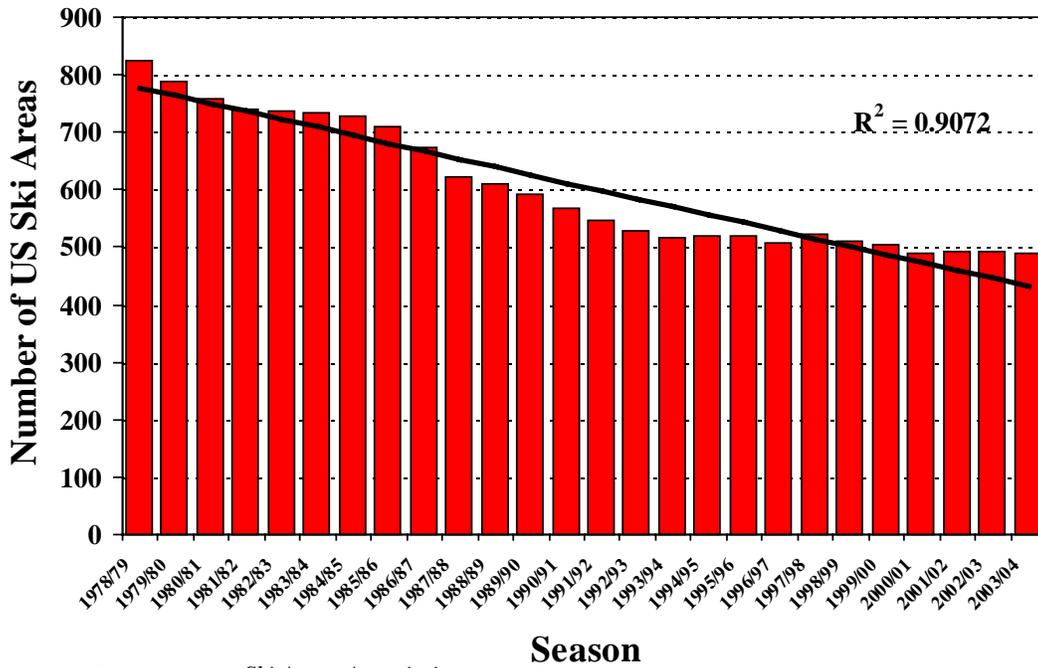
Over the long term, visitation levels have reached a new level, even with an aging population, up from a low of 47 million in 1990/91 to approximately 57 million during the past season. This was a decrease of 1.3 percent from the previous season, but still the third best season on record. This overall increase can be partly attributed to a number of factors other than weather, snowfall levels and length of season. Many areas have initiated special pricing discounts on season passes, developed on-hill accommodation, expanded visitor services and built facilities for an increasing range of “other” mountain resort experience activities.

During the nine-year period from 1978/79 to 1986/87, a study by Dr. Marvin Kottke indicated that 60 small ski areas went out of business, while another 40 small areas grew and moved out of the small area category. This finding corresponds with data which shows the average area lift capacity increased 53.9 percent over the same time period, suggesting that although there are fewer ski areas, the total resort capacity has actually increased. We find that this trend is still relevant and can be expected to continue on into the future.

In the late 1960's, the United States alone had about 1,400 ski areas. In 1977, the United States had 929 areas; in 1984, 727, and presently there are 490 ski areas operating according to the National Ski Areas Association. Plate I.4 illustrates the number of ski areas in the United States.

As illustrated in Plate I.5, the United States average visitation per area in 1978/79 was 60,990. In 1993/94, the average visitation per area increased to 105,886. This increase was a result of the rationalization of the smaller areas. As illustrated in Plate I.5, average skier visitation per area for the 2003/04 season was approximately 115,981.

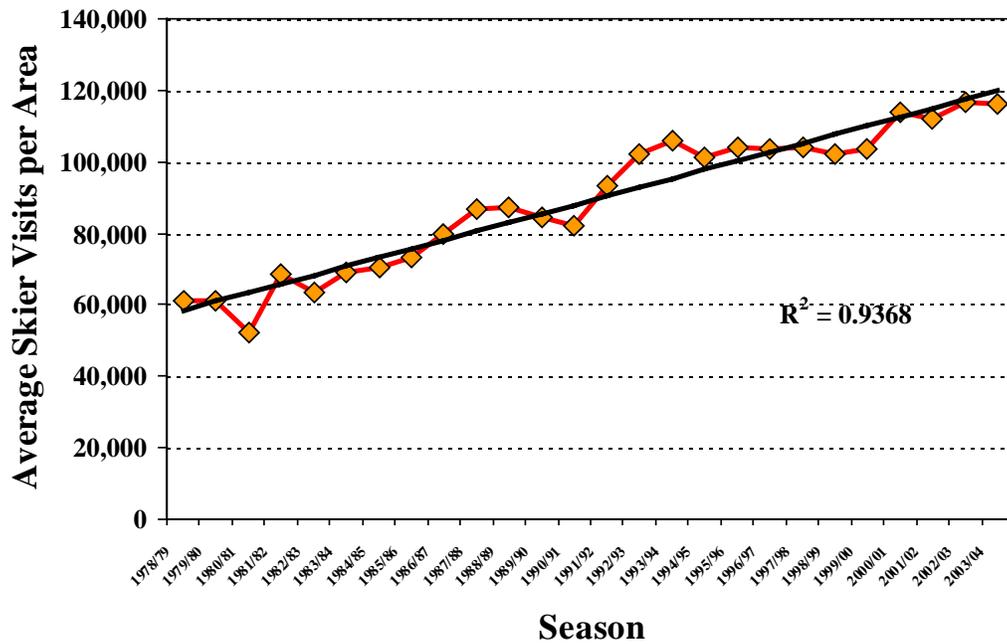
**NUMBER OF SKI AREAS
UNITED STATES**



Source: National Ski Areas Association

PLATE I.4

**UNITED STATES
AVERAGE SKIER VISITS PER AREA – 1978/79-2003/04**



Source: Kottke National End of Season Survey 2003/04

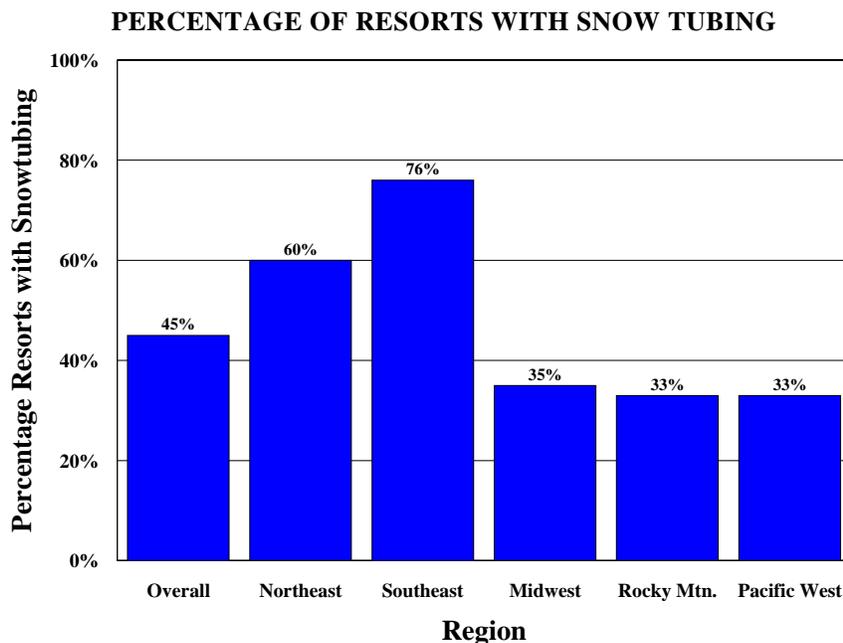
PLATE I.5

Prominent industry analysts predict an increasing specialization in ski resorts as they attempt to create their own "niche" to attract new domestic and foreign markets. New domestic markets such as seniors, ethnic groups, special interest groups, snowboarders and echo boomers are now being targeted by aggressive ski area marketing programs.

The conclusion from this data is that the North American ski industry has entered a new stage in its development. While overall growth in the ski industry has become stagnant, many ski areas and resorts are focusing on improving the quality of the "experience" to maintain loyal customers, as well as offering a wider variety of activities and amenities to appeal to a broader range of visitors. The increasing competition in the ski market means that today's ski resort must be modern and efficient in terms of its operating equipment and plant, while at the same time provide a high quality experience for its guests.

.5 Snow Tubing

In addition to skiing and snowboarding at winter resorts, many areas now offer snow tubing. During the 2003/04 season, 45 percent of the participating areas in the annual Kottke End of Season Survey, reported that they operated a snow tubing park, contributing an average of nearly 16,932 visits during the 2003/04 season. Plate I.6 illustrates the percentage of areas which offer snow tubing.



*Source: Kottke National End of Season Survey 2003/04.
Note: Results based on a sample of 191 areas.*

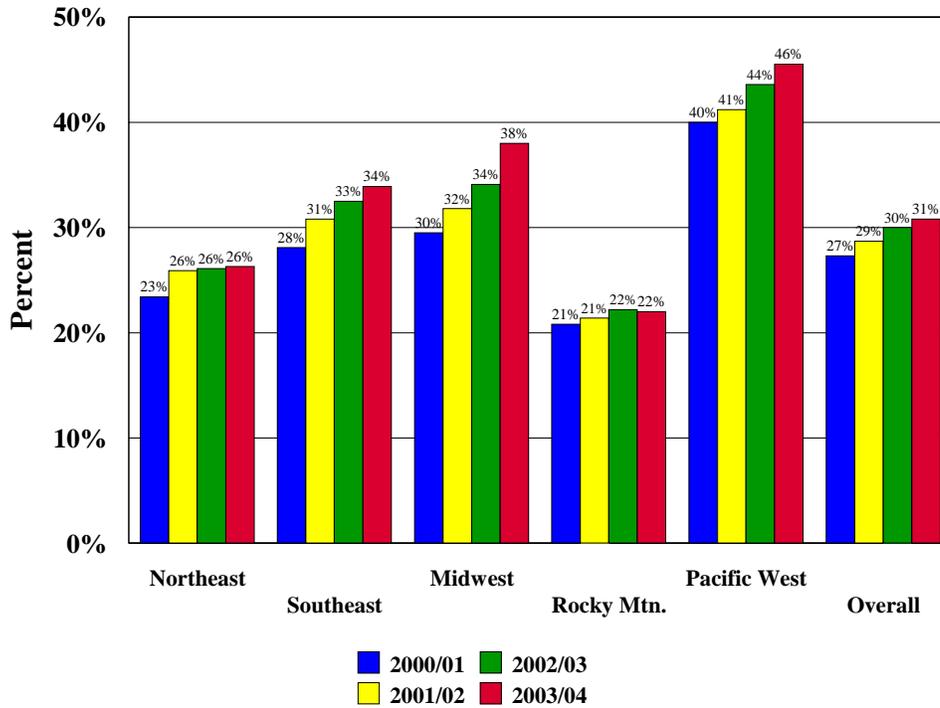
.6 Snowboarding

The emerging popularity and growth of snowboarding has had a significant impact on many components of winter resort area operations. Snowboarding, initially viewed by many as an "alternate" or "anti-establishment" activity for mainly the younger, skateboarding crowd, has shown substantial rates of growth over the past several years. The increase in participation is due to several factors. In addition to interest from a "younger" generation (76 percent of participants are between the ages of 13-24), a growing number of advanced skiers, who because of sport burn-out or skiing associated injuries, have chosen to give snowboarding a try and, in many cases, are "crossing over" to the sport. In addition, because of the perception that snowboarding is far less technical and therefore easier to learn and progress, snowboarding is much more appealing to those who may or may not have tried skiing.

In the United States, there has been a continuous growth trend in the number of snowboarder winter visits. During the 2003/04 season, nearly 31 percent of the alpine lift users were snowboarders, up slightly from 30 percent the previous year. While there is growth in every region of the United States and Canada, there are variations in the percent of snowboarders in each region. The Pacific West region continues to show the highest percentage of snowboarder visit growth in the country.

Plate I.7 illustrates the change in the extent of snowboarding participation between 1998/99 and 2003/04. While the growth rate over the past four years has risen steadily, it is projected that this rate will begin to slow and there will be a gradual shift in the demographic profile of skiers/snowboarders.

**SNOWBOARDERS
AS A PERCENT OF TOTAL WINTER VISITS**



Source: Kottke National End of Season Survey 2003/04

PLATE I.7

.7 Glossary

The winter snow sliding industry has a number of terms and technical jargon specific to resort area development, hence, a glossary is provided below:

1. **Snow Slider** - Refers to a person that slides down the hill using skis, a snowboard, mono ski, snowblades, Big Foot skis, snow runners, or other devices attached to their feet.
2. **Slider Visit (Winter)** - Sometimes referred to as “skier visit”, one person visiting a winter recreation area for all or part of a day or night for the purpose of skiing, snowboarding, snowblading, etc. This is the total number of lift tickets issued. Slider visits include a person holding a full-day, half-day, night, complimentary, adult, child, season, or any other ticket type that gives them the use of an area's lifts and trails.
3. **Rated Uphill Capacity** - The manufacturer's rated number of passengers per hour (pph) a lift can transport to the top of the lift. An area's hourly capacity is the sum of the individual lifts.

4. **VTF/Hour (000)** - (Vertical Transport Feet Per Hour) - The number of people lifted 1,000 vertical feet per hour (vertical rise of a lift, times the lift capacity per hour, divided by 1,000). An area's total VTF, is the sum of VTF for all lifts.
5. **VTF Demand/Slider/Day** - The amount of vertical consumed (demanded) each day by a skier, snowboarders, snowblader, etc.
6. **Slider (Comfortable) Carrying Capacity (SCC)** - The number of sliders that a given area can comfortably support on the slopes, lifts and in the base and mountain warming buildings, without overcrowding, or those that may be accommodated at one time and still preserve a congenial environment. An area's comfortable carrying capacity is a function of VTF demand per slider, VTF supplied per hour, difficulty of terrain, and scope of support facilities.
7. **Utilization** - Is measured as a percent of SCC. Comfortable Seasonal Capacity is the product of an area's daily carrying capacity times its days of operation. Utilization compares actual number of visits to calculated comfortable seasonal capacity.
8. **Terrain Pod** - A contiguous area of land deemed suitable for lift and trail development due to its slope gradients, exposure and fall line characteristics.