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March 23, 2012

VIA E-MAIL AND FIRST CLASS MAIL

Zack A. Clement
Fulbright & Jaworski L.L.P.
Fulbright Tower
1301 McKinney
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Houston, TX 77010-3095
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Re: Mammoth Lakes Land Acquisition, LLC v. Town of Mammoth Lakes

Dear Zack:

We have considered your proposal for mediation of the amounts owed to MLLA by the Town of Mammoth Lakes ("TOML"). Under the circumstances, we must decline to participate. For over 15 years, as exhaustively enumerated in the appellate opinion affirming MLLA's judgment, TOML has studiously avoided accepting any responsibility for its contractual obligations to MLLA. Based upon this history, the principals of MLLA believe that the mediation process will simply be another step to delay the final resolution of this claim.

Even more disturbing to us, recent statements to the media indicate that TOML sees mediation as a way to provide other parties the opportunity to "stare" at MLLA as opposed to its intended purpose – determining how the TOML can fairly treat its creditors. More importantly, we believe that after a decade and a half of trying to resolve this matter behind closed doors with the town council and town managers, it is time to open the process to all the constituents in the town.

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This does not mean, however, that MLLA is unwilling to continue to negotiate this matter, if it is done in good faith.

MLLA understands both that TOML does not have the wherewithal to pay nearly \$43,000,000 in cash nor can it commit to annual payments that will likely render it unable to provide essential services to its citizens. However, as TOML has a very significant and undisputed obligation to MLLA, it is reasonable for MLLA to expect the town to do two things: 1) make a good faith determination as to its base-line expenses to provide essential services to its citizens, and 2) diligently explore opportunities to develop new sources of revenues. These two factors will allow a determination, based on annual revenues, as to how much may be available to satisfy its debt to MLLA.

Indeed, the principals of MLLA have spent the past year working with the current town managers to jointly determine both the base-line expenses needed provide essential services and ascertain what additional sources of revenue may be reasonably available to TOML. That effort demonstrated that TOML had substantial undisputed discretionary spending. Unfortunately, TOML has completely disavowed this entire effort in its recent communications. Furthermore, despite numerous requests, neither TOML nor you have provided any evidence of substantive steps taken toward the goal of satisfying our judgment in any manner.

Clearly, the poor snow conditions during December 2011 have adversely affected TOML's financial condition, but a review of historical financials makes it clear to us, based on the analysis performed, that under normal circumstance, TOML both incurs significant discretionary expenses beyond that necessary to provide essential services (even broadly defined) and that there are numerous avenues by which it might generate significant incremental revenue to fund either a bond that would be used to pay off our obligation or enter into a structured settlement agreement directly with MLLA. We find it telling that the town has studiously avoided even making the request of Judge Randall to allow this judgment to be paid over time as permitted by statute (and as proposed by MLLA). It is as if the town prefers to have the shock value of posturing that it cannot possibly pay because the judgment is "twice the entire annual budget of the Town."

Although MLLA is skeptical that the Chapter 9 filing of the town is anything but inevitable (whether or not it qualifies), as a final effort to resume direct negotiations, I can advise you that MLLA is prepared to proceed with a settlement of the judgment on the terms set forth in this Letter of Intent ("LOI"). Please note that this LOI is for discussion purposes only, and neither party will be bound to any agreement regarding the resolution of the judgment in this matter until mutual execution of a fully negotiated and documented settlement agreement.

As of April 30, 2012, we calculate that the full amount of our judgment will be no less than \$42,746,754.70, including the amount of the original jury verdict, fees, costs and interest. It may be paid as follows:

Effective Date: A written settlement agreement would be finalized no later than April 30, 2012 (the "Effective Date").

Initial Payment: On the Effective Date, TOML will make an Initial Payment in the amount of Two Million Dollars (\$2,000,000.00) to MLLA.

Balance Payment: MLLA will accept payment of the balance amortized over thirty years with interest at 4.25% if structured as a tax-free bond and 5.6% if taxable. There will be no interest accrual (except in the event of default) between the Effective Date and May 1, 2013 and monthly payments on the debt will commence on May 1, 2013. Under this structure, TOML will be required to make total annual payments of approximately \$2.8MM per year on a taxable instrument or approximately \$2.4MM on a tax-free bond issued to MLLA.

Deferral: In order to address times of economic distress occasioned by force majeure conditions such as an unusually low snowfall, MLLA would also be willing to negotiate a deferral mechanism for principal payments (and possibly interest) predicated upon negotiated minimum targeted revenues for TOML. Conversely, MLLA would seek to accelerate payments in the event the revenues for TOML exceed a separate targeted amount.

Security: Pledge of a specific income stream from TOT.

Marketability: TOML will use all reasonable efforts to create a debt structure with the attributes of a marketable municipal bond.

Upon the Effective Date and assuming MLLA's judgment is satisfied pursuant to the terms set forth above, MLLA will convey to TOML its rights in the Hotel/Condo Lease, the purchase option at issue in this action, and the associated rights in the Development Agreement. Such conveyance will not include any other leases incorporated into the Development Agreement nor any rights in the Development Agreement associated with those other leases.

By executing this LOI, TOML represents and warrants that you and its Town Manager each have actual authority to enter into the LOI and related settlement agreement on behalf of TOML. TOML agrees that it will not assert in any proceeding the position that either you or its Town Manager lacked such authority.

By executing this LOI, TOML also represents and warrants that agreement to the terms set forth above will not render TOML insolvent or otherwise unable to meet its obligations as they come due. TOML agrees that it will not assert in any proceeding that such terms render TOML insolvent or unable to meet its obligations as they come due.

TOML understands and agrees that a settlement agreement memorializing the terms set forth above must include additional representations and warranties subject to approval by MLLA relating to the solvency and/or financial condition of TOML.

Very truly yours,



Eric Winston
Attorney for Mammoth Lakes Land Acquisition, LLC

Accepted and Agreed to as of _____ 2012:

By: _____
David Wilbrecht
Town Manager for the Town of
Mammoth Lakes

By: _____
Attorney for the Town of Mammoth Lakes

cc: Dan Brockett (via e-mail)
Mark Rosenthal (via e-mail)
Jay Becker (via e-mail)
Terrence Ballas (via e-mail)