

Sea Ranch Inn, LLC
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April 25, 2009

Leigh Mueller
Chairman of the Board of Directors
The Sea Ranch Association
975 Annapolis Road
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The Sea Ranch, California 95497-0016

John Fox
Community Manager
The Sea Ranch Association
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Re: Sea Ranch Lodge Expansion Project (the "Lodge Project") proposed by Sea Ranch Inn, LLC ("Lodge Owner").

Gentlemen:

As you know, an extensive meeting occurred between the Lodge Owner and TSRA's Design Committee during the period of January 30 through February 1, 2009. This meeting resulted in an Agreement that was entered into between the Lodge Owner and TSRA's Design Committee on February 1, 2009 granting Preliminary Approval of the Lodge Project (the "February 2009 Agreement"). On February 25, 2009, Lisa Scott on behalf of TSRA and its Design Committee sent a letter to the Lodge Owner that Design Committee had determined that Lodge Owner had substantially complied with the Agreement, that all conditions to preliminary approval had been complied with and that Lodge Owner could proceed to final design review. The only issue noted in the February 25 letter that remains unresolved at this time with regard to such Preliminary Approval is the orientation (but not the location) of a building in the North Cluster.

TSRA's Design Committee granted its preliminary approval of the design, height and location of all buildings on the site plan that have been delivered by the Lodge Owner to PRMD.¹ By doing so, The Sea Ranch Association's Design Committee has determined that the Sea Ranch Lodge's proposed expansion project complies with The

¹ Lodge Owner and TSRA's Design Committee have exchanged additional correspondence regarding the rotation of the building in the North Cluster. Although there is a disagreement over this rotation issue, the rotation issue does not affect any of the matters that are presently before Sonoma County.

Sea Ranch Association's design guidelines (which also reflect the same principles contained in Sonoma County's applicable guidelines).

On April 22, there was a preliminary hearing on our project before Sonoma County's Design Review Committee. At that hearing, Richard Whittaker and Sheila Brady (who are members of TSRA's Design Committee) and Bob Hartstock (who is a member of TSRA's Planning Committee) spoke out against our project. They all identified themselves by reference to their committee positions within TSRA, even though they then claimed to be speaking in their individual capacities. They all raised design elements with Sonoma County's Design Review Committee that had been previously addressed and resolved in TSRA's Design Committee's Preliminary Approval of Lodge Owner's project. Clearly their actions have tainted this process for all parties and compromise the integrity of the agreement reach with TSRA.

Further to this point, at the April 22 hearing was the failure of anyone from TSRA endeavoring to clarify that TSRA's Design Committee granted its preliminary approval of the project after extensive return and consideration of the design elements that Whittaker, Brady and Harstock were citing. Lisa Scott of TSRA's DCEM was in the audience and informed us prior to the hearing that she was there to assure that Sonoma County followed the TSRA's Design Committee's approval (as it does on other Sea Ranch projects). Board Members Leigh Mueller and Dibby Tyler were also in the audience, yet none of these individuals attempted to clarify the record.

At the commencement of the April 22 hearing, Sonoma County's Design Review Committee stated that after public comments the Lodge Owner would be provided an opportunity to respond to public comments. Unfortunately, Sonoma County's Design Committee did not provide us with this opportunity to speak and clarify the record as to the status of TSRA's Design Committee's approval of our project.

Lodge Owner requests that TSRA immediately provide it with copies of all writings (including email correspondence) within its files. This includes any writing by and among any members of the Design Committee, TSRA staff and members of the Sea Ranch community. We strongly believe the best course for all parties at this time is full disclosure and complete transparency. Finally, we also request that the Board undertake an investigation of the actions that have taken place and keep us fully apprised of the results of that investigation.

We also request that TSRA immediately facilitate the correction of the record at Sonoma County and unequivocally state to Sonoma County that its Design Committee (which has exclusive jurisdiction on design matters at The Sea Ranch) has granted its approval of the design, height and location of all buildings on the site plan that have been delivered by the Lodge Owner to PRMD. We also believe that TSRA needs to apologize for any unnecessary confusion that may have been created in the Sonoma County process regarding the status of this project and its design compliance.

For over two years, the Lodge Owner has been working in good faith with TSRA on the design and approval of its project. The recent actions of a few individuals who have official ties to TSRA have appeared to betrayed this process. We are deeply saddened by this event. Time is very much of the essence for the Lodge Owner.

Because of the delays that we previously incurred obtaining preliminary approval from DC, and the ongoing crisis in our economy, the Lodge Owner is at imminent risk of losing its financing. Over the last several months, Lodge Owner has worked hard to preserve its financing despite the turmoil in the financial markets. Any further delays place our project and the future of the Lodge in serious jeopardy. Quite simply, if the Lodge Owner loses its existing financing, it will be impossible to find alternative financing. We believe that the loss of this financing will be directly attributable to the conduct of the aforementioned persons who felt it necessary to deliberately conspire to derail or delay the governmental approval of the proposed design of our project notwithstanding the TSRA's Design Committee's approval of the project

Even before the current economic downturn, the existing Lodge operations were not economically viable. Our ability to keep the Lodge open has been dependent upon the prospect of approval of our proposed expansion project within a reasonably short period of time. As a consequence, if Lodge Owner encounters delays in our governmental approval process, it will be forced to close the Lodge and all of its services indefinitely. We trust that you share our belief that the closure of the Lodge would have detrimental consequences for the entire Sea Ranch community and for the storied legacy of Sea Ranch.

There is a very limited window of opportunity for the parties to work together in endeavoring to mitigate the situation and obtain project approval from Sonoma County.² There are no guaranties that we will be successful in this regard. However, in the absence of TSRA's Board taking the above requested actions all will be lost.

I look forward to hearing from you by no later than 5 PM today. Please be advised that I will be out of the country and not reachable from April 26 through May 10. During my absence, all further communications on this matter will be handled by our Lodge Owner's legal counsel H. Joseph Escher of Dechert LLP. His contact information is below.

Very truly yours,

/s/ Peter M. Heinemann

Peter M. Heinemann

² Even if the parties endeavor to work together, the Lodge Owner fully reserves its rights and remedies. We offer this approach only as a means of potentially avoiding a legal dispute.

Cc: All Board Members

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