



Sea Ranch Lodge

Dear Sea Ranch Community:

We invite you to attend our presentation on the current status of the Sea Ranch Lodge Expansion Project from 2 PM to 4 PM on Saturday January 31, 2009 at the Del Mar Center (**recently rescheduled to February 7**). We also encourage you to review the materials on our project that we have posted on our website at www.srlep.com and displayed at the Lodge.

We hope that you share our view that a revitalized and expanded Sea Ranch Lodge would provide numerous social and economic benefits to the entire Sea Ranch Community. After nearly two years of work and numerous meetings with TSRA's Design Committee (DC), our project is now very much in jeopardy due to the recent actions of the DC and the considerable delay the DC and its process have caused thus far. We want to discuss this with you at the January 31 presentation as well as how we can all work together to keep our Lodge project on track.

By way of recent background, at the end of October 2008, we received a preliminary approval from DC, which found that our proposed project complied with TSRA's design guidelines. Unfortunately, the DC then chose to impose 10 burdensome conditions on the approval that in our view constitute a demand to substantially redesign our project, which would result in a project which is not economically viable and will not be built. Although we submitted to the DC a Request for Reconsideration of those 10 conditions, the DC recently denied our request. Both the DC's letters and our Request for Reconsideration are available for review on the www.srlep.com website.

The Lodge property is not part of the TSRA, but instead is a neighbor that has a contractual relationship with TSRA under the 1991 Settlement Agreement. As good neighbors, we have strived to design a substantially smaller development project than permissible on the site under the 1991 Settlement Agreement in order to adhere to the spirit of the original Sea Ranch design principles of creating architecture in harmony with its surrounding landscape and of living lightly on the land. We are at the same time creating a project that provides the amenities and attributes of a well-appointed hotel for the benefit of the Sea Ranch community and our lodge patrons.

We truly believe that our design team delivered an excellent design plan given the numerous environmental challenges within the site. Please take a moment to reflect on some of the extraordinary merits of our proposed project:

- The 1991 Settlement Agreement permits a substantial development of (1) 120 lodge rooms and a reception area, (2) a caretaker dwelling unit, (3) restaurant and bar/cocktail lounge facilities, (4) a health club facility, (5) a swimming pool, (6) four unlighted tennis courts, (7) conference facilities (including meeting rooms and a multipurpose auditorium), (8) tourist commercial facilities, (9) a bank, post office and business service facility, and (10) an outdoor amphitheater.

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- Despite this contractual entitlement, our development proposal is for approximately 40% of what is permissible and eliminates much of the meeting space and tennis courts.
- We have preserved open space, as the footprint of our project encompasses only 5 acres out of the 52 acres available (including the old lodge site) and only approximately half of that is new development.
- We have endeavored to create a small scale 60 room hotel that by all measures embraces the design mission of the Sea Ranch community, is environmentally responsible (at a minimum LEED™ Gold certified) and economically viable.

If our proposed small scale project is not approved without unwarranted conditions, then we doubt that any other project permissible under the 1991 Settlement Agreement could be approved. Although no project is ever perfect, we feel that we have done everything reasonably possible to include the community, and incorporate input. We feel confident that our design appropriately balances the needs of the Sea Ranch community with the fundamental necessity of an economically successful project.

Because of the actions of the DC, and our inability after two years to obtain complete and unconditional design review approval, we are presently at risk of losing our financial backing. It will be impossible to find alternative financing for our project because of conditions in the current financial markets. The current Lodge operations are not economically viable. As a consequence, we could be forced to close the Lodge and all of its services indefinitely. We trust that you share our belief that this would have detrimental consequences for the entire Sea Ranch community and for the storied legacy of Sea Ranch.

Quite simply, the time has come to judge our proposed project on its current merits. The next few weeks will be a critical time for our project. So, what can you do to help us? If you are a supporter of the Lodge project it is important that you let the Board know now that you want them to work with us in a manner that facilitates our project immediately moving forward. In order to help us gauge community sentiment, we would appreciate your sending us copies of any correspondence that you send to the Board.

We would also like to keep you updated regarding our progress with the DC and the Board. If you have not already done so, please go to our website at www.srlep.com and give us your e-mail address or other contact information, so that we can more easily keep you updated on our efforts.

Your support is critical to making this project become a reality.

P. M. Heinemann