

February 5, 2015



Dear Neighbor,

On behalf of the ownership of Carmel Highland DoubleTree Hotel, we want to inform you that the closure of Carmel Highland Golf Course is now underway, with plans to permanently close down all operations by Tuesday, March 31, 2015 -- including the golf course, putting green and pro shop.

The adjacent DoubleTree Hotel will remain open; and an extensive \$12 million hotel renovation will commence this Summer with completion by the end of the year. Among the changes planned are a reconfiguration of the lobby to provide a chic sense of arrival, strategic façade updates, pool deck upgrades to enhance the resort experience, as well as extensive ballroom, meeting room and guest room renovations. The restaurant and bar will also be fully renovated in a fresh new concept and will include both indoor and alfresco terrace dining to take advantage of the site's natural hillside location.

While the DoubleTree Hotel remains a popular venue for corporate meetings and retreats, business travel, and vacation/tourist use, the golf course has not been an additive to hotel occupancy. The golf course is suffering the same effects as other golf courses nationally and right here in San Diego, including waning demand for golf, escalating operating costs attributed to water and deferred maintenance items, and the extensive requirements for essential golf course capital improvements.

When the hotel and golf course were purchased in 2011, our main focus was on the hotel as a long-term investment. It was assumed that both golf course revenues and rounds of play would rebound as the economy recovered. However that was not the case; and we were unaware of the serious financial impacts the golf course operation was having on the hotel. We have studied several investment alternatives based on keeping the golf course open; however, all options result in a negative return on investment.

Over the past five years, rounds of golf and revenues at the course have dropped by between 40%-50% and annual losses are now in excess of \$500,000. During the last year, rounds of golf and revenues at the course have continued to fall. And, despite the efforts of our golf management company, Troon Golf Management, golf course operations have not stabilized. This severe financial situation has left us with no other alternative but to follow-through on our original announcement made mid-2014 to close the course.

We understand that this information will be difficult for some people to accept. We also acknowledge that some people will be concerned over the future of the golf course property. That's why we've created the enclosed FACT SHEET which reflects the most current information we have to share. While we are in discussions with several land development companies that have expressed interest in the golf course property, we will not be back in front of the community Planning Board until we have a land use proposal to present. For now, thank you for your patience as we move through the golf course closure process.

As we look to the future, our focus is on the exciting opportunity to enhance both the guest and local community experience at the hotel with a much-needed renovation. We believe the renovations planned will help the hotel as well as its restaurant and bar become an inviting social gathering place for many adjacent residents to enjoy. We're very excited about the design and amenity changes we have planned for the hotel; and we look forward to sharing more with you as we move forward. Thank you.

--The Carmel Highland DoubleTree Hotel Ownership Team