Rancho Santa Fe Golf Club
Post Office Box A, Rancho Santa Fe, CA 92067-0359 · Clubhouse 858/756-1182 · Golf Shop 858/756-3094

March 3, 2006

Dear RSFGC Member,

We are nearing a pivotal moment in the history of our club.

In a few weeks, you will be receiving voting materials asking for your final approval to commence the Clubhouse Renovation project that began its planning over four years ago.

This letter kicks off a campaign to educate and update all Golf Club members on the renovation project – its scope, its costs, the financing plans, the concomitant member responsibilities, and the consequences of doing nothing. It is our intent that, by the time you are asked to vote, you will be in a position to make an informed decision on the future of our Club – not one that is based on speculation and rumor.

Two years ago you overwhelmingly approved a hacienda-style clubhouse designed by Mike Marsh and Associates to blend into our wonderful golf course and community. Last year, you approved a unique financing plan that would allow us to commence construction in the fall of this year. However, as you probably know, unprecedented cost increases in the construction industry have driven our project costs above the $10 million ceiling we imposed on ourselves. Therefore, we are coming back to you with a request to approve the same project at a maximum cost of $11.8 million and a targeted cost of $11.43 million.

The enclosed ***Project Cost Summary*** provides a comparison of today's costs with those of a year ago, and illustrates why we can, with a high degree of confidence, expect the project to be completed within the target price. Here are a few of the key points:

- **Most of the uncertainty has been eliminated.** Preliminary Art Jury approval has been obtained; the County Major Use Permit process has encountered no significant obstacles; soil samples at the job site have revealed no extraordinarily adverse conditions; and we now have a complete set of Construction Documentation (CD), ready to go to the County for plan check.
- **The most recent prices are the result of highly detailed estimating.** Our General contractor, BYCOR, took the CD drawings and the associated specification manual, and instructed each of its key trade subcontractors to perform a detailed quantity take-off and unit pricing exercise. Every light switch, plumbing fixture, HVAC duct, tile, etc., was counted in deriving the material and labor costs for every significant element of the project.
- **We are within 120 days of soliciting competitive bids**, minimizing the impact of further inflationary cost growth.
- **We have included <u>three</u> layers of contingency/price escalation within our maximum cost.** The targeted cost includes $408,000 for build contingency and $423,000 for price escalation; and we have added on $400,000 in <u>additional</u> contingency to arrive at our maximum cost. Together these represent almost 15% of the hard construction costs – a conservative amount for this stage of pre-construction planning.

You will also note that at the bottom of the ***Project Cost Summary*** there is a summary of the project financing and its temporary impact on member dues. The financing package from La Jolla Bank retains the same extremely favorable terms on the first $6 million of the loan amount. In addition, La Jolla Bank has graciously agreed to provide up to $3 million of additional borrowing capacity at current interest rates. Key elements of the financing as it affects our members are:

- To service the debt, member dues are expected to temporarily increase by an average rate of between **$60 and $65 per month** for about six years, compared with last year's projected increase of between **$40 and $50 per month** for a period of about four years.
- This surcharge would vary as shown in the table from about $90 per month in the early years to less than $15 per month towards the end (averaging $60-$65 per month as discussed above).
- The surcharge will begin only after construction is complete and will be removed once the loan is repaid.
- Even with the temporary dues increase, RFSGC dues will still be less than 60% of comparable clubs in the area.

That's it. Those are the changes we will be asking you to approve. The original design is unchanged. The 11-month build-out schedule is unchanged. The vision of the Clubhouse Masterplan that was approved two years ago still features a clubhouse that reflects the understated elegance that is Rancho Santa Fe.

And, despite the unanticipated cost increases, we can assure you that the project is in good hands. Mike Marsh, Bill Hall, and BYCOR are our partners who are well-respected among their peers, and committed to completing the project on time, on budget, and according to our specifications. The Renovation Committee is comprised of volunteers with extensive experience in real estate development, construction, financing, interior design, and project management. They are working hard, on your behalf, with Steve Nordstrom and his staff to make sure that every "t" is crossed and "i" dotted. All of them are committed to a wonderful finished product, just as many of them were on the golf course renovation project, which we have the privilege of enjoying each and every day we play.

So, we ask only that you review these materials and plan to come to one of our Clubhouse Communication meetings in the next few weeks. Here are the dates that have been scheduled. Please call Bobbi (756-1182) and let her know which one you plan to attend.

Date	Time	Date	Time
Thursday, March 9	3:00 PM	Wednesday, March 15	7:00 PM
Thursday, March 23	7:00 PM	Saturday, March 25	2:00 PM

Finally, please vote. Don't leave this key decision to someone else. It is much too important.

- **A "Yes" vote** will result in our new clubhouse opening in the fall of 2007, financed at very attractive rates, through a temporary dues surcharge. We are confident that the cost to complete this project will never be lower.
- **A "No" vote** will at best, delay the project for a few years. At worst, it will force us to start the project over, essentially resetting the clock back to five years ago when we started this current project. Regardless, we wouldn't likely occupy a new clubhouse until 2011, or later, at what we would expect to be much higher construction and financing costs. In the meantime, we would also have to invest heavily in repairing our current facility.

We look forward to discussing this project with you and answering your questions at one of our meetings. We will see you there.

Sincerely,

RSFGC Board of Governors

Steve Dunn, President*

Chuck Yash

Chuck Yash, President-elect

Don Ankeny, Treasurer*

Mike Reed, Secretary

Rich Ferrier*

Robert Paxton

Kathy McElhinney

Kathy McElhinney

Clubhouse Renovation Committee

Bill Weber

Bill Weber, Chair

Gary Coburn, Past President (2004-2005)

Don Glatthorn

Don Glatthorn

Greg Hillgren, Past President (2002-2004)

Bill Johnson

Maureen McMahon

Maureen McMahon

*Renovation Committee Members

Rancho Santa Fe Golf Club
Clubhouse Masterplan

Project Cost Summary

	Hacienda Style Clubhouse
Project Description	**Main Clubhouse**: Complete renovation to include new outdoor dining areas, enlarged main dining room, expanded and updated kitchen, additional private dining facilities. Relocation of administrative offices. **Players' Clubhouse:** New building with Pro Shop, men's and women's locker rooms and lounges, veranda overlooking the first tee, co-ed lounge area that can be reconfigured for larger events, underground cart and bag storage.
Commence Construction	Fall 2006
Project Duration	11 months

	Project Cost (Aug 2006 Dollars)	
Date of Estimate	**February 2006**	March 2005
Basis of Estimate [1]	Construction Documents	Design Development Documents
Lead Time to Bidding [2]	4 Months	15 Months
Project Costs		
Architecture & Interior Design	$ 585,756	$ 575,000
Construction [3]	8,472,499	7,112,627
Contingency - Build [4]	407,898 4.8%*	453,051 6.4%*
Furniture, Fixtures, and Equipment	833,500	767,500
Other Owner Costs [5]	609,775	517,214
Other Forecasted Costs [6]	100,000	0
Contingency - Cost Escalation [7]	423,625 5.0%*	428,864 6.0%*
Target Project Cost [8]	**$ 11,433,053**	**$ 9,854,256**
Contingency - Unassigned [9]	400,000 4.7%*	0 0.0%*
Estimated Maximum Cost	**$ 11,833,053**	**$ 9,854,256**

	Loan and Debt Service		
Loan Maximum	$9.0 MM		$6.0 MM
Interest Rates	5.25% - 7.75%		5.25% - 7.75%
Estimated Temporary Monthly Dues Surcharge			
Year 1		$88	$40 - $50
Year 2		$88	
Year 3	**$62 / mo.**	$85	
Year 4	**Average**	$60	
Year 5		$37	
Year 6		$13	

* Percentage of hard construction costs

Notes

1. **Basis of Estimate**: The current cost estimate is much more accurate. It was based on nearly completed Construction Documents, it has been priced much nearer to commencement of construction, and it was derived by BYCOR's most reliable subcontractors.

2. **Lead Time to Bidding**: There is much less variability in the current construction estimate, because we are only about 120 days from going out for competitive bids.

3. **Construction:** This increase of approximately 19% is entirely due to industry-wide inflation in the cost of materials, equipment, and labor, and is less than that experienced on many projects. None of this increase is due to change of scope.

4. **Contingency – Build**: This contingency provides for potential additional cost that would be incurred as a result of differing conditions encountered during construction that could not have been reasonably foreseen by the contractor in the preparation of his bid for construction of the work. These types of conditions generally are found when under ground level in the new work or within the demolition portions of the renovation. Any unused contingency level subsequent to those stages is available for Owner directed changes in the work.

5. **Other Owner Costs**: Includes such items as County fees, bonds, insurance, drawing reproduction, and consultants (owner's representative, civil engineering, etc.)

6. **Other Forecasted Costs**: During the course of the project, we have incurred additional civil, engineering, and consulting fees.

7. **Contingency – Cost Escalation**: We are still allowing 5% for cost escalation between the December 2005 cost estimate and the June 1, 2006 date targeted for soliciting bids. This is based on a survey of all major subcontractors, conducted by Bill Hall, our construction consultant, and our general contractor, BYCOR, to determine the amount of escalation between December 2005 and today. It is estimated that the cost of this project has increased by about 2% in that period of time. Extrapolation to June sets the number at 5%.

8. **Target Project Cost**: $11,433,053. We are committed to completing the project for that amount, assuming we start in the fall of 2006.

9. **Contingency – Unassigned**: We do not anticipate depleting this fund. This contingency is parked for the limited use and at the sole discretion of the Owner management team.