



July 10, 2008

The Honorable James W. Holley, III
✓ The Honorable Members of Portsmouth City Council
801 Crawford Street
Portsmouth, VA 23704

Dear Mayor Holley and Members of Council:

As the management company of the Portsmouth Renaissance Hotel & Conference Center, Senator Lucas' recent expression of support for a competing facility in our immediate market is a cause of grave concern to Crestline Hotels & Resort, Inc.

It is widely known that the Portsmouth Renaissance Hotel required a significant subsidy to become a reality prior to its' opening in 2001. Since that time, very little has changed within the City of Portsmouth, despite promises of further economic development and a continued effort to develop the waterfront area adjacent to the property into a first class office, residential and retail center.

In fact, the Portsmouth Renaissance currently ranks third of six hotels in its competitive set of comparable hotels. At 64.8% occupancy for the trailing twelve month period, the Hotel is down -7.6% compared with the prior twelve month period. At the same time the 2008 year-to-date occupancy of the comp set to the property is 59.8%. In the last year alone, 1563 new hotel rooms have been added to this market. The location of some of these rooms in the northern Suffolk area is immediately adjacent to companies that were key suppliers of room nights to the hotel. With no new "demand generators" within our market, this trend will continue. The presence of another full service hotel property, with even remotely comparable meeting facilities, would be a devastating blow to the Renaissance's future prospects.

In terms of RevPAR, or revenue per available room, the hotel is down -4.1% for the same period. In a time of ever increasing costs, it is not surprising that these factors are exerting great pressure on the Hotel's profitability.

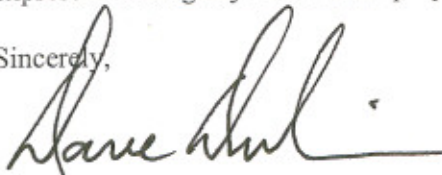
To further emphasize this point, net cash flow from operations for the period Jan-May 2008 is down nearly -14% from the same period a year ago. This disturbing trend would only be exaggerated by the development of a competitor in the immediate market.

DAVE DURBIN
PRESIDENT & CHIEF EXECUTIVE OFFICER

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On behalf of the owner, management and staff of the Portsmouth Renaissance Hotel & Conference Center, and for the reasons enumerated above, Crestline Hotels & Resorts wishes to express its strong objection to the proposed hotel and conference facilities at Victory Village.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Durbin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dave Durbin
President & CEO

DD:mh

cc: Kenneth Chandler
Steve Lynch
Nathaniel Williams, Jr.
C. W. McCoy
Roger L. Brown
Herbert A. Haneman
Ann M. Kirk-Mendes
Cameron S. Meals
James A. Overton, Jr.