

July 30, 2007

Bella Beach Homeowners Association
Attn. Board of Directors
PO Box 1035
Gleneden Beach, Oregon 97388

SENT VIA U.S. MAIL & EMAIL TO:
tellyourboard@bellabeach.org

Re: *July 13, 2007 letter to Linda Ham*

Dear Board of Directors:

This firm represents Ken & Linda Ham in their capacity as Members of Ocean Front Villa, LLC, Ocean Front Villa, LLC, Ken & Linda Ham in their capacity as Members of Skyshine, LLC, and Skyshine, LLC.

Ocean Front Villa, LLC owns 5095 W. Belle Circle at Bella Beach. Skyshine, LLC is the property manager for the unit. Skyshine, LLC is also the property manager for a number of additional units subject to Bella Beach Homeowners Association Rules and Regulations.

You have requested that the Hams and other unit owners provide you the identity of the property manager managing their units. You have also obligated unit owners to contract with a licensed property manager approved by the Bella Beach Homeowners Association. Be advised that these requests are deemed an unlawful and tortious interference with Skyshine's business and its contracts with unit owners. To wit, unit owners who have contracted with Skyshine, LLC are not required by law to employ a real estate property manager as defined under ORS 696.010(15). All of the units managed by Skyshine, LLC are rented as vacation rentals on a short-term basis of less than thirty consecutive days.

More specifically, ORS 696.030(1)(m) does not require a "hotel" or "innkeeper" as defined by ORS 699.005 to employ a property manager. ORS 699.005(2) defines a "hotel" or "innkeeper" as any business entity which manages, rents or operates a hotel or inn "in which rooms or suites of rooms generally are rented as transient lodgings and not as principal residences." ORS 699.005(1) defines a "hotel" or "inn" as a "property, however owned and including a condominium under ORS chapter 100." ORS 699.005(3)(b) defines "transient lodging" as a room or suite of rooms which is occupied not as a principal residence "by persons for periods of less than 30 consecutive days."

We want to make it very clear that Skyshine, LLC is a lawfully operated business entity in good standing with the State of Oregon, Lincoln County, and all governmental agencies. It conducts its business in full compliance with all applicable laws. Skyshine will not tolerate a restraint on its lawful business or interference with its lawful contracts, and intends to seek legal action against the Homeowners Association subsequent to the August 2, 2007 hearing if the Board: fines any of its clients; causes any of its clients to terminate their contracts with Skyshine; requires any of

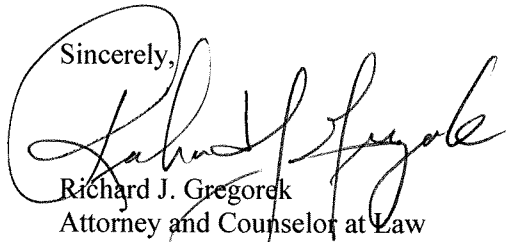
Skyshine's clients to employ a licensed property manager; deems any of Skyshine's clients to be in violation of Bella Beach Homeowners Association Rules and Regulations for failure to retain a licensed property manager; and/or for any other actionable claim against the HOA and the Board.

With regard to the Bella Beach Homeowners Association Property Management Company Application, because Ocean Front Villa, LLC is not required by law to employ a licensed property management company, it will not be providing a property management company application.

Ocean Front Villa, LLC's position has not changed since its last letter to this Board; the Board's adoption of new "Rules" in January of 2007 is a misnomer. A copy of this letter is enclosed for your convenience. What the Board promulgated are in fact amendments to the Articles of the Declaration of Covenants. The Board failed to comply with procedural requirements. Article 11.6 sets forth the procedure for the Board to effect amendments to the Declaration of Covenants.

Finally, it is believed there are certain conflicts of interests among Board Members. At this time we are requesting that each of the Board Members provide full disclosure of their ownership or employment, or their immediate relatives' ownership or employment interest in any licensed property management entity and/or other real estate related entity.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard J. Gregorek". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Richard J. Gregorek
Attorney and Counselor at Law

cc : Ken & Linda Ham
Pamela S. Getty, Registered Agent
for Bella Beach Homeowners Association

encl.

March 26, 2007

Bella Beach Homeowners Association
Attn. Board of Directors
PO Box 1035
Gleneden Beach, Oregon 97388

SENT VIA U.S. MAIL & EMAIL TO:
tellyourboard@bellabeach.org

Re: *January 6, 2007 adoption of additional Rules and Regulations*

Dear Board of Directors:

This firm represents Ken & Linda Ham, the owners of a unit at Bella Beach. On behalf of Ken & Linda Ham, we are writing to inform you that the Board of Directors' recent adoption of additional Rules and Regulation are not enforceable, as they were not properly adopted for the reasons set forth herein.

The Board does not have absolute power to adopt Rules and Regulations as it did in the months leading up to January 6, 2007. More specifically, section 4.23 of the Declaration of Protective Covenants, Conditions, Restrictions and Easements for Lots 1 through 55 (dated 10/19/00) (hereinafter referred to as "Declaration of Covenants") states:

The Board from time to time may adopt, modify or revoke Rules and Regulations governing the conduct of persons and the operation and use of Lots and Common Areas as it may deem necessary or appropriate. . . . The method of adoption of such Rules and Regulations shall be provided in the Bylaws.

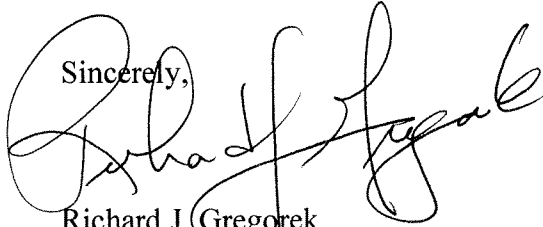
Article 6 of the Bylaws sets forth Rules and Regulations. Article 7 provides that the Bylaws may be "amended at any time by an instrument approved by at least a majority of the total votes of each class members that are eligible to vote." The Board failed to comply with Article 7; the January 6, 2007 adopted Rules and Regulations were never presented to the voting members.

Finally, the Board's adoption of Rules and Regulations on January 6, 2007 is somewhat of a misnomer in many instances. The adopted Rules and Regulations are in fact amendments to the Articles of the Declaration of Covenants. For instance, the Declaration of Covenants provides Articles regulating Rental of Homes (Art. 4.4), Animals (4.5), Parking (4.7), Signs (4.9), Satellite Dishes (Art. 4.16), and Use of Common Areas (5.1). Again, the Board failed to comply with procedural requirements.

Article 11.6 sets forth the procedure for the Board to effect amendments to the Declaration of Covenants.

Be advised that if the Board does not take immediate action to voluntarily cease and desist from enforcement of the defectively adopted Rules and Regulations, and further take action to inform all Bella Beach Homeowners that the January 6, 2007 adopted Rules and Regulations are not enforceable, the Hams are prepared to seek immediate Court intervention to protect their ownership rights.

Sincerely,



Richard J. Gregorek
Attorney and Counselor at Law

cc : Ken & Linda Ham
Pamela S. Getty, Registered Agent
for Bella Beach Homeowners Association