

March 26, 2007

Bella Beach Homeowners Association  
Attn. Board of Directors  
PO Box 1035  
Glenden 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.

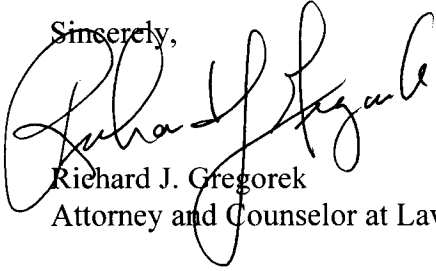
Article 6 of the Bylaws sets forth Rules and Regulations. Article 7 provides that the Bylaws may be "amended at any time by an instrument approved by at least a majority of the total votes of each class members that are eligible to vote." The Board failed to comply with Article 7; the January 6, 2007 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,

A handwritten signature in black ink, appearing to read "Richard J. Gregorek", written over the typed name and title.

Richard J. Gregorek  
Attorney and Counselor at Law

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