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March 30, 2007

Mr. Richard J. Gregorek
Brislawn Lofton Gregorek, PLLC
Attorneys & Counselors at Law
3450 Carillon Point
Kirkland, WA 98033

Re: Bella Beach Homeowners Association
Board of Directors Adoption of Rules and Regulations on
January 6, 2007

Dear Mr. Gregorek:

I represent the Bella Beach Homeowners Association and I have received and reviewed your letter dated March 26, 2007.

The fact that the new rules and regulations adopted by the Board earlier this year address subjects also addressed by the Declaration and/or the Bylaws does not, ipso facto, have the effect of requiring amendment of the Declaration or the Bylaws, as you seem to suggest. Any such interpretation would eviscerate the Board's authority to enact virtually any rules or regulations.

I certainly agree with one point in your letter; namely, the Board does not have absolute power to adopt rules and regulations. However, the Board's ample authority to adopt these rules and regulations is set forth by statute, and by the Declaration of Protective Covenants, and by the Bylaws of the Bella Beach Homeowners Association, as follows:

1. ORS 94.640(1) provides that the board of directors of the homeowners association of a planned community "may act on

behalf of the association except as limited by the declaration and the bylaws" (underlining supplied.)

2. Section 4.23 of the Declaration of Protective Covenants, which section is partially quoted in your letter, provides in full as follows:

"4.23 Association Rules and Regulations.
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 in order to assure the peaceful and orderly use and enjoyment of the Property. A copy of the Rules and Regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Board promptly to each Owner and shall be binding upon all Owners and Occupants of all Lots upon the date of delivery or actual notice thereof. The method of adoption of such Rules and Regulations shall be provided in the Bylaws."
(Italics supplied.)

Even though this section specifically reserves broad power to the Board regarding the adoption of rules and regulations, you apparently assert that such rules and regulations may only be adopted by a majority of a quorum of the members of the homeowners association, citing Article 7 of the Bylaws as your authority. I would simply point out that the first sentence of Section 4.23 of the Declaration directly granting to the Board the power to adopt, modify or revoke rules and regulations "regarding the conduct of persons and the operation and use of Lots and Common Areas as it may deem necessary or appropriate" would be meaningless if your interpretation was correct.

3. The first paragraph of Article 6 of the Bylaws, to which you also refer in your letter, states as follows:

"Failure by an Owner (his family,

invitees or lessees) to comply with the rules of conduct and restrictions set forth in the Declaration, these Bylaws or others promulgated by the Board of Directors shall be cause for which the Board of Directors may deny or restrict such Owner's right to use any common facility with respect to which such Owner otherwise had a right of use. In addition to the restrictions and rules of conduct set forth in the Declaration, the following shall apply:" (underlining supplied.)

As you can see, the first sentence of Article 6 further suggests that "rules of conduct and restrictions" may be promulgated by the Board of Directors in addition to those set forth in the Declaration and Bylaws. Moreover, the second sentence of Article 6 introduces seven paragraphs of "restrictions and rules of conduct" in addition to those set forth in the Declaration, and then the eighth paragraph of Article 6 (Paragraph 6.8 entitled "Additional Rules") provides that "[r]ules and regulations concerning other use of the Property may be made and amended from time to time by the Board of Directors". It is self evident that this paragraph of the Bylaws reinforces Section 4.23 of the Covenants and the first paragraph of Article 6 quoted above in authorizing the Board to make and amend rules and regulations regarding use of the property.

4. Article 7 of the Bylaws has no application in this context. For the reasons set forth above, the Bylaws do not require that the adoption of rules and regulations by the Board requires a majority vote of the homeowners. Conversely, no amendment of the Bylaws is necessary for the Board to promulgate the rules and regulations which it is already authorized to promulgate under Article 6 of the Bylaws and Section 4.23 of the Declaration of Protective Covenants.

Coming full circle, the Board of Directors of the Bella Beach Homeowners Association is not only not limited or prevented by the Declaration or the Bylaws from acting on behalf of the Association to adopt these rules and regulations, see ORS 94.640(1), the Board

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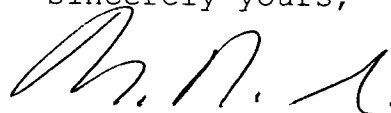
is expressly authorized by the Declaration and the Bylaws to do so.

The overall purpose of the Board in promulgating the rules was to promote the quiet enjoyment of the property for Bella Beach homeowners by addressing some recurring problems. The Board's meetings have been open and the Board has been very solicitous of the input of all homeowners during this process. When the Board reached consensus on its "final" draft of the rules, the Board sought additional homeowner feedback and, based on that feedback, made several additional adjustments to its proposed rules before they were adopted. Those rules will be incorporated into the next release of the Rules document, which will be published on the www.bellabeach.org website in April.

The point is that the Bella Beach Rules is intended to be a living document that will be changed and updated as necessary to address the ongoing and changing needs of the Bella Beach community. If your clients have concerns about particular rules, the Board would invite your clients to make those concerns known to the Board at the earliest possible date. Any concerns and suggestions from your clients will be received with the same respectful, open minded, and democratic attitude as those previously voiced by other homeowners. A Feedback and Contact List is maintained on the Bella Beach website at www.bellabeach.org/contact/ if your clients would like to use that vehicle for communication with the Board.

If you have any further questions or matters you wish to discuss, please do not hesitate to call or write.

Sincerely yours,



Brian D. Green
Attorney at Law

BDG:jw

Enc.

cc: Dave Loverink
Don Huster
Pam Getty
Al and Gene Watkins
Bob Donaldson

Gregorek Letter 3-27-07.wpd