

January 3, 2011

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Mr. Brian D. Montague  
United States Liability Insurance Group  
1190 Devon Park Drive  
Wayne, PA 19087

Re: *Close v. Admiral's Cove Beach Club, Inc.*  
Claim No.: K045255

Dear Brian:

Roger Close's motion for summary judgment is scheduled to be heard on the 28<sup>th</sup> of January in Island County. Close's attorney obviously had this completed and may well have filed it on the 21<sup>st</sup> of December but he served it on us on the last possible day he could serve it, December 30<sup>th</sup>. At the time that I made my six month report on the 29<sup>th</sup>, I did not have the benefit of reviewing it.

Having gotten through the motion once now, I think that there is a good chance we may avoid summary judgment if not as a matter of law at least as to certain factual issues. There is a fair body of case law throughout the United States that liberally construes laws establishing homeowner's associations and gives them retroactive application. I do not think the Washington legislature had any intention of automatically making a homeowner's association apply retroactively but by the same token I do not see any reason why Admiral's Cove could not restructure itself as a homeowner's association and act accordingly. Close was also an officer of Admiral's Cove for a period of time and was one of the people instrumental in creating the "opt out" business that occurred earlier last year and which actually started this litigation.

I have no option but to oppose the Motion for Summary Judgment. If we prevail and Close is not granted summary judgment, I believe that there is a good chance that we can orchestrate some kind of a settlement. Close is paying for this out of his own pocket, and, if he does not prevail on the motion, he may find it in his best interest to resolve the matter. If we lose the motion and Admiral's Cove is not a homeowners' association there are enough anomalous facts involving Close that an appeal probably would not be worthwhile. Until there is a decision, that is a little premature to decide. At any rate, the case will be over if Admiral's Cove does not win. The bylaws provide for reasonable attorney's fees to a prevailing party in matters such as these and Close is asking to recover those fees.

In response to your individual questions: I believe the case will be amenable to resolution only if we prevail on the summary judgment. I will need to prepare a response to the Motion for Summary Judgment and that will doubtless include a declaration or two and some original research concerning these issues. Admiral's

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Mr. Brian D. Montague

January 3, 2011

Page 2

Cove's regular counsel has provided some research into the matter and I will make use of that information. Much of the factual material is recorded documents. We will need no further discovery unless we are successful in defending against the summary judgment motion. This should be limited to two or perhaps three people.

I made my estimate of costs to get us either to completion of the summary judgment and to a point of realistic settlement by figuring about 25 hours to complete a response and collect the necessary evidence, and about 12 hours to prepare for and attend the summary judgment hearing in Island County. Assuming this is not any more difficult than it already appears then that gets us to about \$6,500. Dealing with the client and attempting to bring about a settlement will consume the balance. The total billed and unbilled costs through December 28, 2010 were \$11,141.60. and the addition of \$6500 will bring the total to roughly \$18,000. If you prefer, \$18,000 should get us to summary judgment and then we can figure out what, if anything needs to be done.

Please give me a call if you have additional questions. I look forward to hearing from you.

Very truly yours,



William L. Cameron

WLC/jxp

cc: Dustin Fredrick