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March 2, 2011

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ER 408 PRIVILEGED

Mr. Michael D. Brandt
Brandt Law Group
1200 5th Avenue, Suite 1650
Seattle, WA 98101

Re: *Close v. Admiral's Cove Beach Club, Inc.* – Response to settlement proposal and proposed order for partial summary judgment
Claim No.: K045255
Insured: Admiral's Cove
Trial Date: N/A
Matter ID: 04811-010283

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William L. Cameron
A. Janay Ferguson
Rebecca S. Izsak
Amy F. Miller
Jonathan M. Minear
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Fred T. Smart

Nelson T. Lee
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John Patrick Cook
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Dear Mr. Brandt:

I am enclosing a proposed order with only minor changes to the revisions you sent. Please sign this and return it to me for entry.

In response to your offer to settle, Admiral's Cove makes the following response:

1. The Board will conduct a new vote, with all of the proper formalities, regarding any proposed Amendment of the 1969 Articles of Incorporation of the Beach Club;

Response: We believe the members validly changed the name to Admiral's Cove Homeowners' Association. No further amendments are necessary or warranted at this time, and, when they are, the Board will determine when such vote will take place

2. The Board will conduct a new vote, with all of the proper formalities, regarding any proposed Amendment of the 1985 Beach Club Bylaws;

Response: We admit that the bylaws have not recently been amended. Any amendment to them will be called by the Board at its discretion. The Board plans to amend the bylaws promptly and will follow the law regarding the votes.

3. The Board will acknowledge that the Association is not currently a homeowners association governed by RCW 64.38;

Response: No

4. The Board will inform all title companies and real estate companies

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on the island in writing that the Beach Club and its amenities and dues are a required part of purchasing a home in the Admiral's Cove community. Alternatively, this could be accomplished by the recording of an encumbrance on title spelling this out;

Response: The Association has no intention of telling title companies how to do their business. We can provide a copy of the court's signed order to title company.

5. The Association will reimburse Roger Close for fifty percent (50%) of his attorneys' fees and costs incurred in pursuing this action;

Response: How much money are we talking about?

6. Roger Close will dismiss the Close v. Admiral's Cove litigation with prejudice.

Response: No. Roger and the Association will dismiss the action with prejudice and without costs.



William L. Cameron

WLC/wlc

cc: Dustin Frederick, Admirals Cove