

July 28, 2015

Mr. Andrew Cramer, General Manager
Whaleshead Beach Resort
19921 Whaleshead Road
Brookings, OR 97415

Re: Your letter of 6/25/2015

Dear Mr. Cramer:

Thank you for taking your time to meet with us last Wednesday, July 22 in your office at Whaleshead. We received the subject letter almost a month after it was written on Friday, July 17th, just before my wife, Elna, and I left our home in Washington for a visit to our cabin U-4 with our grandkids. Our close friend, Karl Kolthoff, owner of cabin U-10, joined us for our meeting.

We were quite amazed at your letter when we first read it. It basically stated three things:

1. Whaleshead's "new" rental program is great.
2. You (as a cabin owner) will make lots of money.
3. We invite you to join the rental program, but if you don't, you will be hit with a huge 30+% increase in your monthly lease fee, although we will call it a "non-resident occupant fee".

Since this demand reminded us of a Mafia "protection fee", we felt we needed to meet with you immediately to try to sort this out, especially since it was only directed at a "special" group of owners. As soon as we arrived on the 20th, we called Danielle Oman (not sure of her title because we thought she was your "General Manager") and asked her how we could communicate with you. Danielle advised you had no physical address we could write to, no email address, nor any phone number at which we could call you. All communication must go through her. But she did advise that you might be arriving on Wednesday or Thursday, so I asked her to try to set up our meeting. Since no Whaleshead cabin owner had ever received a friendly introduction to the new owners of the resort explaining the new organization, we felt privileged indeed to be the first cabin owners to meet with you. So again, thank you.

When the three of us met you in your office, we explained that we had been cabin owners at Whaleshead since 2010 (Karl since 2012), and we loved Whaleshead. When Elna and I bought our cabin, we spent a lot of money completely remodeling and decided to continue renting it out in Whaleshead's rental program. When we had finished our remodel and neighbors saw what we did, their comment was "you are going to put THAT in the rental pool? – Good luck!" Still, we thought we would like to share our cabin when we weren't going to use it for our family and friends, so we persevered. We were in the rental pool for about four years, noticing that as Whaleshead's services declined, more and more items in our cabin disappeared, more damage to the cabin and furnishings occurred, and the overall "quality" of renters diminished (one of the renters even kicked a hole in the wall). Finally, when one of the renters broke into our private (locked) laundry room and stole about \$1500 worth of tools and other

personal items, we decided that's enough. We advised Danielle to take our cabin out of the rental pool until the rental program could be improved. Since we heard ownership of the resort was changing, we were hoping for some positive changes so we could possibly rejoin the rental program.

We were still considering joining the rental program, but only after actually seeing what changes in policies and procedures were actually going to occur to improve the program from a cabin owner's standpoint. Obviously a "new software system" mentioned in your letter was not going to address the problems we experienced, but still, we kept an open mind, hoping things would change for the better. Then we received your letter, and certainly we are not interested in participating under what we feel is a threat of extortion.

In our meeting last Wednesday, we asked you why you discriminated against our group of "non-residents", when we are the group who uses the least amount of Whaleshead amenities and facilities. We utilize the least amount of the precious water supply, place the least demand on the expensive septic system, require the least amount of garbage pickup, and put the least amount of wear and tear on the road system. This is certainly less than the demands placed on the system by continually rented out cabins and full time residents. So additional fees to our group make absolutely no sense, when compared to the other groups. You stated that our group doesn't bring in the revenue like the rental pool cabins, so it was only "fair" to charge us more for this lack of revenue income. With regard to the full time residents, you didn't want to burden them because Whaleshead was their permanent home and we "part-timers" could afford more because our cabins were only our "second homes". To your credit, you listened intently to our arguments and admitted that we made "good points". Actually, I was pleased that you did listen so well to our past experiences at Whaleshead, and you appeared to genuinely want to improve Whaleshead's future.

Regarding the \$150 increase in monthly fees, we asked you where this figure came from and how you supported this amount. You mentioned a possible increase in your insurance costs for our "group", but admitted you had not studied the insurance policies and really had no idea of the real increase in costs. You could provide no evidence of increased costs to Whaleshead by our group except for the "lack of revenue" that we bring in. Karl asked you that since the \$150 per monthly increase appears to be completely arbitrary, what would prevent you from increasing the cost to \$500 or any other number in the future? Your answer was that such an increase was not in your overall plan for the park at this time. You suggested that we, as a group, come up with a solution to your problem instead of the new "occupancy fee", but unfortunately we cannot understand your goals as they might pertain to our "non-resident" group. Without a clear explanation and understanding of your problem, it is impossible for us to solve it.

We were disappointed that we could not dissuade you from rescinding this new fee, which we feel is totally unsupportable as well as discriminatory. Our lease contract does not force us to join the rental program and specifically does not allow you to add on arbitrary charges to our lease fees. Since the lease agreement is bilateral, trying to enforce an additional fee is a breach of the lease. As a result, we will not pay this fee and we would hope other cabin owners in our group will take the same position. As of now, many other cabin owners, not only in our group, but also full time residents, have heard about "the letter" and are extremely concerned about what the future brings. No one will support arbitrary,

unsupportable, and discriminatory charges placed upon them. We believe your letter of “invitation” to the rental pool will therefore have the opposite effect that you desire.

While in the past we have always been cooperative and supportive of Whaleshead management, it is very unfortunate that your June 25th letter puts us in an adversarial position with Whaleshead. We tried to emphasize that point in the meeting, as such a position is not in the long term best interest of either Whaleshead management or any of its cabin owners. As I mentioned previously, we love Whaleshead and we hope you succeed in making Whaleshead “the five star resort” you aspire to. We would like to cooperate as much as possible and help you succeed. Improved communication between cabin owners and Whaleshead ownership and management would go a long way in this endeavor. If you have some plans in which we could participate, please present them to us. We can also offer suggestions for improving the rental program. I think you will find that Whaleshead cabin owners are very willing to listen and help because all of us want to see a better future for Whaleshead. It’s a great place with tons of potential.

Yours truly,

Ray Kawal

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