

GULF HARBOUR GOLF & COUNTRY CLUB
MEMBERS' MINUTES OF BOARD OF GOVERNORS MEETING
February 17, 2004

As is our custom, what follows are not the official minutes of the Board of Governors meeting as prepared by the Club Secretary. These are available to the membership in the Club office for any member who wishes to read them. What we have prepared is a summary of the issues that were dealt with at the last meeting that reflects the "members" point of view.

Review and follow-up of Previous Meeting:

- Membership to date: 323 active Golf Equity members, 586 active Sports Equity members. Full Golf Equity initiation fee is \$85,000 and Sports is \$20,000. Resignation list: Golf-38; Sports-63.
- Our** review and analysis of what other similar southwest Florida clubs charge for dues still indicates WCI has not met the "comparability" requirement as outlined in the Membership Plan even after giving WCI more time to fine tune their survey of comparable clubs. Unfortunately, although the Membership Plan specifically requires "comparability", the Plan offers no method for resolving disputes short of litigation.
- Our review of the Operating Budget shows that, as a result of the scheduled dues increases on existing members and the dues being paid by new members who joined in 2003, the budgeted operating income for 2004 is more than substantial.
- For some unknown reason there seems to be no resolution of the use of the sales center as a resale sales office or anything else. We continue to suggest that a portion of the building be allocated for Channel 95.
- For your information, the Membership Plan states that: "A capital reserve will be established. One percent of the Club's gross operating revenues and all fees retained by the Club upon resale of resigned Equity Memberships will be allocated for capital reserves." According to the rules set forth in the Club By-Laws, the capital reserves amounted to \$714,140 on December 31, 2003. What is it now? Read on.....
- The Club By-Laws state: "The Board of Governors shall establish a capital budget EACH MEMBERSHIP YEAR. The budget will include the amount of the anticipated allocations to the capital reserve and line items for anticipated capital expenditures each year. The Board of Governors shall have the authority to authorize expenditures from the capital reserve." (Article XIX. Section 2. Paragraph 2.) The Club has made capital expenditures in prior years. Before this meeting, the Club's capital expenditures were never approved by the WCI controlled Board of Governors. In an attempt to comply with the Club's By-Laws, the WCI Governors passed a resolution at the meeting ratifying the prior capital expenditures of \$621,501 for calendar years 2000 through 2003, or 87% of the Club's capital reserve. In addition, the WCI Governors passed a resolution adopting a budget for capital expenditures in 2004 which will also be funded out of the balance of the Club's capital reserve. Neither of us voted in favor of these resolutions and we feel that capital expenditures cannot be retroactively approved by the Board. We think this is a violation of our By-Laws. Further, we found that many items listed as "capital" were in fact repair and replacement and maintenance items.
- You may recall that, in January, we asked for Federal and State tax returns for FY 1999 through 2003 for Gulf Harbour Golf & Country Club, Inc. We have received Federal tax returns for the years 1999 through 2002. (Interestingly, they were all dated 2/13/04). Although the returns should have been filed in prior years, we were told that no penalties are imposed on the Club because no tax is due. We are still waiting for the appropriate Florida tax returns as well as Federal return 2003 when available.

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- Our request for an audit, which is not mandatory under the Plan Documents, has been met with resistance. We have even offered to have the Club pay for the audit to help us in our preparation for eventual turnover rather than WCI since their main objection was cost. We are not optimistic.
- Please note that the developer of the Shores, Ronto, has done some clean up around their project that is adjacent to the 11th hole but more needs to be done. Thanks to everyone who helped.
- The next scheduled Board of Governors meeting will be April 6, 2004. We want to thank you for your support over the last year and for allowing us the privilege of representing you in 2004. As is always the case, if you have any questions, don't hesitate to call.

Respectfully submitted,
Frank Caroselli and Russell DeVries