

Gulf Harbour Golf & Country Club

Committee for an Early Club Turnover

March 15, 2008

Dear Fellow Members,

Your Committee for an Early Turnover would like to take a minute of your time to respond to a letter that was recently sent to you by WCI, dated March 1, 2008.

First of all, we can only guess as to what motive WCI had in sending this letter to you. We do know that a fellow member has filed a lawsuit against WCI, Inc. and the WCI Employees' who sit on the Club's Board of Governors, personally as individuals, over a number of issues, which are broadly discussed in WCI's letter. Our thinking is that their letter is an attempt at posturing their rhetorical position with the Membership prior to actual legal proceedings, and to lower your expectations for our annual meeting to be held on March 31st at 5:00 p.m. in the Clubhouse.

Second, a number of statements and claims Mr. D'Alessandro made in his letter really require explanation or clarification from WCI. Maybe they will be addressed at the Annual Meeting.

We would love to respond or debate each of the contentions raised by their letter. Unfortunately, a published response would enlighten WCI to the details of our position on the issues that are being contested in the lawsuit. This free "heads up" is something we do not want to do, but trust us; their claims are totally without foundation and will be exposed in court.

In the meantime, we can ask you to consider the following:

1) WCI has indicated that they (WCI) have spent \$2,750,000 on capital expenditures since 1999. Records that they have provided to us indicate that they have spent \$2,616,000. Of this amount, about \$1,800,000 came from the 10% to 20% retained by WCI upon the resale of memberships. An additional \$418,000 came from the transfer of 1% of revenues to the capital reserve in accordance with the Membership Plan Documents that we all signed. Thus, most (nearly 85%) of the money that WCI spent on capital items came from the Membership, not from WCI. Further, accumulated depreciation to date approximates \$7,500,000. WCI has only spent \$2,616,000 on replacement and refurbishment (almost a \$5,000,000 shortfall), and we have nothing in the capital reserve for the future.

2) The amounts WCI has claimed as capital expenditures have been in dispute every year since 2000. Incredibly, they include expense items such as sand for the golf course bunkers. Clearly, this is not the definition of "capital" expense in our opinion.

3) We estimate that sales of memberships over the nine years amounts to nearly \$30 million. When WCI talks about absorbing losses during the early years, they forgot to mention they were making a fortune selling memberships that more than offset any operating losses.

4) You, the Members are being held hostage with the current number of 17 unsold golf equity memberships which enables WCI to continue to (Mis) manage the club until December 31, 2009. The truth is that the Early Turnover Committee has tried to purchase WCI's inventory of unsold golf equity memberships since early December of 2007. This is one of the scenarios that would trigger an early turnover. Unfortunately,

WCI continues to refuse to sell the LAST membership to us until January of 2009. This will allow them to continue to benefit from the positive cash flow that Gulf Harbour provides through the entire year of 2009, and one can only wonder how our services and facilities will suffer.

5) It is correct that one of our earlier member communications alleged that \$500,000 had been cut from the 2007 budget. This was a slight misstatement. It should have said that "actual" expenses of our Club for 2007 were reported by WCI to be almost \$600,000 less than the expenses were for 2006. That's right! WCI cut \$600,000 from payroll, insurance and other expenses in 2007, while claiming (in their letter to the Membership) that expenses were going up in order to justify another increase in dues to \$8,000 for Golf and \$2,950 for Sports. We were flabbergasted! We wrote three formal letters to WCI, all requesting an immediate roll back of the dues. They refused. Either way, WCI ended up with a lot of our money in their pocket as services and maintenance declined due to the severe cost cutting. We have formalized a letter (at their request) to review the issues that we found with the 2007 financial statements and now that they have the letter, they refuse to meet with us,

6) The membership did reject the option to purchase up to 25 Golf Equity Memberships in 2002. Of course, they forgot to mention that the members would have had to pay nearly \$2.0 million within 60 days of an affirmative vote, and the cost to carry that expense would have to have continued until all 375 memberships had been sold – more than likely, they would have dragged their feet and the sale of the 375th membership would occur sometime around December 31, 2009.

7) We have one other dues comment. Their letter mentions "...the guidelines for setting annual dues." Regardless of the guidelines (which are actually spelled out in the Membership Plan Documents), the WCI Governors have taken the position that: "Here are the dues for 2008. If you don't like them, then sue us."

8) It is true that the Management Agreement entitles WCI to a management fee equal to Club operating profits. However, operating profits have been extraordinarily high due to some unreasonable and, in our opinion, unconscionable actions on the part of WCI. The governing documents require that member dues be comparable with other similar clubs in southwest Florida. An analysis done by the Finance Committee concluded that Golf Members dues should be approximately \$7,300 and Sports Member dues should be approximately \$2,300. The actual levels provide unreasonable profits. Further, in order to maximize profits, WCI has decreased expenses as mentioned in Number 5 (above). The point is that if dues were at appropriate levels, adequate service was extended to the Members, Club facilities were properly maintained, and Capital Reserves were properly funded, we would have no issue with the resulting operating profits WCI would receive,

Finally, we would invite any Member who may wonder about quality and WCI's maintenance of your club, to walk into the Club's Offices and just look down.

Sincerely yours,

Frank Caroselli
Russ DeVries
Bob Ostrom
Fran Weinaug
Bill Rheaume
Jack Banahan
Don Shapiro