

All, here is a copy of the report I plan to present at the West Volusia Corporate Board meeting in the morning. If you have any issues (not Key Issues) let me know before tomorrow morning at 6am. I am excited that we are making progress. We have identified some "Key Issues" and we have a plan for how to address them. I think that it is great I am able to be in front of the Corporate Board in the morning. We must keep communicating. If this report goes well I anticipate that we should send it to all Corporate Board Members, the Merger Committee, sub-committees and maybe even Branch Board Members. Let me know your thoughts.

Jerry

West Volusia-Daytona Beach
Merger Committee
Report of Jerry Haralson, Consultant
July 31, 2007

The Merger Committee is committed to communicate to all members of the Corporate Board the progress of our activity. This document is intended to accomplish that goal by giving you a current description of where we are in the process.

All seven of the sub-committees have been meeting. The Communications, Membership and Program, and Information Technology Sub-Committees consider themselves ready for the Letter of Intent. The Facilities, Governance and Finance Sub-Committees are planning their third meetings. The Human Resources Sub-Committee is ready for its second meeting.

We are planning for two Merger Committee meetings in the near future: August 14th and August 21st. We anticipate that after these two meetings we will be able to determine when we will be ready for the Letter of Intent.

Before I give you an overview of each of the sub-committees, I want to define some terms.

Areas of Investigation are subjects that we believe require review prior to the issuance of a Letter of Intent.

Key Issues are those that we believe require further investigation and proposal of "potential reasonable resolutions" before we recommend a Letter of Intent.

Letter of Intent is the document the Merger Committee must draft, approve and forward to the Associations' Corporate Boards for approval. The Letter of Intent must be approved prior to the beginning of the Due Diligence phase.

Here is a brief report on the status of each sub-committee:

Human Resources: This sub-committee has identified its Areas of Investigation and is in the process of determining if there are any Key Issues.

Governance: The Governance Sub-Committee has met twice and has identified two Key Issues. It is planning a SWOT analysis on these issues before recommending a resolution to the Merger Committee. The two issues revolve around the "opt-out" clause in the West Volusia By-laws and the differences in governance structure. ****

Finances: The Finance Sub-Committee has met twice and is reviewing numerous Areas of Investigation. Key Issues around debt capacity and retention of branch reserves are anticipated.

Communications: This sub-committee has reviewed the mission, vision and strategic plans of both Associations and determined that there are no Key Issues. The sub-committee will continue to work at communications during the merger process.

Facilities and Capital: The members of the Facilities and Capital Sub-Committee have toured all of the facilities and are reviewing the findings to discover Key Issues. They have discovered that each Association approaches maintenance reserves in a different manner. They are planning to meet on Monday, August 6th to determine if there are any Key Issues.

Membership and Program: This sub-committee has reviewed all of the program offerings and membership rates. It has discovered no Key Issues. The sub-committee is planning to review the corporate membership during the Due Diligence phase.

Information Technology: The Information Technology Sub-Committee has met and determined that both Associations are on different versions of Christenson software. The software company has indicated that the process for combining the Associations' databases will not create any Key Issues.

We continue to be optimistic about the process. We want to make sure we are identifying and reviewing all of the Key Issues. There are clearly some differences in the way each Association approaches management of the YMCA, and we expect that some give and take will be required.

The next steps for the Merger Committee will be to identify all of the Key Issues and propose potential reasonable resolutions to these issues. If we can identify potential reasonable resolutions to these Key Issues, we will then recommend to the YMCA Corporate Boards, through a Letter of Intent, that the Associations merge.