

Please find below the pros and cons of changing Colonial Estates from 'Profit to a 'Not for Profit 'entity in an effort to achieve a grant to offset the expense of attaining Boynton City water. The other option would be to continue with the park water plant, also listed below with its pros and cons.

The water concerns have been discussed for years, but for the new shareholders this might be very informative. If you have questions, they can be sent to Bill Mellow or myself, mikeros1951@hotmail.com, and they will be answered.

We will have a 'live' meeting on Messenger, at a later date for shareholders to ask questions if we have not satisfied your concerns. More information will follow in regard to this meeting. All questions at this time will be only in regard to water concerns, as that is our main issue currently.

Mike Ross

COLONIAL ESTATES WATER PROJECT

To remain as a viable community, Colonial Estates must have a reliable source of Potable Water as well as Sanitary and Storm Sewers, Electric and a Safe Roadway system.

Currently we operate our own water plant and distribution system. This has been in place for many decades and little has been done to ensure a sustainable utility. Some improvements have taken place at the water plant over the years with new and updated electrical controls, pumps, filters and metering. What has lacked is the building, underground piping, and the entire distribution system. The failures related to the underground piping inside the water plant and throughout the entire community has caused extended service interruptions, affected the budget greatly and these will only continue to increase in frequency as the system continues to age.

Colonial Estates has two choices regarding our water.

One is to continue to own and operate our existing system and fund essential Capital Improvements to ensure a sustainable utility into the next 5 decades.

The Second option is to terminate our existing water plant, replace the entire distribution system and connect to Boynton Utility.

If you are in the twilight of your years, you may not embrace these changes and associated costs. If you look at this as an opportunity to allow this Park to be enjoyed by future generations, then you may have a different outlook.

Let's look at option one which is, continue to operate our water production and distribution system. The average cost over the past 4 years to produce and distribute our potable water is \$125,000.00 annually or \$41.00 dollars per shareholder, per month. This includes water plant maintenance, our certified operator contract, electric utility, chemicals, chlorine equipment, filtration, pumps and motor controls, sampling, inspections, emergency generator maintenance, cameras, emergency contractual repairs, insurance, a portion of our office staff salary and building and tank maintenance. In addition to these annual expenditures there will be major, one-time Capital Improvements over the next

10 plus years like, drilling a new well, tank and filter replacement, all underground pipe replacement, and unfunded mandates by the EPA, cost of living adjustments and product/chemical increases. On top of all of this, we must replace the existing distribution system, which is nearly 50 years old. As stated earlier, based on the number and seriousness of these service breaks we will need to complete this distribution system project soon. Given this information, the monthly obligation per shareholder could reach \$50.00 in the next few years. In addition if we choose option one, we will have to design, bid, permit, and construct the new distribution system and we will be responsible for all future maintenance. If we build the system, it will cost approximately \$1,000,000.00 (million) dollars depending on the scope and pipe size. If we select this option Colonial Estates will continue to own, operate, and maintain our water system in-house and our water quality will remain the same. This project scope simply replaces the existing 2" PVC lines and does not address any irrigation water issues or the existing Fire Hydrant system, which does not meet the Fire Department standards.

Option Two is to accept the Grant and Low Interest Loan from the State, completely replace the distribution system to City of Boynton standards, disconnect our water plant and connect to Boynton Utility. If you believe our existing pipe network in the ground needs to be replaced, which it clearly does based on the number of service interruptions we're experiencing and the dissatisfaction with our water quality, then take advantage of what Florida Rural Water and the State have already completed. The engineering plans and spec's have been finalized, the bid document, permitting and Grant/Loan administration is included

and if we don't receive a Grant then worse case is we have a 20 year loan at 2% interest or less. The project is estimated at \$1.7 million and generally engineers' estimates are conservative. \$1.7 million @ 2% for 20 years equals to \$34.00/month for each shareholder. In this case, the existing \$125,000.00 per year or \$41.00/month will be eliminated and the \$34.00 a month loan payback for the new distribution system would be added back in plus the City of Boynton water bill.

We will not know what our exact cost will be until we find out in February what the State will award to Colonial Estates in terms of a Grant and Loan and when construction of the project is finalized and closed out. The project cost could come in under \$1.5 million and we could receive a 60% to 80% Grant. Worst case, as we see it, would be \$1.7 million and no Grant, which comes to the \$34.00/shareholder/monthly for the 20 years. The last conversation with the local bank, if we were to go with option one, is 5% for a maximum of 7 years and at that open market rate it would place a significant burden on our shareholders.

If option two is chosen every shareholder will have their own water meter. Each lot will receive a monthly water bill from the City of Boynton. This bill will have a \$16.00/month base service charge and for every 1000 gallons used it will cost \$2.12. The average water bill will be approximately \$22.00 per month, depending on the individual use. Under option two, our current irrigation system will not be allowed. However, your existing irrigation system can be connected after your water meter and you will be billed accordingly. Our existing irrigation system is considered a potential cross-connection by the City and it is not allowed.

Converting to a not-for-profit could be significant. Currently we are a for-profit corporation. We have operated like a not-for-profit for decades and would never raise the monthly assessments to collect extra fees to pay each shareholder money at the end of each year. By converting to a not-for-profit corporation, we strengthen our position to receive a Grant or Low Interest Loan. If we are a not-for-profit and we are awarded a Grant, then we are in the best position to accept the Grant. If we remain a for-profit corporation and we receive and accept the Grant, then we would be obliged to pay all the Grant monies back essentially nullifying the Grant. But being a not-for-profit, that pay back obligation goes away.

Under option two, because of the new distribution system and elimination of the water plant, the annual \$125,000.00 or \$41/month goes away. What gets added in is the \$34/month (No Grant) plus the \$22/month water bill or if we're awarded a Grant of 60% then the \$41/month goes away and the \$14/month for our remaining portion of construction and \$22/month water bill or \$36/month would be added in.

In closing, I would like to provide some Pro's and Con's related to each option and some associated costs.

FINANCIAL OBLIGATIONS AND PRO'S AND CON'S OF EACH OPTION

Costs associated with Option One

- Construction cost of new, reduced size distribution system \$1m/7yr @ 5% equals \$60/months
- Cost to maintain in- house water system \$100k/year equals \$33/month
- Cost to maintain in-house irrigation system (unknown)
- Major Capital Improvements such as new well (\$12,000.00) underground piping (\$80,000.00) and building issues (\$30,000.00)

Costs associated with Option Two

- New distribution system to City standards, no Grant 20 years equals \$34/month
- City of Boynton water bill estimated @ \$22/month
- (No Grant Plus \$34 and \$22 equals \$56/month)
- New distribution system to City standards with 60% Grant for 20 years is approximately \$14/month
- City of Boynton water bill estimated @ \$22/month
- (With Grant @ 60% is \$14 plus \$22 equals \$36/month)

Option One Pro's

- No City water bill

Option One Con's

- Water quality remains the same
- CE will be 100% responsible for all aspects of design and construction of new distribution system
- CE will remain responsible for all maintenance and costs related to our water
- CE will have to secure a loan for the distribution system design and construction from a local bank
- CE will be responsible for all emergencies

- Fire Hydrants will remain below Fire Dept standards
- Current irrigation systems will need major underground improvements (cost unknown)

Option Two Pro's

- Improved water quality identical to the highest quality restaurants in City of Boynton Beach
- Grant and low interest Loan and design and construction of new distribution system from the State
- City of Boynton becomes 100% responsible for all costs and maintenance of the water system including emergencies or future pipe network replacement in perpetuity
- Greatly improved Fire Hydrant system for improved fire protection
- Long-term cost savings to CE through State funding and elimination of water plant and distribution system annual expenses.
- Part-time shareholders will pay the \$16.00 monthly base service charge to the City of Boynton while they are not in the park, but the existing \$41.00/month is eliminated
- Possible sale of our existing water plant equipment and the potential to convert that property into a lot to place another mobile home

Option Two Con's

- We will not know exactly what the project will cost until completion and we will not know what the State will award regarding the Grant and Loan until February.

To boil this down in the simplest terms, if Colonial Estates wants to remain as a community, we must replace our water distribution system. If option one is chosen then CE will be responsible for design, permit, construction, inspection and financing the entire project.

Also, under this option we will continue to operate our own water plant which will continue to cost \$100,000.00 a year, our water quality will remain unchanged and we will be responsible for all emergencies. If option two is selected, the State and Florida Rural Water Association will design, permit, construct, inspect and finance the entire project with the chance of receiving a Grant of 60% to 80%. If CE is not awarded a Grant, then the State will finance a low interest Loan of less than 2% for 20 years. The improvements under option two would be built to the City of Boynton standards which would comply with the Fire Department requirements for the Hydrant system. Finally, the City of Boynton would be responsible for all maintenance including future replacement costs as long as Colonial Estates is a community, our water quality would greatly improve and the \$41/month to manage our water would be eliminated.

One final point to consider is if you assume \$125,000.00 per year to operate our water system , not factoring in any inflation or Capital Improvements, then in 20 years we will have spent \$2.5 million and the water quality will remain unchanged.