RESERVE FUND STUDY
5 YEAR UPDATE

CEDAR PLACE CONDOMINIUMS
11046 - 130 Street
Edmonton, Alberta

Prepared for:

Owners of
Cedar Place Condominiums

Prepared by:

CAPITAL RESERVE FUND GROUP

JULY, 2010

August 19, 2010

Our File: 05355.10

Cedar Place Condominium
Esquire Management Group.
200, 12406 – 112 Avenue
Edmonton, Alberta
T5M 2S9

Attention: Jennifer Nestman

Re: 5 Year Update - Reserve Fund Study for Cedar Place Condominiums
Municipally located at 11046 – 130 Street, Edmonton, Alberta

Pursuant to your request for a 5 Year Update Reserve Fund Study of the above captioned condominium project, we have prepared and submit to you this report.

The Reserve Fund Study describes the reserve fund concepts and major reserve fund items. It provides current and future replacement reserve estimates and recommends reserve fund actions. The Reserve Fund Study is a complex document and should be reviewed in detail and within the context of this report.

In our opinion, the Cedar Place Condominiums Reserve Fund is deficient, a shortfall which should be eliminated within 25 years. It is recommended that a reserve fund plan and strategy be adopted and implemented and that annual contributions to the reserve fund be established and maintained until the reserve fund deficiency has been eliminated.

We appreciate the opportunity of performing this reserve fund study for you. If you have any questions, please do not hesitate to contact the undersigned.

Respectfully Submitted,

CAPITAL RESERVE FUND GROUP

John C. Manning, CRP

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EXECUTIVE SUMMARY OF FACTS AND CONCLUSIONS

This executive summary has been prepared as a quick reference of pertinent facts and estimates of this Reserve Fund Study, and it is provided as convenience only. Readers are advised to refer to the full text of this Reserve Fund Study for detailed information.

Applicant	Jennifer Nestman Esquire Management Group. 200, 12406 – 112 Avenue Edmonton, Alberta T5M 2S9
Date of Study	July 6, 2010
Property	Cedar Place Condominiums 11046 – 130 Street Edmonton, Alberta T5M 0Z7
Reserve Fund Items	Structural/Architectural Components 6 Reserve Components Building – Common Area Finishes 3 Reserve Components Systems Components 6 Reserve Components Site Improvements 2 Reserve Components

Significant Reserve Fund Estimates

Current Replacement Costs	**$ 207,677**
Future Replacement Costs	**$ 337,711**
Current Reserve Fund Requirements	**$ 118,121**
Future Reserve Fund Accumulation	**$ 188,278**
Future Reserve Fund Requirements	**$ 149,433**
Annual Reserve Fund Contributions	**$ 7,408**

Recommendations

As the past Reserve Fund has been underfunded, the Cedar Place Condominiums Reserve Fund is deficient. The recommendations contained herein detail our recommendations that are summarized as follows:

Annual Contribution – Per unit factor $0.60

(These contributions escalate over time as detailed herein)

CERTIFICATION - QUALIFICATIONS

The subject property known as Cedar Place Condominiums is municipally located at 11046 – 130 Street, Edmonton, Alberta.

I hereby certify that I personally re-inspected the within described property on July 6, 2010 and that I have personally examined the condominium building plans and/or documents as identified herein.

To the best of my knowledge and belief, the information and data used herein are true and correct.

I have no interest, present or prospective, in the property or its management. Neither the employment to prepare this Reserve Fund Study nor the compensation is contingent on the amount of reserve fund estimates reported. Moreover, I am solely responsible for the reserve fund estimates reported herein.

This Reserve Fund Study was prepared in conformity with accepted practices for reserve fund studies, and it conforms to the standards for reserve fund studies, published by the Real Estate Institute of Canada.

I have been inspecting buildings and property for the purposes of identifying components and construction techniques and valuing the replacement cost since 1988. Tracking cost trends and changes in building techniques and design is completed as part of my daily activity and a function of my business. Having completed the requirements and awarded the CRP designation, I have adopted the REIC Reserve Fund Format that has complimented my expertise and forms the basis for the report now presented.

August 19, 2010

John C. Manning, CRP

THIS REPORT IS SUBJECT TO THE FOLLOWING LIMITING CONDITIONS

The legal and survey descriptions of the property as stated herein are those which are recorded by the Registrar of the requisite Land Titles Office and are assumed to be correct.

The architectural, structural, mechanical, electrical and other plans and specifications of the building or buildings and improvements are assumed to be correct. Furthermore, all buildings and improvements are deemed to have been constructed and finished in accordance with such plans and specifications, unless otherwise noted.

Sketches, drawings, diagrams, photographs, if any, presented in this report are included for the sole purpose of illustration. No legal survey, soil tests, engineering investigations, detailed quantity survey compilations, nor exhaustive physical examinations have been made. Accordingly, no responsibility is assumed concerning these matters, or other technical and engineering techniques, which would be required to discover any inherent or hidden condition of the property.

In order to arrive at supportable replacement cost estimates, it was found necessary to utilize both documented and other cost data. A concerted effort has been put forth to verify the accuracy of the information contained herein. Accordingly, the information is believed to be reliable and correct, and it has been gathered to standard professional procedures, but no guarantee as to the accuracy of the data is implied.

The distribution of cost and other estimates in this report apply only under the programme of utilization as identified in this report. The estimates herein must not be used in conjunction with any other appraisal or reserve fund study and may be invalid if so used.

The client to whom this report is addressed may utilize it in deliberations affecting the subject property only, and in so doing, the report must not be extracted; it must be used in its entirety.

Possession of this report or any copy thereof does not carry with it the right of publication nor may it be utilized for any purpose by anyone but the applicant without the written consent of the author, and in any event, only with the proper qualifications and understanding of the limiting conditions.

RESERVE FUND STUDY

Purpose of Reserve Fund Study

The purpose of this 5-year Update Reserve Fund Study is to provide cost estimates of various reserve components subject to major repairs and/or replacement over the life time of the property, to estimate the funding required for such major repairs and replacement in accordance with the reserve fund study standards, by the Real Estate Institute of Canada (Technical Bulletin No. 1).

This 5-year Update Reserve Fund Study applies as of

July 6, 2010

Definition of Reserve Fund Study

This Reserve Fund Study is a financial document and it includes cost estimates of major repairs and replacement of components and assets of the Cedar Place Condominium project, owned by individual unit owners. It provides financial information, estimates and projections for funding the major repairs and replacement of those components and assets.

Condominium Property Act

The Province of Alberta had passed the Condominium Property Act, Revised Statutes of Alberta 1980, Chapter C-22, which became effective on September 1, 2000.

Sections 30.1(1) mandates that condominium corporations must establish and maintain reserve funds, to wit:

30.1(1) A corporation shall, subject to the regulations, establish and maintain a capital replacement reserve fund to be used to provide sufficient funds that can reasonably be expected to provide for major repairs and replacement of

(a) any real and personal property owned by the corporation, and

(b) the common property.

Where the repair or replacement is of a nature that does not normally occur annually.

(2) Notwithstanding subsection (1), funds shall not be taken from a capital replacement reserve fund for the purpose of making capital improvements unless

(a) the removal of funds for that purpose is authorized by a special resolutions, and

(b) after the removal of funds pursuant to the special resolution, there are sufficient funds remaining in the capital replacement reserve fund to meet the requirements of subsection (1).

(3) The money in the capital replacement reserve fund of the corporation is an asset of the corporation and no part of that money shall be refunded or distributed to any owner of a unit except where the owners and the property cease to be governed by this Act.

Alberta Regulation 168/2000
Condominium Property Act

This regulation imposes numerous and extensive requirements in respect to reserve funding in Part 2 – Capital Replacement Reserve Fund, to wit:

Definitions

21(1) In this Part,

(a) "common property" includes common property referred to in section 11(1)(a) of the Act;

(b) "depreciating property" means the property to which section 30.1(1) of the Act applies;

(c) "qualified person" means, in respect of the depreciating property, an individual who, based on reasonable and objective criteria, is

(i) the depreciating property or that type of depreciating property;

(ii) the operation and maintenance of the depreciating property or that type of depreciating property; and

(iii) the costs of replacement of or repairs top, as the case may be, the depreciating property or that type of depreciating property;

(d) "reserve fund" means, in respect of a corporation, the capital replacement reserve fund to be established and maintained by the corporation under section 30.1 of the Act;

(e) "reserve fund plan" means a plan prepared and approved in accordance with section 23(3) or 30(c);

(f) "reserve fund report" means a report prepared in accordance with section 23(3) or 30(b);

(g) 'reserve fund study" means a study carried out in accordance with section 23(1) and (2) or 30(a).

(2) For the purposes of section 23, a reference to a qualified person includes a corporation entity if the corporation entity, in carrying out the functions of a qualified person, employs or otherwise retains the services of an individual who is a qualified person to carry out those functions.

22 Notwithstanding section 21(2), if a condominium plan consists of not more than 12 units, the corporation may, in respect of that condominium plan, carry out the functions of a qualified person if authorized to do so by a special resolution.

23(1) The board must retain a qualified person to carry out a study of the depreciating property for the purposes of determining the following:

(a) an inventory of all of the depreciating property that, under the circumstances under which the property will be or is normally used, may need to repaired or replaced within the next 25 years;

(b) the present condition or state of repair of the depreciating property and an estimate as to when each component of the depreciating property will need to be repaired or replaced;

(c) the estimated costs of repairs to or replacement of the depreciating property using as a basis for that estimate costs that are not less than the costs existing at the time that the reserve fund report is prepared;

(d) the life expectancy of each component of the depreciating property once that property has been repaired or replaced.

(2) In carrying out the reserve fund study under subsection (1), the qualified person must also do the following:

(a) determine the current amount of funds, if any, included in the corporation's reserve fund;

(b) recommend the amount of funds, if any that should be included in or added to the corporation's reserve fund in order to provide the necessary funds to establish and maintain or to maintain, as the case may be, a reserve fund for the purposes of section 30.1 of the Act.

(c) describe the basis for determining

(i) the amount of the funds under clause (a), and

(i) the amount in respect of which the recommendation was made under clause (b).

(3) On completing the reserve fund study under this section, the person who carried out the study must prepare and submit to the board a reserve fund report in writing in respect of the study setting out the following:

(a) the qualifications of that person to carry out the reserve fund study and prepare the report;

(b) whether or not the person is an employee or agent of or otherwise associated with the corporation or any person who performs management or maintenance services for the corporation;

(c) the findings of the reserve fund study in respect of the matters referred to in subsections (1) and (2);

(d) any other matters that the person considers relevant.

(4) On receiving the reserve fund report under subsection (3), the board must, after reviewing the reserve fund report, approve a reserve plan

(a) under which a reserve fund is to be established, if one has not already been established, and

(b) setting forth the method of and amounts needed for funding and

maintaining the reserve fund.

(5) A reserve fund plan approved under subsection (4) must provide that, based on the reserve fund report, sufficient funds will be available by means of owners' contributions, or any other method that is reasonable in the circumstances, to repair and replace, as the case may be, the depreciating property in accordance with the reserve fund report.

(6) Notwithstanding that a reserve fund plan has been approved under subsection (4), the corporation must provide to the owners for the owners' information copies of that approved reserve fund plan prior to the collection of any funds for the purposes of those matters dealt with in the reserve fund report on which the approved reserve fund plan was based and that are to be carried out pursuant that report.

(7) Until such time that a corporation has approved a reserve fund plan under subsection (4) and has met the requirement under subsection (6) so as to be eligible to collect funds in respect of the reserve fund, the corporation may, notwithstanding subsection (6), collect or otherwise receive funds for a fund that is similar in nature to a reserve fund and may make expenditures from and generally continue to operate that fund.

24(1) If a corporation is in existence immediately before September 1, 2000, the board must, before September 1, 2002, meet the requirements of section 23(1) and (6).

(2) If a condominium plan is registered on or after September 1, 2000, the board must not later than 2 years from the day that the condominium plan is registered meet the requirements of section 23(1) and (6).

(3) Notwithstanding subsection (1), if a corporation has, within the 5 years before September 1, 2000, completed a study that is the same as or substantially the same as a reserve fund study, the board must, before September 1, 2002, meet the requirements of section23(4) in the same manner as if that study were a reserve fund study.

25 Where on or after September 1, 2000

(a) the certificate of title to each of the units included in a condominium plan is registered in the name of the same owner or the same group of owners, and

(b) those units are rented or offered for rent to persons as tenants who are not purchasers and are not intended to be purchasers,

the board is exempted from preparing a reserve fund study and a reserve fund plan and maintaining a reserve fund.

26(1) Notwithstanding sections 24 and 25, if the owner

(a) of premises to which section 16 of the Act applies offers those premises for sale, or
(b) of the units to which section 23 applies offers those units for sale and if as a result of the sale on any of those units section 25 would no longer apply in respect of those units,

the owner shall not sell any of those premises or units until

(c) a reserve fund study is carried out and a reserve fund report is prepared in accordance with section 23, and
(d) a reserve fund plan is prepared in accordance with section 23.

(2) The reserve fund report and the reserve fund plan referred to in subsection (1) must be made available for inspection by any person purchasing a unit referred to in subsection (1)

27(1) A corporation must maintain the funding of its reserve fund at an appropriate amount or in an appropriate state so that the requirement of section 30.1 of the Act continues to be met.

(2) Except for the purposes of paying for repairs to or replacement of depreciating property, neither a corporation nor any person holding money or dealing with money on behalf of the corporation is to commingle any funds that make up the corporation's reserve fund with the corporation's operating funds or any funds of any other corporation or other entity.

(3) Neither a corporation not any person holding money or dealing with money on behalf of the corporation is to commingle any funds that make up the corporation's reserve fund with the funds that make up any other corporation's reserve fund.

28 For the purposes of this Part and section 30.1 of the Act, a repair to or replacement of depreciating property that is carried out by a corporation is not to be construed as a capital improvement if that repair or replacement is a matter that was included in the current reserve fund report that was prepared and submitted to the corporation.

29(1) Commencing with the fiscal year of a corporation ending after September 1, 2002, a board must for each fiscal year prepare an annual report respecting the reserve fund setting out at least the following:

(a) the amount of the reserve fund as of the last day of the immediately preceding fiscal year;

(b) all the payments made into and out of the reserve fund for that year and the sources and uses of those payments;

(c) a list of the depreciating property that was repaired or replaced during that year and the costs incurred in respect of the repair and replacement of that property.

(2) The annual report prepared under subsection (1) must be made available by the corporation to the owners for the owners' information before or at the time that the notice of the next annual general meeting of the corporation is provided to the owners.

30 At the conclusion of 5 years from the day that the most recent reserve fund plan was approved, the corporation, in accordance with the same procedures, requirements and restrictions to which section23 is subject,

(a) carry out a reserve fund study,

(b) prepared a reserve fund report,

(c) approve the reserve fund plan, and

(d) provide to the owners for the owners' information copies of the approved reserve fund plan referred to in clause (c) prior to the collection of any funds for the purposes of those matters dealt with in the reserve fund report referred to in clause (b) and that are to be carried out pursuant that report.

31(1) Notwithstanding that

(a) the most recent reserve fund report,
(b) the most recent reserve fund plan, or
(c) the most recent annual report prepared under section29

has been provided to the owners under this Regulation, the corporation, on the written request of an owner, must, within 10 days from the day of receipt of the written request, provide to that owner a copy of that reserve fund report, reserve fund plan or annual report, or any one or more of them, as requested by the owner.

(2) On the written request of a purchaser or a mortgagee of a unit, the corporation must, within 10 days from the day of receipt of the written report, provide to the person making the request a copy of

(a) the most recent reserve fund report;
(b) the most recent reserve fund plan, and
(c) the most recent annual report prepared under section 29.

Property Location

The property is located on the south west corner of 130 Street and 111 Avenue in Edmonton, Alberta. It is municipally known as

11046 - 130 Street, Edmonton, Alberta

Reserve Fund Study

This Reserve Fund Study is a financial document, which provides the basis for funding major repairs and replacement of the common elements and assets of the corporation. It is a practical guide to planning budgets and maintenance programs, and unlike a technical audit, it deals not in detailed technical matters but rather takes a business approach to reserve fund management.

This Reserve Fund Study comprises the following elements:

(1) it identifies the reserve components, their quality, normal life span and present condition;

(2) it provides current replacement cost estimates including the cost of removing worn-out items and special safety provision;

(3) it provides observed condition estimates of components in terms of years effluxed and accrued reserve costs;

(4) it projects the useful life of reserve components in terms of remaining serviceable years:

(5) it projects current replacement costs at an appropriate and compounded inflation rate;

(6) it projects the value of current reserve funds compounded at a long term interest rate;

(7) it calculates current reserve fund contributions required and to be invested in interest bearing securities.

The salient estimates and conclusions of this Reserve Fund Study are contained in the various schedules hereinafter. Any recommendations are for guidance to management and the board of directors.

Methodology

The methodology of a reserve fund study includes the examination of the condominium documentation, financial statements, budgets and existing reserve funds, the physical inspection of common elements, etc. Building plans, specifications and reports, field notes and other information are analyzed in preparation of various estimates and value judgments.

In estimating replacement reserves, the component method of valuation is used. Reserve items consist of building or site components, such as roof systems, exterior walls, pavement and sidewalks, each of which is deemed to have a limited life span, and therefore, they must be repaired, replaced or periodically upgraded to maintain the property in excellent condition.

Replacement cost estimates are based on the assumption of using quality materials, as specified or built, or in the case of older developments, as required under current building code regulations, at contractors' prices, using union labour and current construction techniques, and including contractors' overhead and profit.

In estimating the life span of the various components, physical deterioration, functional obsolescence and environmental factors are being contemplated. In measuring the reserve requirements, we have considered depreciation tables and normal life span experience records. Finally, we relied on our own judgment and experience of estimating the current condition and remaining life spans of reserve components.

Scope of Investigation

The subject property has been physically inspected on September 22, 2009. The building plans were made available and we have relied on our physical inspection, review of land title condominium plans and verbal discussion with the condominium owners for details of construction, improvements and other relevant component data.

Cost data have been investigated using construction cost services, modified as to time, location and quality of construction.

Reserve Fund Estimates

Replacement reserve estimates are conveniently classified in terms of building groups, common element facilities and site improvements. Reserve fund estimates include not only replacement components but also repairs to building and equipment.

Reserve fund estimates apply to structures, improvements and equipment, which comprise common elements. Any additions or improvements made by unit owners to their respective premises are not included in these estimates. Owners are advised to adopt maintenance programs for their respective units.

Landscaping, tree and shrub planting and sodding are not considered part of reserves; rather, these expenditures are part of annual operating budgets.

Reserve fund estimates include provisions for demolition and disposal costs, dumping fees, as required, and the applicable Goods and Services Tax ("GST").

Reserve Fund Definitions and Concepts

In estimating reserves required for maintaining the building components and improvements at desired standards and conditions, one must quantify the various reserve components, estimate replacement costs and project cost estimates in accordance with anticipated life spans. Therefore, it is essential that the terminology and methodology are clearly understood.

Reserve Component or Item	Identification and description of the building component or improvement.
Replacement Cost	The estimated cost of repairing or replacing a reserve component at current prices including the cost of demolition and disposal.
Expected or Normal Life Span	The estimated life expectancy of a reserve component in terms of years under normal conditions.
Actual Age	The chronological age of the building components, expressed in years.
Effective Age	The observed condition estimate of building components and improvements not necessarily the actual age, expressed in years.
Remaining Life Span	The difference between the expected or normal life span and the effective age of the reserve component.
Projected Inflation	An estimated long-term inflation factor, used in projecting cost estimates.
Projected Interest Rate	An averaged long-term interest rate, used in calculating interest earned from the investment of reserve funds.
Current Replacement Costs	The estimated costs of replacing reserve components at current prices.
Future Replacement Costs	The estimated costs of replacing reserve components at future prices.
Current Reserve Requirements	Reserve funds required today, considering the effective age of the components or improvements.

Future Reserve Accumulation	The current reserve requirements invested at the projected interest rate over the relevant time period.
Future Reserve Requirements	The shortfall between the future replacement cost estimate and the future reserve fund accumulation.
Annual Reserve Assessment	Annual amount required to be paid into the reserve fund and to be invested at the projected interest rate to fund the future reserve requirements.

Conditions and Assumptions

In estimating various reserve items, certain assumptions are made in respect to structural repairs and replacements of improvements. For example, reserves for exterior walls, structural repairs, replacements of mechanical and electrical components are difficult to predict and/or quantify. Therefore, the only reasonable approach is to provide contingency estimates.

The underlying assumptions and quantification of contingency reserves should be reviewed from time to time, particularly, in the context of repair experience and problem investigations, such as water damage, cracks in walls and concrete structures, noticeable deterioration, etc.

Reserve fund estimates are subjective and they are based on my understanding of the life cycle of building components and my experience gained from observing buildings over a 20 year period. It must be appreciated that reserve fund budgeting and projections are not exact sciences. They are, at best, prudent provisions for all possible contingencies, if, as and when they arise. Reserve fund requirements are subject to change and must be reviewed and modified over time, not less than every five years.

In essence, the corporation should adopt a long-term policy regarding reserve fund allocations, which must be flexible to accommodate changes in reserve fund requirements in the future.

Reserve Fund Projection Factors

Historically, building costs have been rising at various rates from year to year, depending on business cycles, economic conditions, interest rates, etc. In boom periods, cost increases were fairly pronounced, whereas in recessionary times, cost increases were only nominal or costs even declined.

Analyzing long term cost increases, we examined construction cost indices rather than consumer price indices, since reserve cost estimates are related to building activities rather than consumer goods and service pricing.

The last 50 years of the 1900's, according to data from the R.S. Means Construction Cost Index, as follows:

4.43% for 50 years from 1950 to 2000
3.27% for 20 years from 1980 to 2000
2.41% for 10 years from 1990 to 2000

Analyzing these cost increases, one may conclude that the rate of building inflation has slowed in the later years; in fact, the year to year increase from 1999 to 2000 has been 1.70% (117.6 to 119.6). However, in Edmonton the most recent indices from Stats Canada have shown construction cost increases have jumped considerably, much higher than the national average, due to the boom in population and run up of real estate values over the last few years.

1997 = 100	2003	2004	2005	2006	2007	2008
Edmonton (Apartment Building)	**118.3**	**124.2**	**132.2**	**148.8**	**175.4**	**198.3**
% change	2.5	5.0	6.4	12.6	17.9	13.6

Long term cost increases in the future are not expected to be impacted by extreme inflationary pressures, and therefore, we expect the long-term average cost factor will level out at about 2.0 - 3.0%. For the purpose of this study, the long-term inflation rate is assumed to be 3.0%.

Similarly, interest rates have fluctuated from period to period, and they have been impacted by the high rates of inflation as well as government policies. The current trend of interest rates is neutral although with the current world wide "credit crisis" it is difficult to predict magnitude or direction over the foreseeable future. A cogent benchmark is the five year GIC rate of 4.00%, offered by many financial institutions, insured by the Canada Deposit Insurance Corporation.

Hence, in projecting replacement cost estimates and reserve fund requirements, I used the following factors:

Inflation Rate	**3.00%**
Interest Rate	**4.00%**

RESERVE FUND PROJECTIONS SHOULD BE REGULARLY REVIEWED TO ADJUST FOR CHANGES IN INFLATIONARY TRENDS AND INVESTMENT RETURNS, AS THEY SIGNIFICANTLY IMPACT RESERVE FUND REQUIREMENTS.

DESCRIPTIONS
BUILDING AND IMPROVEMENTS

CEDAR PLACE CONDOMINIUMS
11046 – 130 Street
Edmonton, Alberta

General Description

The subject complex was constructed in 1979, Cedar Place Condominiums has been operated as a rental apartment since its inception. The property consists of 3.0 storey wood framed, walkup apartment style building with a total of 12 dwelling units.

The property is located in northwest Edmonton and is municipally known as 11046 – 130 Street, Edmonton, Alberta.

The subject site is 13,986 ft² in size.

Basic construction of the buildings consists of reinforced concrete foundations, concrete basement floor slab, wood framed structural walls and floors, wood and vinyl siding covered exterior walls, single glazed, aluminum slider windows, gabled wood deck roof with an asphalt shingle roof cover.

The internal construction and finishing consists of extensive drywall partitions and standard finishing comprised of painted walls, broadloom, sheet vinyl floor coverings, painted wood trims and textured ceilings.

Equipment includes a single gas fired “Super Hot” 408,000 BTU hot water boiler, supplemented with a forced air furnace and 80 US gallon hot water tank with 400 amp main electrical service that is individually metered per unit.

Site improvements include common paved driveway and parking lot off the rear lane, water supply system, minimal exterior lighting, some perimeter yard fencing and basic landscaping. There are balconies for the upper floor units with concrete patios for the main floor units.

The project is well located in the central Westmount neighborhood, albeit on a corner lot with the busier 111 Avenue. The overall construction, materials and workmanship are of average quality and the property is generally in average condition.

Building Plans

The building plans were not made available for examination

The plans would have been examined and been utilized in identifying and quantifying building components and other improvements. We have reviewed the registered Land Title Condominium Plan that was utilized in conjunction with our on-site data and measurements to quantify common areas and building/component areas.

The building and improvements have been inspected and photographed. Various construction details, facilities, equipment installations and improvements have been noted for consideration in the component estimates herein.

Project Data
(Compiled by Capital Reserve Fund Group)

The following data and information have been compiled from our inspection of the building, improvements, land title and municipal data sources. The data have been calculated using building dimensions taken from our physical measurements.

Site Statistics

Site Area	**13,986 ft²**
Building Area (Coverage)	**4,760 ft²**
Paved Area	**3,600 ft²**
Landscaped Area	**5,626 ft²**

Building Statistics

Gross Building Area	**12,300 ft²**
Gross Floor Area per Unit	**753ft² to 883 ft²**
Building Perimeter	**276 Lft**
Building Height	**25 ft (3.0 storeys)**
Exterior Wall Area	**7,254 ft²**
Siding Area	**5,933 ft²**
Window (Glazed) Area	**1,237 ft²**
Roof Area	**5,712 ft²**
Common Hallway Area	**1,800 ft²**
Laundry Room Area	**144 ft²**
Number of Units	**12 units**
Balcony Area	**960 ft² (125 ft²/unit)**

Registered Condominium Plan 022 7316

BASIC CONSTRUCTION COMPONENTS

Excavation and Foundations

Excavation and concrete footings; insulation and drainage system installations; crushed stone and gravel fill; concrete slab on grade.

Framing

Wood framed stud walls supported on concrete foundation footing. Roof is wood truss system supporting a sloped wood roof deck. Wood framed stair construction.

External Walls

Wood and Vinyl sided walls on wood studs and plywood sheeting with building paper, batt insulation, vapor barrier, aluminum frame single glazed sliding windows.

Roof Construction

Wood truss roof with asphalt shingle roof cover.

Interior Construction

Wood framed demising walls, drywall partitions and ceilings, painted walls and textured ceilings, variously finished floors, mostly carpet and linoleum.

Mechanical

Gas fired “Super Hot” 480,000 BTU boiler, original forced air furnace, newer 80 US Gallon Hot water tank, copper and cast iron plumbing installations.

Electrical

400 amp electrical incoming service and distribution panels to individual meters, wiring, fixtures; light and power, cable and telephone wiring.

Balconies

The two upper floors provide exterior mounted balconies. 5 x 25’ or 5 x 21’ per unit.

Hallways

Carpet covered floors with painted drywall walls and textured ceilings. Incandescent lighting with hardwired smoke and heat detectors.

Landscaping

Sod yard around building with poured concrete walks and wood fence along north side of lot. Paved parking lot along rear (west) side of lot off rear lane.

RESERVE COMPONENTS
PRINCIPLES AND CONCEPTS

Reserve Components:
Principles and Concepts

Reserve components are considered to be such common element components or improvements, which will subject to physical deterioration and/or functional obsolescence and which must be repaired and/or replaced in the future.

Reserve components must be identified and analyzed. A detailed description and analysis of each reserve component will be provided in this Reserve Fund Study hereinafter.

The reserve fund analysis herein identifies, describes and analyzes reserve components in these terms:

Identification and Description:	This includes the name of the project and a brief description of the reserve component.
Quantity Survey:	This is the unit quantity of the reserve component within the project.
Unit Cost Estimate:	This is the current replacement cost estimate of the reserve component on a per unit basis.
Replacement Cost Estimate:	It provides a total current replacement cost estimate of the reserve component.
Life Span Analysis:	This is the life cycle analysis of each reserve component based on the observed condition estimate involving:

1. Life Span estimate of the reserve component in terms of years;

2. Effective Age estimate, which is an observed condition judgment in terms of years; and

3. Remaining Life estimate, which is the useful life of the reserve remaining from the date of the condition estimate.

Reserve Fund Estimates:

These are various estimates in respect to reserve fund budgeting, which include:

(1) Current Replacement Costs

These are the current replacement cost estimates of the various reserve components.

(2) Future Replacement Costs

These are the future replacement cost estimates of the reserve components based on long term inflationary trends.

(3) Current Reserve Fund Requirements

These are the current reserve fund requirements (or obligation) which consists of the amount of reserve funding required today based on the effective age analysis of each reserve component.

(4) Future Reserve Fund Accumulation

This is the estimated future reserve fund accumulation, which is the current amount in the reserve fund invested at a long term, stable interest rate, at the end of the life span of each reserve component.

(5) Future Reserve Fund Requirements

These are the estimated future reserve fund requirements, which consist of the estimated amount required for the repair or replacement of the reserve component which must be funded by adequate reserve fund contributions over the estimated remaining life span of the reserve component.

(6) Annual Reserve Fund Assessment

This is the required reserve fund contribution expressed in annual payments invested at a long term, stable interest rate over the remaining life of the reserve component.

The reserve fund components are grouped in categories for easy reference and convenience. The cost estimates are taken from the 2009 Means Repair & Remodeling Cost Data, 21st Edition, the Marshall & Swift Costing System, Cost Data for the Edmonton Construction Industry. The life span estimates herein are based on experience records and our observation of conditions.

Reserve Fund Estimates:
Underlying Assumptions

The following assumptions underlie the reserve fund estimates hereinafter and are based on my investigation, observation and analysis of the various reserve components and my experience of performing building inspections since 1988.

Quality of Construction

The subject building was constructed in 1979 in accordance with applicable building codes and then current construction practices. The quality of construction, materials and workmanship generally is considered to be average and Cedar Place Condominiums has a reputation as an average calibre project.

The reserve fund estimates hereinafter are affected by observed conditions, the current program of renovations and preventive maintenance and an analysis of building components, which reflect the quality of construction and finishing.

Demolition and Disposal Costs

The estimates herein include provisions for demolition and disposal costs including dumping fees. These costs have been rising in recent years. Particularly, dumping of certain materials has become problematic and very costly. It appears that certain codes and environmental regulations will become more stringent in future years, all of which will further increase disposal costs.

Goods and Services Tax

The Goods and Services Tax ("GST") applies to all repairs and replacements including disposal costs. Therefore, these costs are included in the reserve fund estimates hereinafter.

Contingency Reserves

It is frequently impossible to forecast the incidence of repairs or replacements of various reserve components, particularly, major components, such as exterior walls, structural elements, sewer and water systems. Therefore, reserve estimates are of a contingency nature and as such, they are subject to changing conditions and repair experience over time.

Structural Deficiencies

There have not been any reports of any serious structural deficiencies. Our inspection of the building no obvious or significant structural problems, other than the general wear and tear of common area finishes. Our observation and discussion with the property management revealed no significant areas of deficiency.

Management Policy

The Board of Directors and property management should devise appropriate policies of reserve fund planning and management, differentiating between operating expenses and reserve fund expenditures.

Routine maintenance and repairs are deemed to be operating expenses; in addition, any repairs or replacements under $1,000 should be considered operating expenses and budgeted accordingly. Only major repairs and replacements in excess of $1,000 should be charged to the reserve fund.

Life Span Analysis

Each reserve item grouping herein has been analyzed in terms of life cycle condition and expected remaining useful life. This life span analysis is based on the following factors:

1. **Normal Life Span**

   Each reserve item has been analyzed in terms of component type, quality of construction, statistical records and normal life experience.

2. **Effective Life Analysis**

   This is the critical analysis of a reserve component and consists of determining the effective age of the reserve item within its normal life cycle based on the observed condition of the reserve item. The validity of this analysis depends on the experience of the reserve fund planner or analyst, as this is a subjective estimate rather than an objective assessment.

3. **Remaining Life Span**

   Given a normal life span estimate and a sound estimate of the effective age, the remaining life span of a reserve item is determined by subtracting the effective age from the normal life span. This does not mean that reserve expenditures should only be made at the end of the remaining life. Reserve expenditures should and must be made during the remaining life span to maintain building components and facilities in good condition.

A life span analysis is a subjective, or empirical, assessment of the life cycle status of a reserve component, and as such, it is only as good as the considered opinion of the reserve fund planner. Furthermore, the life span of a reserve component is subject to change due to numerous factors.

Property Management and Maintenance

The property has been professionally managed but only for the past two years and had previously been managed by a volunteer board of unit owners. The dedication, expertise and experience of the property management are essential for the efficient operation and effective maintenance of the buildings and improvements, as the quality of management has a direct effect on reserve planning and building maintenance. Proactive management can prolong the life span of reserve components and ensure efficient building maintenance and operations, all of which are considerations in the reserve estimates hereinafter.

Preventive Maintenance

The current board has apparently implemented basic preventive maintenance programs, which consist of regular inspection of most of the mechanical components.

Management should continue to regularly conduct inspections and commission surveys and investigations to ensure the continued efficient operation of the project and the most effective use of resources.

An effective preventive maintenance program affects the life spans of reserve components and they have been considered in the reserve component estimates hereinafter.

Repair and Replacement Cost Estimates

The costs of repairs and/or replacements of many building components are invariably higher than original building costs when contractors have considerably latitude of planning their work and utilize economies of scale to keep costs within construction budgets, whereas repair work must frequently be performed in an expedient manner with proper safety precautions and within certain constraints.

Cost estimates must, therefore, take into account such additional costs as special construction, safety installations, limited access, noise abatements, and the convenience of the occupants.

Insurance Repairs

Insurance should cover the buildings and improvements against numerous perils, but it is not intended to be a maintenance program. The difference between an insurance claim and maintenance repairs is not always clear and it can result in prolonged disputes.

For example, an unexpected sewer cave-in and resulting back-up is a legitimate insurance claim, and as such, it should be covered by the insurance policy subject to the stated deductible, whereas the deterioration of a catch basin and sewer connection, which caused a cave-in resulting into a sewer back-up is a building repair expense.

Reserve Component Classification

The reserve component classification used herein is based on the Uniformat System, developed by the US Government, and has been modified for reserve fund planning purposes.

Reserve fund components are grouped into functional classifications, such as architectural, structural, interior design, mechanical, electrical and special facilities. This classification system is consistently applied for quick analysis and data base applications.

In this reserve fund study, there are 17 major reserve components, classified into 4 categories.

Alberta Regulation 168/2000

This reserve fund study complies with the provisions of the Condominium Property Regulations under the Condominium Property Act of Alberta.

Specifically, the reserve fund study covers the following requirements:

- The inventory of 17 reserve components, including description, unit quantity and life cycle analysis;
- The condition of reserve components expressed as the effective age in the life cycle or condition analysis; and
- The cost of all major repairs and replacements of reserve components over their normal life spans

RESERVE COMPONENTS
DESCRIPTION AND ANALYSIS

Reserve Component (1) Substructure – Foundations

This reserve provision covers the basement, or the structure below grade, and it includes all structural elements as well as the floor slab, all waterproofing and weeping tile.

The underground foundation is 31 years old, it is in average condition, and therefore, it is accorded a 31 year effective age.

This reserve is essentially as contingency reserve, which should be periodically reviewed.

Unit Quantity: **4,760 ft²**

Unit Cost Estimate: **$ 1.00/ ft²**

Replacement Cost Estimate: **$ 4,760**

Life Span Estimates:

Estimated Life Span	**65 years**
Effective Age	**31 years**
Remaining Life Span	**34 years**

Reserve Estimates:

(1)	**Current Replacement Costs**	**$ 4,760**
(2)	**Future Replacement Costs**	**$ 13,004**
(3)	**Current Reserve Requirements**	**$ 2,270**
(4)	**Future Reserve Accumulation**	**$ 8,614**
(5)	**Future Reserve Requirements**	**$ 4,390**
(6)	**Annual Reserve Assessment**	**$ 63**

Deficiency Analysis:

The underground foundation is in average condition and we would not expect any major deterioration for some time. The life span of this component is outside the twenty five projection of this study.

Reserve Component (2) Superstructure

This reserve generally encompasses the structural elements of the building superstructure including external balconies. The basic superstructure consists of a wood framed structure comprised of 2 x 4" wood studs with plywood sheathing, wood floor joists and wood flat roof system.

On inspection, no deficiencies have been noted and the structure appears to be in good condition.

This reserve provision is a contingency. It covers any structural problem, which may develop, including any technical investigation.

Unit Quantity:	**7,254ft²**	
Unit Cost Estimate:	**$ 0.40/ft²**	
Replacement Cost Estimate:	**$ 2,902**	
Life Span Estimates:	**Normal Life Span**	**65 years**
	Effective Age	**31 years**
	Remaining Life Span	**34 years**

Reserve Estimates:	**(1)**	**Current Replacement Reserves**	**$ 2,902**
	(2)	**Future Replacement Reserves**	**$ 7,928**
	(3)	**Current Reserve Requirements**	**$ 1,384**
	(4)	**Future Reserve Accumulation**	**$ 5,251**
	(5)	**Future Reserve Requirements**	**$ 2,677**
	(6)	**Annual Reserve Assessment**	**$ 38**

Deficiency Analysis:

As the superstructure is not exposed to the elements and hence, no significant deterioration is anticipated. This reserve is a nominal contingency, which will probably never be used. The life span of this component is outside the twenty five projection of this study.

Reserve Component (3) Exterior Wall Assembly

The exterior wall construction consists of wood and vinyl sided cladding over plywood sheathed wood studs filled with batt insulation, vapor barrier and 1/2" drywall. Three sides of the building have had new vinyl siding installed in 2002 while the south side has had the wood siding, deemed to be in good condition restained.

This reserve is a provision for replacement of the exterior finish, 75% of which was completed in 2002 with the installation of new vinyl siding.

Unit Quantity:	**5,933 ft²**	
Unit Cost Estimate:	**$ 5.00 ft²**	
Replacement Cost Estimate:	**$ 29,665**	
Life Span Estimates:	**Normal Life Span**	**40 years**
	Effective Age	**10 years**
	Remaining Life Span	**30 years**

Reserve Estimates:

(1)	**Current Replacement Reserves**	**$ 29,665**
(2)	**Future Replacement Reserves**	**$ 72,005**
(3)	**Current Reserve Requirements**	**$ 7,416**
(4)	**Future Reserve Accumulation**	**$ 24,054**
(5)	**Future Reserve Requirements**	**$ 47,951**
(6)	**Annual Reserve Assessment**	**$ 855**

Deficiency Analysis:

This is a replacement reserve. There are minor signs of deterioration of the wood siding sections, but this type of exterior finish can last for several years past the average life span. Most, 75%, of the exterior has had vinyl siding installed and is newer, while the balance, south side wall had the existing cedar siding, which was deemed to be in good condition restained. This component is sometimes replaced for esthetic reasons.

Reserve

Component (4) Window and Door Assemblies

The windows consist of double panel, single glazed aluminum frames slider windows. The windows and doors appear to be in average condition. No information was reported on window failures.

This reserve is a replacement provision covering all window panels. The normal life expectancy of this type of window unit is 30 years. However, the incident of window failures can be extended through maintenance and acceptance by the owners of moderate air leakage. Replacement of this component should be considered within the next 5 years.

Unit Quantity:	**1,237 ft²**	
Unit Cost Estimate:	**$ 35.00/ ft²**	
Replacement Cost Estimate:	**$ 43,295**	
Life Span Estimates:	**Normal Life Span**	**30 years**
	Effective Age	**25 years**
	Remaining Life Span	**5 years**

Reserve Estimates:

(1)	**Current Replacement Reserves**	**$ 43,295**
(2)	**Future Replacement Reserves**	**$ 50,191**
(3)	**Current Reserve Requirements**	**$ 36,079**
(4)	**Future Reserve Accumulation**	**$ 43,896**
(5)	**Future Reserve Requirements**	**$ 6,295**
(6)	**Annual Reserve Assessment**	**$ 1,162**

Deficiency Analysis:

The window assemblies appear to be in average condition. They should be regularly inspected and repaired or replaced, as necessary. The replacement of windows may be prioritized or delayed as the owners deem necessary. There is an economic benefit in both resale and energy savings associated with window replacement in a project of this age.

Reserve Component (5) Balconies

The structural components of the balconies are covered in the superstructure section but the deck cover and railings have a shorter lifespan and will require replacement at a much younger age.

The normal life expectancy of the type of weather resistant finish is deemed to be 20 years, and the effective age in this instance is 10 years. The wood railings may have a longer life span but maybe considered for replacement due to esthetic reasons. The existing railings have not been stained (painted) and are starting to **visually become an eye sore.**

Unit Quantity:	**960 ft²**	
Unit Cost Estimate:	**$ 4.00/ft²**	
Replacement Cost Estimate:	**$ 3,840**	
Life Span Estimates:	**Normal Life Span**	**15 years**
	Effective Age	**10 years**
	Remaining Life Span	**5 years**

Reserve Estimates:

(1)	**Current Replacement Reserves**	**$ 3,840**
(2)	**Future Replacement Reserves**	**$ 4,463**
(3)	**Current Reserve Requirements**	**$ 2,567**
(4)	**Future Reserve Accumulation**	**$ 3,123**
(5)	**Future Reserve Requirements**	**$ 1,340**
(6)	**Annual Reserve Assessment**	**$ 247**

Deficiency Analysis:

The balconies appear to be in good condition. They should be regularly inspected and repaired, as necessary. This is primarily a replacement reserve, which requires complete removal of the original balcony cover material.

Reserve Component (6) Roof Assembly

The roof consists of an asphalt shingle roof cover system, complete with appropriate flashings and aluminum fascia. The roof appears to be in good condition having had new asphalt shingles installed in 2006. The effective age is deemed to be 4 years. There was replacement of the shingles over the entrance roofs in 2003.

The roof replacement cost estimate covers the total roofing system, including all flashing and repairs to the drainage system.

Unit Quantity:	**5,712/ ft²**	
Unit Cost Estimate:	**$ 6.00/ ft²**	
Replacement Cost Estimate:	**$ 34,272**	
Life Span Estimates:	**Normal Life Span**	**30 years**
	Effective Age	**4 years**
	Remaining Life Span	**26 years**

Reserve Estimates:	**(1)**	**Current Replacement Reserves**	**$ 34,272**
	(2)	**Future Replacement Reserves**	**$ 73,911**
	(3)	**Current Reserve Requirements**	**$ 4,570**
	(4)	**Future Reserve Accumulation**	**$ 12,669**
	(5)	**Future Reserve Requirements**	**$ 61,242**
	(6)	**Annual Reserve Assessment**	**$ 1,382**

Deficiency Analysis:

The roof is in average condition, including the flashing and drainage systems. The roof should be regularly inspected and maintained under preventive maintenance program. Being relatively new, this component has an estimated remaining life span outside the 25 year life span of this study.

Reserve Component (7) Flooring Repairs and Replacement

Floor covering consists of various types of flooring material. The predominant flooring is carpet in hallways and foyer areas, which requires periodic replacements, whereas other flooring, such as vinyl tiles, have an indefinite life span.

Flooring repairs are essential when defective flooring affects the safety and convenience of the building occupants, whereas flooring replacement is aesthetic in nature and a discretionary expense. The subject common hallway carpet is in average condition.

Unit Quantity: **1,944 ft²**

Unit Cost Estimate: **$ 6.00/ ft²**

Replacement Cost Estimate: **$ 11,664**

Life Span Estimates:

Normal Life Span	**10 years**
Effective Age	**7 years**
Remaining Life Span	**3 years**

Reserve Estimates:

(1)	**Current Replacement Reserves**	**$ 8,262**
(2)	**Future Replacement Reserves**	**$ 9,028**
(3)	**Current Reserve Requirements**	**$ 5,783**
(4)	**Future Reserve Accumulation**	**$ 6,506**
(5)	**Future Reserve Requirements**	**$ 2,523**
(6)	**Annual Reserve Assessment**	**$ 808**

Deficiency Analysis:

The carpet in the hallways is in average condition. This reserve component provides for replacement on periodic basis as this component has a finite life span.

Reserve Component (8) Wall Decoration

This is a reserve provision for all wall decoration as well a painting of stairwells and other common areas and it includes wood trims and miscellaneous decorations. It covers repairs as well as the complete decoration of hallway and common area walls and door frames.

Similar to flooring, wall decoration is a discretionary expense, and it should be used to maintain the common elements in good condition.

The normal life expectancy of wall decoration is deemed to be 10 years and the effective age is 7 years.

Unit Quantity:	**3,456 ft²**	
Unit Cost Estimate:	**$ 2.00/ ft²**	
Replacement Cost Estimate:	**$ 6,912**	
Life Span Estimates:	**Normal Life Span**	**10 years**
	Effective Age	**7 years**
	Remaining Life Span	**3 years**

Reserve Estimates:

(1)	**Current Replacement Reserves**	**$ 6,912**
(2)	**Future Replacement Reserves**	**$ 7,553**
(3)	**Current Reserve Requirements**	**$ 4,838**
(4)	**Future Reserve Accumulation**	**$ 5,443**
(5)	**Future Reserve Requirements**	**$ 2,110**
(6)	**Annual Reserve Assessment**	**$ 676**

Deficiency Analysis:

The wall decoration is in average condition, past the midpoint of its life cycle. We would suggest that the hallway and lobby walls and door frames be repainted in approximately three years.

Reserve Component (9) Laundry Room

This reserve covers the decoration and flooring replacement of the laundry. It includes plumbing installations as well as flooring and painting and laundry machines.

This is an overall reserve contingency and it should be used at the discretion of the board of directors to maintain this facility in good condition. The laundry rooms are in average condition and the laundry machines are dated.

Unit Quantity:	**Facilities**	
Unit Cost Estimate:	**$ 4,200**	
Replacement Cost Estimate:	**$ 4,200**	
Life Span Estimates:	**Normal Life Span**	**15 years**
	Effective Age	**10 years**
	Remaining Life Span	**5 years**

Reserve Estimates:	**(1)**	**Current Replacement Costs**	**$ 4,200**
	(2)	**Future Replacement Costs**	**$ 4,869**
	(3)	**Current Reserve Requirements**	**$ 2,800**
	(4)	**Future Reserve Accumulation**	**$ 3,407**
	(5)	**Future Reserve Requirements**	**$ 1,462**
	(6)	**Annual Reserve Assessment**	**$ 270**

Deficiency Analysis:

This is a discretionary reserve intended to maintain this facility in good condition. The laundry machines are owned by the condominium corporation and are included in this component.

Reserve Component (10) Heating Systems

The heating system consists of a Hot Water heating boiler, circulation pumps, valves, baseboard radiators and associated piping. All the piping, valves and radiators within the unit walls are the responsibility of the unit holders.

The boiler system is reportedly regularly serviced and therefore this reserve is mostly a replacement provision. There is a supplementary forced air furnace for the common hallways and foyers

The reserve estimate herein is based on the assumption that the corporation will continuously service all equipment under its preventive maintenance program. It includes the replacement of major equipment installations at the end of their useful life.

Unit Quantity:	**12,300 ft²**	
Unit Cost Estimate:	**$ 1.50/ ft²**	
Replacement Cost Estimate:	**$ 18,450**	
Life Span Estimates:	**Normal Life Span**	**45 years**
	Effective Age	**30 years**
	Remaining Life Span	**15 years**

Reserve Estimates:	**(1)**	**Current Replacement Reserves**	**$ 18,450**
	(2)	**Future Replacement Reserves**	**$ 28,744**
	(3)	**Current Reserve Requirements**	**$ 12,300**
	(4)	**Future Reserve Accumulation**	**$ 22,152**
	(5)	**Future Reserve Requirements**	**$ 6,593**
	(6)	**Annual Reserve Assessment**	**$ 329**

Deficiency Analysis:

The hot water heating system appeared to be in serviceable condition. The effective age estimate herein is based on the chronological age assuming continued adequate ongoing maintenance condition of the equipment.

Reserve Component (11) Fire Alarm and Life Safety Systems

This reserve provision covers all fire alarm and life safety systems including fire extinguishers, fire detection, alarm pulls and enunciator systems. The fire alarm and safety systems appear to conform to current regulations and code requirements.

This reserve is intended to cover any repairs or replacements of these systems, including any upgrades, as required by future code amendments, new fire and/or safety regulations and municipal ordinances.

Unit Quantity:	**12,300 ft²**	
Unit Cost Estimate:	**$ 0.40/ ft²**	
Replacement Cost Estimate:	**$ 4,920**	
Life Span Estimates:	**Normal Life Span**	**30 years**
	Effective Age	**25 years**
	Remaining Life Span	**5 years**

Reserve Estimates:

(1)	**Current Replacement Reserves**	**$ 4,920**
(2)	**Future Replacement Reserves**	**$ 5,704**
(3)	**Current Reserve Requirements**	**$ 4,100**
(4)	**Future Reserve Accumulation**	**$ 4,988**
(5)	**Future Reserve Requirements**	**$ 715**
(6)	**Annual Reserve Assessment**	**$ 132**

Deficiency Analysis:

The fire alarm and life safety systems appear to be in average condition. They must be regularly inspected and tested to ensure their reliability of operation.

Reserve Component (12) Electrical System and Fixtures

This reserve includes the incoming electrical service, various distribution panels, transformer, electrical cables and wiring, connections throughout the building and electric fixtures.

The reserve is a long-term reserve provision, and consists of a contingency estimate, which is deemed to be sufficient for any electrical repairs or electric component replacements. It is not a total replacement estimate, as the electrical systems should last the life-time of the building.

For reserve fund budgeting purposes, the life cycle is 45 years, which is considered to be a repair or replacement cycle.

Unit Quantity:	**12,300 ft²**	
Unit Cost Estimate:	**$ 0.50/ ft²**	
Replacement Cost Estimate:	**$ 6,150**	
Life Span Estimates:	**Normal Life Span**	**45 years**
	Effective Age	**31 years**
	Remaining Life Span	**9 years**

Reserve Estimates:	**(1)**	**Current Replacement Costs**	**$ 6,150**
	(2)	**Future Replacement Costs**	**$ 9,302**
	(3)	**Current Reserve Requirements**	**$ 4,237**
	(4)	**Future Reserve Accumulation**	**$ 7,337**
	(5)	**Future Reserve Requirements**	**$ 1,966**
	(6)	**Annual Reserve Assessment**	**$ 107**

Deficiency Analysis:

This is a long-term contingency reserve. The electrical systems should be regularly inspected and periodically, thermo-graphically analyzed.

Reserve

Component (13) Access, Security and Media Systems

This is a replacement reserve for telephone, TV and communication, access and surveillance systems including any wiring for new communication technologies comprising competitive telephone and multi-media services, internet and interactive television technologies which require fiber optic cable or wiring and/or special equipment.

The reserve is a contingency and may depend on the demand by unit occupants for future technologically advanced services.

Unit Quantity:	**12 units**	
Unit Cost Estimate:	**$ 200.00 per unit**	
Replacement Cost Estimate:	**$ 2,400**	
Life Span Estimates:	**Normal Life Span**	**25 years**
	Effective Age	**20 years**
	Remaining Life Span	**5 years**

Reserve Estimates:	**(1)**	**Current Replacement Costs**	**$ 2,400**
	(2)	**Future Replacement Costs**	**$ 2,782**
	(3)	**Current Reserve Requirements**	**$ 1,920**
	(4)	**Future Reserve Accumulation**	**$ 2,336**
	(5)	**Future Reserve Requirements**	**$ 446**
	(6)	**Annual Reserve Assessment**	**$ 82**

Deficiency Analysis:

This is a replacement reserve intended to be used to replace or upgrade security systems and communication facilities serving unit occupants.

Reserve Component (14) Water Supply System

This reserve covers the incoming water main and connections, hydrant, Fire Department Siamese connections, and hose bibs. It only includes services and installations within the property boundaries.

The subject does not include any fire department connections on site.

This is a contingency reserve, which should cover repairs and replacements to the water supply and distributions system on the site.

Unit Quantity:	**System**	
Unit Cost Estimate:	**$ 6,500**	
Replacement Cost Estimate:	**$ 6,500**	
Life Span Estimates:	**Normal Life Span**	**45 years**
	Effective Age	**31 years**
	Remaining Life Span	**9 years**

Reserve Estimates:	**(1)**	**Current Replacement Costs**	**$ 6,500**
	(2)	**Future Replacement Costs**	**$ 9,832**
	(3)	**Current Reserve Requirements**	**$ 4,478**
	(4)	**Future Reserve Accumulation**	**$ 7,754**
	(5)	**Future Reserve Requirements**	**$ 2,078**
	(6)	**Annual Reserve Assessment**	**$ 114**

Deficiency Analysis:

The water supply system is reportedly problem free and assumed to be in average condition. It should be regularly inspected and repaired as required.

Reserve Component (15) Sewer Systems

This reserve includes all catch basins, area drains, storm and sanitary sewer manholes as well as storm and sanitary sewer connections. It covers repairs and replacements.

The reserve and life span estimates are average for sewer systems under normal conditions for repair purposes.

Unit Quantity:	**Systems**	
Unit Cost Estimate:	**$ 6,500**	
Replacement Cost Estimate:	**$ 6,500**	
Life Span Estimates:	**Normal Life Span**	**45 years**
	Effective Age	**31 years**
	Remaining Life Span	**9 years**

Reserve Estimates:	**(1)**	**Current Replacement Costs**	**$ 6,500**
	(2)	**Future Replacement Costs**	**$ 9,832**
	(3)	**Current Reserve Requirements**	**$ 4,478**
	(4)	**Future Reserve Accumulation**	**$ 7,754**
	(5)	**Future Reserve Requirements**	**$ 2,078**
	(6)	**Annual Reserve Assessment**	**$ 114**

Deficiency Analysis:

The sewers and drainage systems are reportedly problem free and are assumed to be in average condition. They should be regularly inspected and repaired as required.

Reserve Component (16) Pavements and Curbs

This reserve provision covers the asphalt paving and concrete curbs.

The reserve includes repairs as well as laying down a new asphalt surface coat, as required.

All pavements and curbs appear to be in fair to average condition. The normal life span is 20 years and the observed condition indicates an effective age of 15 years.

Unit Quantity:	**3,600 ft²**	
Unit Cost Estimate:	**$ 4.50/ ft²**	
Replacement Cost Estimate:	**$ 16,200**	
Life Span Estimates:	**Normal Life Span**	**20 years**
	Effective Age	**15 years**
	Remaining Life Span	**5 years**

Reserve Estimates:	**(1)**	**Current Replacement Costs**	**$ 16,200**
	(2)	**Future Replacement Costs**	**$ 18,780**
	(3)	**Current Reserve Requirements**	**$ 12,150**
	(4)	**Future Reserve Accumulation**	**$ 14,782**
	(5)	**Future Reserve Requirements**	**$ 3,998**
	(6)	**Annual Reserve Assessment**	**$ 738**

Deficiency Analysis:

The pavement should be repaired as required to ensure safe conditions at all times. A complete pavement program should be considered at the end of the life cycle.

Reserve Component (17) Landscaping Facilities

This reserve provision includes various site improvements, such as mature trees, fencing, retaining walls, walkways, signage, playground, storage building and landscaping features, but it does not include grass, shrubs, flowerbeds, or annual plantings.

The subject has basic landscaping with a concrete walkway to the front door and along the rear of the building and a wood fence along the north side of the site. The fence along the north side has sections that have fallen over and will require immediate replacement

This reserve is an overall provision intended to cover permanent structures and site improvements.

Unit Quantity:	**5,626 ft²**	
Unit Cost Estimate:	**$ 1.50/ ft²**	
Replacement Cost Estimate:	**$ 8,439**	
Life Span Estimates:	**Normal Life Span**	**25 years**
	Effective Age	**20 years**
	Remaining Life Span	**5 years**

Reserve Estimates:	**(1)**	**Current Replacement Costs**	**$ 8,439**
	(2)	**Future Replacement Costs**	**$ 9,783**
	(3)	**Current Reserve Requirements**	**$ 6,751**
	(4)	**Future Reserve Accumulation**	**$ 8,214**
	(5)	**Future Reserve Requirements**	**$ 1,569**
	(6)	**Annual Reserve Assessment**	**$ 290**

Deficiency Analysis:

The landscaping facilities and site improvements are generally in average condition and they are being adequately maintained. This is primarily a replacement reserve. The wood fence has sections that have fallen over and will require immediate replacement.

RESERVE FUND
ESTIMATES

Cedar Place Condominiums
Condominium Plan 022 7316
11046 – 130 Street
Edmonton, Alberta

RESERVE FUND ESTIMATES

Reviewing the various reserve fund components in terms of their condition and life cycle, and analyzing the contingencies for such items as exterior walls, structural elements, garages, sewers, landscape facilities, we have produced individual reserve fund estimates.

In estimating the replacement costs of reserve components, we relied on Building Service and Costing publications, such as the Marshall & Swift Commercial Building Valuation System, the 2009 Means Repair & Remodeling Cost Data, the Hanscomb's 2009 Yardstick for Costing. In addition, we verified some estimates by seeking quotations from contractors, fabricators and suppliers as well as our own cost compilations.

The Reserve Fund Estimates for the Cedar Place Condominiums are shown in Schedule "A" - Schedule of Reserve Fund Estimates hereinafter. In summary, the current replacement reserve estimates, the current reserve fund requirements and estimated annual reserve fund assessment are as follows:

Current Replacement Costs	**$ 207,667**
Current Reserve Fund Requirements	**$ 118,121**
Annual Reserve Fund Assessment	**$ 7,408**

Current replacement costs are the reserve fund provisions at current prices and under current economic conditions.

Current reserve fund requirements refer to reserve funds, which should now be retained by the corporation and be invested in interest bearing securities.

The annual reserve fund assessment consists of the annual payments by the unit owners into the reserve fund to meet all potential capital expenditure requirements in the future.

The reserve fund estimates herein have been prepared without regard to the current financial position of the corporation or the current reserve fund contributions by unit owners, and as such, they represent the optimum reserve fund operation, which assumes that the corporation has continuously assessed adequate reserve funding from the beginning.

SUMMARIES
RESERVE FUND ESTIMATES

The various reserve fund estimates in the Schedule of Reserve Fund Components hereinbefore are further expanded and summarized in Schedule "A" - Schedule of Reserve Fund Estimates pursuant to prudent reserve fund practices, which provide for inflationary cost increases over time and interest income from reserve fund investments. In the preparation of the Schedule of Reserve Fund Estimates, the following criteria were considered:

(1) Reserve fund estimates are grouped into categories which can readily be used for reserve fund budget preparation and accounting.

(2) The reserve fund components are identified and current replacement reserves are estimated.

(3) Future replacement reserves are estimated by applying a long-term inflationary factor to the current replacement reserve estimates.

(4) Current reserve requirements are calculated by applying the effective age to the current replacement reserve estimates.

(5) Current reserve fund requirements when invested over time will grow at the compound rate of interest selected, and hence, they become future reserve accumulations.

(6) Subtracting future reserve accumulations from future replacement costs, the difference is the amount of reserves to be funded by reserve fund contributions, or future reserve requirements.

(7) Since reserve fund contributions are continually invested, the payments of such contributions represent discounted payments, which must be assessed by the condominium corporation.

The foregoing program represents the practical application of reserve fund budget planning and management. When applied, as outlined, the reserve fund will cover anticipated reserve fund expenditures and any contingencies. Moreover, unit owners at all times will contribute their fair share to the reserve fund.

The following Schedule of Reserve Fund Estimates shows detailed computations of various reserve items using the inflationary factor of 3.0% and a long-term interest rate of 4.0%. Due to rounding automatically executed by computer, there may be minor discrepancies in the data, which are not deemed significant.

Cedar Place Condominiums
SCHEDULE OF RESERVE FUND ESTIMATES – BENCHMARK ANALYSIS
Schedule "A"

FINAL SUMMARY
RESERVE FUND ESTIMATES

The Reserve Fund requirements of the Cedar Place Condominiums as estimated herein are as follows:

Current Replacement Reserves or Costs

which are provisions for all major repairs and replacements at current prices **$ 207,677**

Future Replacement Reserves or Costs

which are provisions for all major repairs. and replacement costs in the future at the end of the expected life span **$ 337,711**

Current Reserve Fund Requirements

which are reserve fund estimates based on the notion of effective age and should have been contributed by unit owners **$ 118,121**

Future Reserve Fund Accumulations

which are the current reserve fund requirements together with interest compounded over the remaining life span **$ 188,278**

Future Reserve Fund Requirements

which are to be funded by unit owners' payments to the reserve fund plus any interest earned **$ 149,433**

Annual Reserve Fund Assessments

which are the annual reserve fund payments to be made by unit owners **$ 7,408**

In accordance with these estimates, the Cedar Place Condominiums should have $118,278 in its reserve fund at the end of its current fiscal year, and the assessed annual payments or contributions to the reserve fund should be $7,408 based on the stated assumptions. **The above estimates are not reflective of the subject property's current reserve fund status.**

The Reserve Fund in place has a current balance of $48,623 and has had inconsistent past contributions.

RESERVE FUND ANALYSIS
RECOMMENDATIONS

RESERVE FUND ANALYSIS

The Reserve Fund Analysis consists of a review and examination of the financial statements of the corporation or project. With recent change in the Property Management, the financial statements for the period from 2003 to 2010 were not available for review or analysis. We were provided with verbal indications of the reserve fund balance and activity to the current 2010.

Notes to Financial Statements –

Note 1 Organization

(a) Cedar Place Condominium was incorporated under the Condominium Property Act of Alberta.

(b) The Condominium Corporation is a non-profit organization and the common area assets of the Corporation are owned proportionately by the owners of the units and as such are not reflected as assets in these financial statements.

Note 2 Significant Accounting Policies

(c) Capital Replacement Reserve Fund

The directors of the condominium have established a reserve fund for the long-term maintenance requirements of the corporation.

This separate fund must be maintained and the interest earned is credited to the reserve fund and the cost of major expenditures are charged against the fund at the direction of the directors of the condominium.

The fund should also increased by the annual reserve fund assessment as determined by the directors of the condominium.

Reserve Fund Operations

There is an established reserve fund but there is limited past performance of the reserve fund operation of the Cedar Place Condominiums to be analyzed. There were no financial records provided other than a verbal indication of the balance accumulated over the past 6 years since the reserve fund was established.

Analysis of Reserve Fund Operation

The reserve fund has been established, maintained and increased. The reserve fund should have been started in 1979, when the project was constructed and there should be a significant amount in the reserve fund to account for the previous 31 years.

We are suggesting that the fund continue to be increased with annual contributions to the reserve fund be established at $6,000/annum for the next five (5) years, increasing over time as detailed later in this report.

Reserve Fund Deficiency Analysis

This is a comparative analysis showing the amounts, which should be in the reserve fund and the actual amount of the reserve fund, providing an indication as to the shortfall or deficiency of the reserve fund. It is shown in the following format:

Reserve Fund Starting Balance Year ending 2009	$ 48,623
Estimated Current Contributions Fiscal Year ending December 31, 2010	$ 6,000
Projected Interest Income Based on 4% of funds invested	$ 1,945
Reserve Fund Balance – December 31, 2010	**$ 56,568**
Current Reserve Fund Requirements As estimated herein	$ 118,121
Reserve Fund Deficiency (Shortfall)	**($ 61,533)**

This shortfall is largely due to the failure establishing or providing funds for a reserve fund for the period from 1979 to 2003.

Recommendations

The reserve fund of the Cedar Place Condominiums is deficient. This deficiency must be eliminated over time to ensure that the corporation is fully funded to affect all major repairs and replacements necessary to maintain the project in excellent condition.

1. **The corporation should prepare and implement a long term reserve fund strategy for the Cedar Place Condominium.**

   The current reserve fund contributions should be established at $0.60 per unit factor until the reserve fund deficiency has been eliminated.

2. **The reserve fund should be fully invested in guaranteed securities, yielding at least 4% per annum.**

3. **The corporation should use the reserve funds for major repairs and replacements to maintain the common elements in good condition.**

4. **The reserve fund should be reviewed every year to ensure that the underlying assumptions are still valid and that the estimates remain current.**

5. **The corporation should update the Reserve Fund Study every three to five years.**

We have detailed two financial scenarios for the owner's consideration:

1. Breakeven Scenario –

This scenario is detailed in the ***Cash Flow Projections and Deficiency Analysis - Breakeven Scenario – (Schedule C).***

The recommended Reserve Fund Levy of $0.60/unit factor, represents the minimum required contributions for the property to maintain a Reserve Fund that will adequately provide for the anticipated expenditures over the next 25 years. This scenario assumes an opening balance of $48,623 with $6,000/annum ($0.60/unit factor) contributions for the first 5 years, increasing to $7,000/annum ($0.70/unit factor) in 2015 for the next five years, increasing to $8,000 ($0.80/unit factor) in 2020 for the next five years, increasing to $9,000 ($0.90/unit factor) in 2025 for the next five years and finally increasing to $10,000/annum ($1.00/unit/month) in 2030.

This scenario will meet the minimum requirements of The Condominium Property Act and provide adequate funds to affect the replacement of common area components but will require perpetual funding throughout the life of the project.

2. Fully Funded Scenario

The second scenario details are provided in the ***Cash Flow Projections and Deficiency Analysis - Fully Funded Scenario – (Schedule D).***

This scenario details the financial projections to eliminate the ***negative reserve fund surplus*** over the 25 year horizon. This scenario assumes the same opening balance of $48,623 with $10,000/annum ($1.00/unit factor) contributions for the first 5 years, increasing to $12,000/annum ($1.20/unit factor) in 2015 for the next five years, increasing to $14,000 ($1.40/unit factor) in 2020 for the next five years and finally increasing to $16,000/annum ($1.60/unit/month) in 2025 for the remaining ten years for the fund to be self sufficient (not requiring any further contributions.)

The Fully Funded position would significantly increase the market appeal of the project and the resale value of the units once that threshold has been achieved. This position also provides for a reversionary fund for the unit holders once / if the project is deemed to no longer be the Highest and Best Use of the site. This scenario provides for the *optimum position* and is included to provide a comparison for the unit owners versus the Breakeven Scenario.

Failure to implement an appropriate reserve fund strategy can result in special assessments in the future when major repairs and replacements have to be completed.

As it is, the underfunding of this reserve fund since the property conception and the continued inconsistent funding over the last five years may in fact require special assessments to make up for any shortfall when replacement expenditures are likely to be realized.

RESERVE FUND MANAGEMENT
25 YEAR PROJECTIONS

CEDAR PLACE CONDOMINIUMS
MANAGEMENT PROGRAM

Adequate reserve funding must be the primary objective of management since a sound reserve fund ensures the long term integrity and viability of a condominium project and hence, it will enhance the value to the owner and the property value in the marketplace. The following comments and projections are based on the assumption that the corporation will implement a proactive management program.

Reserve Fund Program

It is important that a formal reserve fund program be established and implemented. A Reserve Fund Program will ensure that reserve fund requirements are adequate for contemplated major repairs and replacements and that reserve fund contributions are sufficient to cover most contingencies. Moreover, the Reserve Fund Program must be reviewed and adjusted from time to time to keep pace with changing conditions.

Reserve Fund Contributions

Based on the assumptions, estimates and projections of this Reserve Fund Study, the reserve fund contributions may be increased, as shown in the Cash Flow Projections hereinafter until the reserve fund deficiency has been eliminated.

Reserve Fund Expenditures

The corporation should implement a reserve fund expenditure program contemplated by management to ensure appropriate expenditures and the maintenance of the property in excellent condition.

Major reserve fund expenditures are projected in the 25 Year Cash Flow Projections hereinafter. These expenditure projections are guidelines only.

They are targeted on the basis of the remaining life estimates, and they should be modified to accommodate actual repair requirements. Expenditures should be made as and when they are required.

THE CEDAR PLACE CONDOMINIUMS
25 YEAR CASH FLOW PROJECTIONS

The Reserve Fund - Projected Cash Flow and Deficiency Analysis presents a 25 year reserve fund projection showing cash positions, cash flows and cash expenditures in a form and detail, which conforms to financial statement presentation of reserve fund operations.

Opening Cash Balance

This is the reserve fund position at the beginning of each and every fiscal year showing the cash resources available, which consist of (1) bank deposits, (2) qualified investments, and (3) accrued interest earned.

Cash Flows

These are the regular reserve fund contributions, special assessments, and interest income based on 4% of the opening balance.

Opening Cash Funds

These represent the total cash resources available in any fiscal year and include the current year's cash flow.

Cash Expenditures

These are annual expenditures listed in the categories established by the Reserve Fund Study. Records or ledger accounts of these expenditure categories should be kept showing reserve fund allocations and charges in a chronological order for control and reference.

Closing Cash Fund

This is the reserve fund position at the end of each and every fiscal year, which is carried forward to the next year.

Deficiency Analysis

The Reserve Deficiency has been projected by formula taking into account the inflation factor, interest rates and reserve fund expenditures. Therefore, any reserve fund expenditures will not affect the reserve fund deficiency because such expenditures will also affect the reserve requirements.

CEDAR PLACE CONDOMINIUMS
25 YEAR RESERVE FUND CASH FLOW PROJECTION *BREAKEVEN* and
***FULLY FUNDED* ANALYSIS**
Schedules "B and C"

ADDENDA SECTION