

RESERVE FUND REPORT, STUDY & PLAN
OF
KINGVIEW PLAZA

PRESENTED BY

CONDOMINIUM FIRST MANAGEMENT SERVICES LTD.

(December 2006)

1. INTRODUCTION

1.1 General

Condominium First Management Services Ltd. was retained by the Developer, Prism Developments Inc. to conduct a Replacement Reserve Fund Study and Report of a proposed commercial property in Airdrie, Alberta to be known as Kingsview Plaza.

The project is to be located at 2914 Kingsview Boulevard S.E., Airdrie, Alberta. The Condominium Corporation has not yet been registered.

RESERVE FUND STUDY

1.2 Scope of Work

The detailed scope of the reserve fund study work is as follows:

1. We shall make an examination of the complex, in order to develop a general assessment of the current "as-constructed" condition of the various common property components of the complex and to identify and prepare an inventory of depreciating property (as that term is defined in the Regulation of the Condominium Property Act) that may need to be repaired or replaced within the next 25 years, estimate when each component will need to be repaired or replaced, estimate the costs of such repairs or replacement and estimate the life expectancy of each component once that property has been repaired or replaced.

This examination will include, but is not necessarily restricted to, a sampling of the following items:

- * structural systems
- * mechanical equipment
- * exterior wall systems
- * roof system
- * exterior doors, windows and screens
- * surface parking
- * landscaping
- * interior and exterior lighting
- * hallways & lobby

The sampling will be made from ground level, and/or roof levels, where accessible.

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2. We provide two (2) copies of our report, which include a listing of your Reserve Fund common property components, their estimated life spans, replacement costs (in 2006 dollars), and a calculation of annual contribution based on current interest and inflation rates and on any existing funds. A twenty-five year flow chart is included, identifying the annual cash requirements and Reserve Fund balances.

Meetings, structural analysis, material sampling and testing, quantity surveys, our opinions as to the reasons for any deficiencies, recommendations for repairs and estimates of their cost, are not within the scope of this project.

2. RESERVE FUND REQUIREMENTS

A reserve fund is defined as "a fund set aside by a corporation or property owner in a special account for funding for major repair and replacement of building components and systems that deteriorate over time. It is calculated on the basis of expected repair and replacement costs and life expectancy".

The reserve fund study is summarized in the chart contained in Appendix A.

Table 1 has been developed on the basis of providing for major repair and replacement of components, systems and assets of the condominium, which constitute depreciating property. All replacement costs are in 2006 dollars and include 6% for the Goods and Services Tax (G.S.T.). Consulting and Engineering fees, unless specified, are not included. We have predicted life expectancies for the components as we found them during our review of the plans and drawings in December, 2006.

In preparing a Reserve Fund Study, it is necessary to make predictions of future events, based on a sampling of the components and assuming proper future maintenance. All life expectancies of property components are estimated from our past experience with building materials and from information based on supplier specifications. If the component does not need to be repaired or replaced within the next 25 years, it is not included in the Study (Regulation 23 (1) (a)). The longevity greatly depends upon proper maintenance and repair of each component. It is for this reason that we recommend that you review the status of the complex, in relation to this Reserve Fund Study, every three to five years. By law, a new study must be conducted every five years.

The replacement or repair costs of the various systems and components in present day costs is converted into the future costs based on present inflation rates.

3. EXAMINATION OF EXISTING CONDITIONS

Kingsview Plaza is a proposed multi-bay, retail, office and commercial warehouse and is planned to be built over the next year. There are two buildings; one containing 8 retail/office bays and one containing 16 commercial/industrial bays.

The structure to be built is a combination office warehouse containing a total of 24 bays. The proposed structures will have an EPDM roof surface. The walls will be clad in stucco, cultured stone and metal siding. There are 2 garbage enclosure buildings.

4. OBSERVATIONS AND RECOMMENDATIONS

Don Davies reviewed the plans and drawings in December 2006. The following is our recommendations:

4.1 EPDM Roofing

Each building will have an EPDM roof on R-20 insulation. The garbage enclosure buildings have touched on roof membrane. Normal life expectancy is 25 years. Cost of replacement is \$295,000.00.

4.2 Overhead Garage Doors

There will be 13 metal overhead garage doors. Normal life expectancy of these doors is 20 years. Cost of replacement is \$39,000.00.

4.3 Window Replacement

Each unit has large metal-frame sealed windows at the front of same. Normal life expectancy of these windows is +30 years. We have allocated \$1,500.00 per year to replace any failed sealed units starting in 2016.

4.4 Stucco Repair & Caulking

The fronts of the buildings will be a combination of stucco and cultured stone. We have allocated \$6,000.00 to repair or repaint the stucco and recaulk around the windows and doors every 10 years.

4.5 Asphalt Parking Lot & Roadway

There will be a large asphalt parking lot and driveway containing approximately 45,000 square feet of pavement. Over time, asphalt loses its protective "oil" component, which subsequently allows water to penetrate the surface or substrate. We recommend the retopping of all asphalt surfaces approximately every 22 years. Total cost of resurfacing is \$70,000.00.

4.6 Concrete Repair

Although the sidewalks and curbs generally last the lifetime of the property, we expect to replace a portion of the curbs and sidewalks over the next 25 years. Some concrete is expected to be replaced every 10 years starting in 2016. Cost to replace is \$2,000.00.

4.7 Plumbing & Electrical

We have set aside an allowance of \$4,000.00 every 10 years for repairs as they may be needed.

4.8 Underground Services

As with all properties; sewer, water, and storm sewer lines are underground and therefore out of view for inspection.

Normally the components (valves, pipes, etc.) will last the life of the structure without requiring repairs. If a repair is required, the cost can be very high simply because of the nature of the work.

It is impossible to predict the need or magnitude of repairs and therefore the associated financial requirements. In order to reduce the financial burden of a repair, we recommend a contribution be made to the reserve fund.

We have allocated \$20,000.00 for sewer and water line repairs over the next 25 years.

4.9 Reserve Fund Study

The Condominium Act requires Reserve Fund Studies to be completed at least every 5 years. We have allocated \$1,900.00 per study.

4.10 Contingencies

We have allocated 5% of the total budgeted replacement reserves to cover anticipated expenditures which are unforeseen or minor in nature but which nevertheless may occur.

5. OTHER

Items noted but not included in the Reserve Fund Study

5.1 Stucco Walls, Metal Siding, Cultured Stone

With proper maintenance these items should have a life expectancy longer than the life of this study.

5.2 Landscaping

Upgrading and replacement of the landscaping materials are considered to be a maintenance item and are therefore not included in the study.

5.3 Signage & HVAC

It is assured that these components will be the responsibility of the individual condominium owners to repair or replace.

RESERVE FUND REPORT

6. RESERVE FUND REPORT

6.1 We have determined that there is \$0.00 in The Corporation's reserve fund as at October 31, 2006. To establish a reserve fund for the purposes of The Act, based on our calculations and work, we believe that the sum of \$0.00 should be included in The Corporation's reserve fund at the Corporation's fiscal year starting in 2007.

Two tables included in this Reserve Fund Study are in Appendix A. Table 1 is the "Replacement Cost Summary" and Table 2 is the "Twenty-Five Year Cash Flow Plans".

Reserve Fund Table 1 identifies major repairs and replacement costs for common property and assets.

We have estimated remaining life expectancy for the components based on how we found them during our site visits.

The "Repair or Replacement Cost" is based on the total replacement of the entire component. For components for which the life expectancy is equal to the design life of the complex or greater than 25 years, we do not recommend that Reserve Funds for replacement be included in your annual contributions.

We have reviewed recent overall economic inflation rates. Costs for repairs or replacement are based on:

- a) Past bid prices on similar projects
- b) Written or verbal quotations from contractors
- c) "RS Means Repair and Remodeling Cost Data"
- d) Information provided by the Developer

Various assumptions were made in the preparation of this report. Changes to these assumptions and other factors can affect the result of the study and report.

The major assumptions and factors are:

1. Life expectancy of a component is a function of the level of maintenance provided. It is assumed that normal maintenance is carried out on each component.
2. Life expectancy is dependent on the amount of usage. Some items are used more frequently than others, which generally reduce life expectancy.
3. There are no hidden conditions that may affect the service life of components.
4. The price to replace items is affected by various conditions such as competition, local labour conditions, and availability of materials.

5. Life expectancy of components as quoted by manufacturers and suppliers should be taken as a guideline only.
6. The study does not consider replacement as a result of a building code change.
7. Materials generally deteriorate more rapidly as the item approaches the end of its life expectancy. Items noted in the study should be inspected regularly to confirm estimated life expectancy. No guarantee is expressed or implied as to the estimated remaining life.
8. A decision to repair or replace an item should not be made solely on the basis of this study. Inspections of the item should be done before a decision to replace is made.

7. QUALIFICATIONS

Don Davies is the President of Condominium First Management Services Ltd. and has been actively involved in the management of Condominium Corporations since 1978.

He has completed over 200 reserve fund studies for various Condominium Corporations and Developers in Alberta, British Columbia and Saskatchewan.

The following are the qualifications of Mr. Davies to carry out the Reserve Fund Study and prepare the Report.

Mr. Davies is a Certified Reserve Planner (CRP), 2001, holds a Bachelor of Commerce degree, University of Calgary 1978, Certified Property Manager (CPM), 1981, A Fellow of the Real Estate Institute of Canada (FRI), 1980, is a Certified Management Accountant (CMA) 1989, and is Accredited with the Condominium Institute (ACCI), 1986.

Don currently sits on the Board of Directors and Executive of the Calgary Region Home Builders Association of Calgary, is a member of the Condominium Committee of CRHBA, as well as a director of the Alberta Home Builders Association and a past director of the Calgary Chapter of the Real Estate Institute of Canada. He is also a past chairman of the Multi-Family Council of the Calgary Region Home Builders Association.

RESERVE FUND PLAN

8. RESERVE FUND PLAN

8.1 Explanation of Cash-Flow Plan

Table 2 is a twenty-five year cash-flow plan for the major repair and/or replacement of depreciating property items within your complex.

In Table 2, a replacement cost and/or contingency cost for major repairs is shown, under the appropriate year recommended for the replacement, for each of the depreciating property items. The assumed inflation rate (which, for purposes of this study, remains constant during the twenty-five year period) is accounted for in the replacement cost figures. The expenditures have been summed for each year in the schedule, and are listed as "Total Expenses."

The Interest figures represent monies earned from interest on bank deposits at the assumed yearly interest rate. The Reserve Fund contributions are taken to be deposited at the end of each year. The expenses in any year are assumed to be spent at the beginning of that year.

The contribution amount for any given year is calculated by escalating the previous year's contribution based on the assumed inflation rate. All dollar values given in Table 2 are inflated to the year in question. The ending balance for any year is a sum of the Starting Balance, Interest and Contribution minus the Total Expense.

The concept of a reserve fund is to plan to have a sufficient amount of cash always available to meet predictable major expenses (such as painting or roof replacement) and to maintain a minimum contingency balance in the account to meet emergency expenses. Therefore it is hoped that "Special Assessments" are avoided.

8.2 Input for Cash-Flow Plan

In calculating the twenty-five year cash-flow plan, we have used an inflation rate of 3.0% and an interest rate you would earn on deposited funds, of 5.0%.

Table 2 starts with a balance of \$0.00 at the start of their fiscal year 2007.

We have run the tables using a starting annual contribution of \$20,000.00 for 2007 in Table 2.

Table 2 maintains a minimum balance of \$42,983.00 in 2006 dollars in the year 2028.

It appears that Kingsview Plaza has sufficient funds to cover all of the major reserve fund items under this scenario.

8.3 Discussion of Cash-Flow Plan

The annual contribution figures listed in Table 2 presents only one scenario of contributions, and it is not intended to imply that this is the only acceptable cash-flow.

The balance remaining in the fund after twenty-five years is required to cover upcoming expenses in future years.

8.4 Conclusion

In issuing this report Condominium First Management Services Ltd. does not assume any of the duties or liabilities of the designers, builders or owners of the subject property. Owners, prospective purchasers, tenants or others who rely on the contents of this report do so with the understanding as to the limitations of the general visual inspection undertaken, and understand that Condominium First Management Services Ltd. cannot be held liable for damages they may suffer in respect to the purchase, ownership, use, or other interests they may have in the subject property.

The concealed nature of many of the conditions existing within a building are not always reflected on the interior or exterior surfaces, or by the equipment within the facility. Those making use of this report are aware of these possibilities and of the risks generally inherent in visually based facility evaluations.

Findings presented are based on the review of the plans and drawings provided by the Developer. No dismantling of components was completed during our review. Accordingly, the findings in this report describe the general condition of the complex. The report is not intended to be a definitive scope of required improvements for the property.

CONDOMINIUM FIRST MANAGEMENT SERVICES LTD.

Donald C. Davies, FRI, CMA, CRP
President & CEO

The Developer, 1234952 Alberta Inc., a division of Prism Developments Inc., hereby acknowledges receipt of the above Replacement Reserve Fund Study and Report and having reviewed it, approves the Reserve Fund Plan proposed by Condominium First Management Services Ltd. and set out in Section 8 and Table 2 hereof

1234952 Alberta Inc.
A division of Prism Developments Inc.