

RESERVE FUND REPORT, STUDY & PLAN
FOR
BELLA CASA CONDOS
CONDOMINIUM CORPORATION NO. _____
5430 - 17 AVENUE SE
CALGARY, ALBERTA

PREPARED BY
CONDOMINIUM FIRST MANAGEMENT SERVICES LTD.

PRISM 
DEVELOPMENTS

The logo for Prism Developments features the word "PRISM" in a large, black, serif font. To the right of the word "PRISM" is a graphic consisting of several overlapping, colorful triangles in shades of purple, blue, green, yellow, and orange, resembling a prism. Below "PRISM" is the word "DEVELOPMENTS" in a smaller, black, serif font.

November 2007



1. INTRODUCTION

1.1 General

Condominium First Management Services Ltd. was retained by the Developer, PRISM FINANCIAL LTD. (A DIVISION OF PRISM DEVELOPMENTS INC.), to conduct a Replacement Reserve Fund Study and Report for Bella Casa Condos.

This property is located at 5430 – 17 Avenue S.E, Calgary, Alberta. The Condominium Plan has not 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 proposed plans and drawings in order to develop a general assessment of the various common property components of the complex and to identify and prepare an inventory of proposed depreciating property (as that term is defined in the Regulations 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, flashing and caulking, downspouts and gutters
- * exterior doors, windows and screens
- * underground & surface parking
- * landscaping
- * interior and exterior lighting
- * hallways & lobby



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

This report has been prepared for the exclusive use of the Developer, Prism Developments, Inc. No other party may rely on this report without the express written permission of Condominium First Management Services Ltd. Any use which a third party makes of this report, or any resulting reliance or decisions made on this information provided herein is the responsibility of the third party.

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 2007 dollars), and a calculation of annual contribution based on current interest and anticipated inflation rates and on any existing funds. A twenty-five year cash 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. OUR RESERVE FUND APPROACH

A reserve fund may be defined as "a fund of money set aside by a corporation or property owner in a special account to fund major repair and replacement of building depreciating property components and systems, which 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 Table 1.

Table I has been developed on the basis of providing for major repair and replacement of building components, systems and assets of the building, which constitutes depreciating property. All replacement costs are in 2007 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 November 2007.

In preparing a Reserve Fund Study, it is necessary to make predictions of future events, based on a sampling of the components and the assumption of proper future maintenance.



All life expectancies of building 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 (l) (a)). The longevity greatly depends upon the 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 future costs based on present inflation rates.

3. EXAMINATION OF EXISTING CONDITIONS

The Bella Casa is a proposed 4-storey wood frame apartment building containing a total of 92 residential units and 10 commercial units on the main floor. The building will have vinyl siding, stucco and brick on the exterior walls. Hallways throughout the building will be carpeted, walls painted and the ceiling drywall stippled. There will be a one-level underground parkade as well as surface parking.

4. OBSERVATIONS AND RECOMMENDATIONS

Don Davies reviewed the plans and drawings in November 2007.

The following is our specific observations and recommendations:

4.1 Asphalt Shingles

The roof will be shingled with an IKO Block Slate Renaissance XL asphalt shingles. Normal Life Expectancy is 20 years. Cost of replacement is \$148,000.00.

Ongoing maintenance of the roof should be undertaken on a regular basis to enable the shingles to have a normal life expectancy of 20 years. During the life of the roof, miscellaneous repairs may be needed. These costs are considered maintenance items and therefore not included in this study.

4.2 Eaves troughing

Metal eaves troughing will be installed along the roof edge. Normal life expectancy is 25 years. Cost of replacement is \$60,000.00



4.3 Vinyl Deck Membrane

Each of the second, third and fourth floor balconies will have a vinyl sheet membrane floor covering. Normal life expectancy is 18 years. Cost of replacement is \$90,000.00.

4.4 Windows

The residential windows will have vinyl frames and the commercial units will have metal frames. Normal life expectancy is 30 years. We have allocated \$1,500.00 per year starting 2017 to replace failed sealed units.

4.5 Exterior Painting

There will be a small amount of exterior painting. We have allocated \$5,000.00 every 10 years for the painting.

4.6 Carpeting

The residential hallways and stairs will be carpeted. Normal life expectancy is 12 years. Cost of replacement is \$42,000.00.

4.7 Interior Painting

The hallways and stairwells will be dry walled and painted. Normal life expectancy is 8 years. Cost of repainting is \$24,000.00.

4.8 Lobby

We have made an allocation of \$15,000.00 to upgrade the lobby in 20 years time.

4.9 Elevator Cab Renovations

There will be two residential elevators. We have allocated \$30,000.00 to renovate the elevator cabs in 20 years.

4.10 Elevator Upgrade

We have allocated \$50,000.00 for upgrades and modernization of the two elevators in 25 years.

4.11 Electrical & Lighting

The electrical and lighting equipment generally lasts a long time before repair or replacement is required. We have allocated \$15,000.00 every 10 years, starting in 2022 to replace the



various electrical components.

4.12 Boilers

There will be four Allied Engineering hot water boilers serving both the residential and commercial units. Normal life expectancy is 25 years. Cost of replacement is \$92,000.00.

4.13 Circulation Pumps

There will be 8 Taco Circulation Pumps in the building. Normal life expectancy is 8 years. Cost of replacement is \$10,000.00.

4.14 Fan Coil Units

Heating and cooling of the commercial spaces will be achieved by 10 carrier fan coil units. Normal life expectancy is 25 years. Cost of replacement is \$55,000.00.

4.15 Condensing Units

There will be 20 carrier condensing units varying in size from 2.5 to 5 ton capacity. Normal life expectancy is 25 years. Cost of replacement is \$45,000.00.

4.16 Expansion Tanks

There will be two Westeel Rosco expansion tanks serving the hot water heating systems. Normal life expectancy is 12 years. Cost of replacement is \$3,000.00.

4.17 Make-Up Air Units

There will be four Engineered Air Make-Up units servicing the commercial units, residential hallways and parkade. Normal life expectancy is 22 years. Cost of replacement is \$98,000.00.


4.18 Ventilation

Ventilation of the building and parkade will be achieved by several ventilators. Normal life expectancy is 14 years. Cost of replacement is \$58,000.00.

4.19 Co Detection

There will be 8 Acme carbon monoxide detectors in the parkade. Normal life expectancy is 12 years. Cost of replacement is \$25,000.00.

4.20 Hot Water Tanks



There will be three State hot water heaters. Normal life expectancy is 8 years. Cost of replacement is \$21,000.00.

4.21 Heaters

There will be several hydronic and force flow heaters in the building. Normal life expectancy is 12 years. Cost of replacement is \$24,000.00.

4.22 Miscellaneous Mechanical

The building will have various miscellaneous mechanical components that will require repairs from time to time. This would include pipes, valves, fans, pumps, etc. We have allocated \$2,000.00 per year for these repairs.

4.23 Fire Alarm/Intercom/Security

A fire alarm protection system and intercom will be installed. Normal life expectancy is 25 years. Cost of replacement is \$25,000.00.

4.24 Water Proof Membrane

A water proof membrane will be installed above the parkade and on the second floor patio. Normal life expectancy is 25 years. Cost of replacement is \$50,000.00.

4.25 Concrete Repair

Although concrete generally lasts longer than the life of this study, some concrete is expected to be replaced. We have allocated \$6,000.00 every 10 years to replace a portion of the sidewalks, curbs or gutters starting in 2012.

4.26 Garage Door

A metal garage door will be installed at the entrance to the parkade. Normal life expectancy is 20 years. Cost of replacement is \$6,000.00.

4.27 Wood Fencing

Privacy fencing will be installed on the patios on the 2nd floor. Normal life expectancy is 20 years. Cost of replacement is \$8,000.00.

4.28 Building Envelope

We have allocated \$25,000.00 over 25 years to repair the building envelope.

4.29 Reserve Fund Study



The Condominium Act requires Reserve Fund Studies to be completed at least every 5 years. We have allocated \$3,200.00 per study.

4.30 Contingencies

We have allocated 5% of the total budgeted replacement reserves to cover anticipated expenditures which are unforeseen or minor in nature but which never the less may occur.

5. OTHER

Items noted but not included in the Reserve Fund Study

5.1 Concrete Foundations & Wood Frame

Generally defines the life of the structure and therefore are not included in 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 Stucco, Vinyl Siding, Brick, Metal Railings

Normally have a life expectancy greater than the length of the study.

RESERVE FUND REPORT


6. RESERVE FUND

6.1 We have determined that there is \$0.00 in the Corporation's reserve fund as at November 1, 2007. 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 start of their fiscal year in 2008.

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

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 their existing condition observed 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 or 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 300 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.

He is a past president 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. TWENTY-FIVE YEAR CASH-FLOW 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 beginning of the fiscal year in 2008.

We have run the tables using a starting annual contribution of \$58,000.00 in Table 2.

Table 2 maintains a minimum balance of \$74,239.00 in 2007 dollars in the year 2032.

It appears that The Bella Casa will have sufficient funds to cover all the major reserve fund items under this scenario.


8.3 Discussion of Cash-Flow Plan

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

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 random sampling and visual review of surface conditions. 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

Prism Financial Ltd. (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.

Board of Directors