



MORRISON HERSHFIELD

Comprehensive Reserve Fund Study

Qualicum Woods – Phase II

Ottawa, Ontario

Presented to:

**The Owner's Committee
Qualicum Woods – Phase II**

c/o Ms. Angela Del Giudice, Property Manager
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1. INTRODUCTION

Morrison Hershfield Limited (MH) was retained to conduct a Comprehensive Reserve Fund Study of Qualicum Woods – Phase II, a Joint Use Property, located on the northwest corner of Baseline Road and Cornell Street, Ottawa. Authorization to proceed with the study was provided by Ms. Angela Del Guidice, Property Manager (Condominium Management Group), on behalf of the Property.

1.1 Objectives

The objective of this Reserve Fund Study is to provide the Owner's Committee with sufficient information to enable them to prepare a Reserve Fund Plan. This study will contribute to this Plan by providing the following:

1. A schedule for the anticipated repair and replacement of common element items and, where possible, suggest any areas where maintenance can be improved to extend the life of the common elements.
2. A suggestion regarding the annual contributions necessary to maintain an adequate balance for the 30 year period of this study.

This reserve fund study was conducted as a Comprehensive Reserve Fund Study. Although for a Joint Use Property, the reserve fund study was conducted in general compliance to the regulations of Section 94 of the *Condominium Act, 1998* and Part IV, Section 29 of O.Reg. 48/01.

1.2 Terms of Reference

This Reserve Fund Study was subject to the limitations of Section 1.6 and addressed the following scope of service, outlined in our proposal dated March 12, 2010.

1.3 Project Team

This Reserve Fund Study has been prepared and/or reviewed by various personnel within MH. The visual review of the building and site was conducted on May 6, 2010. The following are the reviewers and the respective disciplines for which each was responsible.

- Ms. Heather Penner, Graduate Technologist (Architectural), of MH addressed the common property elements, drafted this report, and prepared the Reserve Fund Tables.
- Ms. Wendy Fraser, P.Eng., of MH reviewed the report for technical content and for general compliance with the Act.

1.4 Report Format

The report is separated into the following sections for the convenience of the reader. Briefly, the contents of each of these sections are:

1. Introduction

A general description of the complex and the services provided.

2. Physical Analysis

A general overview of the condition of the common property elements, indicating major repairs anticipated in the near future or where there is uncertainty regarding a specific item, recommendations for further investigation.

3. Financial Analysis

A discussion of the anticipated repair costs, methodology of calculating the cash-flow plan, and examples of contribution plans which may be considered adequate.

4. Conclusion

A Summary of the Reserve Fund Study process and the proposed Owner's Committee's contribution plan.

5. Appendix A – Component Review

Includes a detailed description of the common elements of the complex included in the component inventory.

6. Appendix B – Financial Tables

Includes the following:

- Table 1 – Replacement Cost Summary Table detailing the common elements addressed by the Reserve Fund,
- Scenario 1: Present Contribution – Thirty Year Detailed Cash-Flow Plan: Current Contribution Plan and Cash Flow Table.
- Scenario 2: Proposed Contribution – Thirty Year Detailed Cash Flow Plan: Proposed Contribution Plan, Cash Flow and Contribution Tables.

1.5 Reference Documents/Information

The following documentation was provided for our review to assist in the preparation of this Reserve Fund Study:



- Joint Use Agreement for Qualicum Woods – Phase II prepared by Soloway, Wright Solicitors, dated August 12, 1997.
- Reserve Fund Study Update for Qualicum Woods Phase II prepared by Morrison Hershfield, dated November 19, 2003.
- Drainage Improvements Drawing, prepared by Corush Sunderland Wright Ltd., dated September 2006.
- Site Plan, Job 61610857-114, prepared by Stantec Geomatics Ltd., dated April 11, 2005.
- Parking Rehabilitation Drawings, Project 96067-6, prepared by Novatech Civil Engineers and Planners, dated April 21 1998.
- Site Plan, Ref. No. 96-1129, prepared by Paul A. Riddell Ltd., dated August 8, 1997.
- Financial Statements for Qualicum Woods – Phase II for the period ending March 31, 2010.
- Video Inspection Report completed by MultiDrain Inc dated July 16, 2010.

1.6 Limitations and Assumptions

This report is intended for the sole use of Qualicum Woods – Phase II. This report must not be distributed or used by others without our knowledge, other than as prescribed by the *Condominium Act, 1998* and a purchaser of a condominium unit. It is based on the documents and information provided to us and the findings at the time of our on-site investigation.

It is a basic assumption that any correspondence, material, data, evaluations, and reports furnished by others are free of latent deficiencies or inaccuracies except for apparent variances discovered during the completion of this report.

Unless specifically noted in this report, no testing, verification of operation of systems, review of concealed elements, intrusive openings, opening of system components for internal inspection, detailed analysis, or design calculations were conducted, nor were they within the scope of this review.

Some of the findings herein are based on a random sampling visual review of the surface conditions, discussions with the Owner's Committee and/or their designated representatives, and review of relevant documents. Observations were made only of those areas that were readily accessible during our review. Deficiencies existing but not recorded in this report were not apparent given the level of study undertaken. Components not included have not been reviewed, and if their conditions need to be known, further study will be required. Finally, we have not undertaken a physical review of subsurface conditions or structural systems.

It is possible that unexpected conditions may be encountered at the complex that have not been explored within the scope of this report. Should such an event occur, MH should be notified in order that we may determine if modifications to our conclusions are necessary.

In issuing this report, MH 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 use or rely on the contents of this report do so with the understanding as to the limitations of the documents reviewed and the general visual inspection undertaken, and understand that MH cannot be held liable for damages they may suffer in respect to the purchase, ownership, or use of the subject property.

Professional judgment was exercised in gathering and analyzing the information obtained and in the formulation of the conclusions. Like all professional persons rendering advice, we do not act as insurers of the conclusions we reach, but we commit ourselves to care and competence in reaching those conclusions. No other warranties, either expressed or implied, are made.

1.7 General Facility Description

Qualicum Woods – Phase II is a Joint Use Property located on the northwest corner of Baseline Road and Cornell Street, Ottawa. The complex includes addresses 1286-1330 Cornell Street (even numbers only), 2646-2700 Draper Avenue (even numbers only), and 2705-2775 Baseline Road (odd numbers only). The property consists of 87 freehold townhouse units converted from rental units.

There is a parking lot, providing 109 parking spaces, associated with the complex. Asphalt walkways provide access throughout the complex and from the townhouse blocks to the parking areas. Site features include the parking area and walkways, concrete curbs, fencing and retaining walls, and landscaped areas.

1.7.1 Common Elements

Based on our review of the Joint Use Agreement, we understand that the following components are considered common property at Qualicum Woods II. The Owner's Committee has reviewed this report and confirmed the list of common property:

- Parking area and walkways,
- Common area landscaping,
- Retaining walls,
- Sound attenuation fence along Baseline Road, and
- Services and utilities.



2. PHYSICAL ANALYSIS

O. Reg. 48/01, s. 29 indicates that a Reserve Fund Study shall include a physical analysis. The first step in conducting the physical analysis is identifying the component inventory for your complex.

2.1 Component Inventory

O.Reg. 48/01, s. 27 defines a component inventory as "... an inventory, in a reserve fund study of a corporation, of each item of the common elements and assets of the corporation that requires, or is expected to require within at least 30 years of the date of the study, major repair or replacement where the cost of replacement is not less than \$500".

The \$500 limit can be interpreted in two ways:

- All common elements that cost at least \$500 must be included in the component inventory, or
- No item costing less than \$500 is to be included in the component inventory.

It has been our experience that most Boards of Directors choose to cover small capital expenditures out of the operating budget. The Owner's Committee has not officially chosen a minimum value for the reserve fund expenses, but based on the past reserve fund studies MH has assumed that capital expenses less than \$1,000 will be covered out of the operating budget, and expenses greater than or equal to that amount be budgeted for in the Reserve Fund.

Once the items to be included in the component inventory are defined, a visual review of each of those elements, along with discussions with the Owner's Committee and/or their designated representatives, is conducted in order to assess the following eight parameters for each component:

1. Actual or estimated year of acquisition,
2. Present or estimated age,
3. Normal expected life,
4. Remaining life expectancy,
5. Estimated years for major repairs and replacements,
6. Estimated cost for major repairs and/or replacements,
7. Percentage of the cost of major repairs and replacement to be covered by the reserve fund, and
8. Adjusted cost resulting from the application of that percentage.

The above criteria are outlined in **Table 1 – Replacement Cost Summary**, which can be found in **Appendix B** of this study.



2.2 Table 1 – Replacement Cost Summary Table

A Reserve Fund is a fund set up in a special account for major repair and replacement of common elements and assets of the Property. The amounts we recommend be contributed to the fund are calculated on the basis of life expectancy and expected repair and replacement costs (except where noted otherwise). The life expectancy and replacement cost information that was used for the reserve fund analysis is summarized in Table 1. The following describes the information presented in this table.

Table 1 lists all the items in the Component Inventory (Appendix A), an item description, the recommended action, the normal life expectancy and the repair or replacement cost associated with the recommended action. An adjustment is made to the normal life expectancy when, in our opinion, the maintenance and/or use of an item has been such that the normal life expectancy will be notably affected (either positively or negatively).

The costs identified in Table 1 represent the adjusted cost when the percentage of the cost of major repairs and replacement is applied to the complete replacement cost. For most items, 100 percent of the complete replacement cost is provided. Exceptions are where complete replacement is not anticipated, or where specific common elements are shared with another corporation. Where less than 100 percent of the total cost is allowed for, we have provided a description under Item Recommendation.

2.3 Capital Expense Forecasts

Our observations and comments on all of the reviewed elements are discussed in further detail in Appendix A.

The following major items should be budgeted for over the next 10 years, which can have a major impact on the Reserve Fund Study:

- Rebuild asphalt walkways,
- Replace support posts and conduit sleeves of the electrical outlets provided for vehicle use, and
- Provide contingencies for unexpected repairs required to the utilities.

3. FINANCIAL ANALYSIS

A visual survey of the condition of the common property has been conducted. Based on our experience and limited visual review of the condition of the complex, an assessment of the remaining life expectancy and replacement costs (in 2010 dollars) for each of the common property elements, is shown in Table 1 in Appendix B.

Table 2 in Appendix B is a Detailed Cash-Flow Plan that identifies the anticipated cash-flow for each of the years in the thirty-year study period. Table 2 is generated based on the information shown in Table 1, input from Qualicum Woods II, and certain assumptions as discussed below.

3.1 Input from Qualicum Woods II

In calculating the Reserve Fund Cash-Flow Plan, we have used the following information provided by Qualicum Woods II:

Current Fiscal Year 2010 from January 1, 2010 to
December 31, 2010

Present Annual Contribution to the Reserve Fund \$11,587

Reserve Fund Balance on January 1, 2010 \$98,604

3.2 Assumptions

3.2.1 Interest and Inflation Rates

In 1991, the Government of Canada and the Bank of Canada agreed to target inflation for a five-year period. In December 1993, the government and the Bank of Canada agreed to extend the inflation-control target range between one and three percent to the end of 1998. This policy has continued to be renewed, and currently extended to December 31, 2011. Monetary policy will continue to be aimed at keeping inflation at the two percent target midpoint.

For the preparation of this Reserve Fund Study, we have assumed an Inflation Rate of 2.0 percent and an Interest Rate of 4.0 percent for the duration of this study.

These interest and inflation rates were presented to the current Owner's Committee and approved and used in the final report.



3.2.2 Adequate Reserve Fund

The Act indicates that the Reserve Fund must be adequate. However, “adequate” is not defined by the Act. We interpret adequate to be a positive balance every year for the next 30 years.

3.3 Cash-Flow Calculations

The Cash-Flow Calculations shown in Table 2 are discussed below. Each of the years shown in the Thirty Year Detailed Cash-Flow Plan represents the Fiscal Year of the Property as indicated in Section 3.1 above.

3.3.1 Starting Balance

The Starting Balance for this Reserve Fund Study has been shown in Section 3.1 above.

3.3.2 Total Expenses

Cost estimates are provided only as an indication of the possible cost of remedial work. The repair or replacement costs are based on published construction cost data, recent bid prices on similar work, and information provided by the owner. More precise cost estimates would require more detailed investigation to define the scope of work.

We recommend that costs for consulting services, including design, tendering, and construction review, be included in the reserve fund plan. The cost for these services can vary significantly depending on the size, scope, and degree of complexity of the project. For the purposes of reserve fund budgeting, we have included an allowance of 7.0 percent for consulting fees where we believe it is appropriate, and 13.0 percent for applicable taxes (HST). All costs are identified in **2010 Canadian dollars**.

The repairs and replacements we have forecasted in the financial tables do not represent a fixed schedule for replacements; repairs or replacements may be required sooner or later than we have anticipated. Similarly, the cost estimates we have presented can vary due to a number of reasons including changing market conditions, availability of newer materials and systems, and increased or decreased scope of work than we have identified.

Review of the financial tables reveals several projects occur in a single year of the study period. Though these repairs and replacements will not all take place in one year, and may not be required at all, it is prudent to budget for such repairs since failure of some components is unpredictable.

All cost estimates assume that regular annual maintenance and repairs will be performed to all elements at the facility. All costs are inflated by the inflation rate identified in 3.2.1 above.

3.3.3 Interest Earned

The interest earned on the Reserve Fund for each year is based on a **Mid-Year Interest Calculation**. It is our understanding from previous discussions with clients involved in long-term financial planning that this interest calculation is accepted for long-term financial planning. Over the 30 year period, the calculated interest is lower than calculating Simple Interest; therefore it is a more conservative method for calculating interest.

With the Mid-Year Interest Calculation, the interest earned on the Reserve Fund is calculated at the middle of the fiscal year assuming that half the expenses have been taken out of the Reserve Fund and half the annual contribution has been deposited into the Reserve Fund. Therefore, interest is calculated as follows:

$$\text{Interest} = \text{Interest Rate} \times \left(\text{Starting Balance} - \frac{\text{Expenses}}{2} + \frac{\text{Annual Contribution}}{2} \right)$$

3.3.4 Annual Reserve Contribution

The Annual Reserve Contribution for the first year of this study is indicated in Section 3.1 above. Future annual contributions are calculated based on the estimates of life expectancy and cost estimates, Minimum Reserve Fund Balance, and the assumptions for inflation and interest.

3.3.5 Other Contribution

When large expenses are anticipated in the near future and the existing Reserve Fund Balance is relatively low, increases to the annual contribution may not be sufficient. Increasing the annual contribution to an amount that can accommodate the major expenses is typically not considered a suitable funding plan since the Reserve Fund Balance often becomes relatively high for the remainder of the study period. Excess funds in a Reserve Fund cannot be used for any other purpose except for the major repairs and replacements for which they have been budgeted.

In such cases, Other Contributions are considered in the Cash-Flow Plan. These contributions can be in the form of special assessments or surplus funds that the Board has indicated will be available from other sources (i.e. operating budgets).



3.4 Present Contribution

The Property's actual annual contributions to the Reserve Fund Account should be established by the Owner's Committee. However, as a result of this study we have verified that there will not be sufficient funds available to meet the anticipated expenditures for the 30 year period addressed by this study at the current contribution rate of \$11,587 per year, increased by inflation only. The Reserve Fund Balance becomes negative in the year 2017 and never recovers.

3.5 Proposed Contribution

We have provided a cash flow plan, which allows the annual contribution to increase, above the rate of inflation, for five years. The annual contribution is increased by 27.0 percent (including 2.0 percent inflation) from fiscal year 2011 to 2015 and then increased by inflation only from 2016 onwards. The Reserve Fund Balance remains positive over the next thirty years, with a minimum balance of approximately \$27,230 in 2038. This is represented as in the **Cash-Flow Chart** and in the **Thirty Year Detailed Cash-Flow Plan of Appendix B**.

The average per unit costs and increases for the funding plan represented in the attached tables are summarized below.

	2010	2011	2012	2013
Annual Reserve Contribution*	\$ 11,587	\$ 14,715	\$ 18,689	\$ 23,735
% Increase	n/a	27.0%	27.0%	27.0%
Average Increase per Unit per Month	n/a	\$3.00	\$3.81	\$4.83
Average Annual Contribution per Unit per Month	\$11.10	\$14.10	\$17.91	\$22.74
Total Other Contributions	n/a	n/a	n/a	n/a
Average Other Contribution per Unit per Month	n/a	n/a	n/a	n/a

*Annual Reserve Contribution refers to the amount contributed each year to the reserve fund from the monthly common expenses.



The actual condominium Corporation's annual contributions to the Reserve Fund Account should be established by the Board of Directors. We recommend you review this Reserve Fund Study with your accountants to ensure it meets the needs of your Reserve Fund.

4. SUMMARY

Morrison Hershfield Limited has reviewed and assessed the reserve fund requirements of Qualicum Woods – Phase II in accordance with the Scope of Services and Limitations outlined in Section 1 of this report.

This Reserve Fund Study presents a possible funding strategy that will provide adequate funding to cover anticipated major repairs and replacements expected in the next 30 years. It has been developed based on the information provided to us by Qualicum Woods II and our review of the site.

In the proposed contribution plan, the current annual contribution of \$11,587 is increased 27.0 percent (including 2.0 percent inflation) from fiscal years 2011 to 2015 and then increased by inflation only from 2016 onwards. This is shown in the Tables in Appendix B of this report. If such funding is not achieved, future condominium owners can expect the need for additional special assessments to address major renewal activities.

The Reserve Fund Study is a dynamic document that will change over time as repairs/replacements are carried out on the common property and interest/inflation rates change. The repairs and replacements we have forecasted in Table 2 do not represent a fixed schedule for replacements; repairs or replacements may be required sooner or later than we have anticipated. Similarly, the cost estimates we have presented can vary due to a number of reasons including changing market conditions, availability of newer materials and systems, and increased or decreased scope of work than we have identified. As such, regular updates to this Reserve Fund Study are necessary to re-assess the needs of your joint use property.

Condominiums are required to complete a Reserve Fund Study Update without Site Inspection within three years of the date of this study, and a Reserve Fund Study Update with Site Inspection within three years of that study (as specified by O.Reg. 48/01, s. 31 (3)). This is the minimum requirement for conducting Reserve Fund Studies for condominiums and we recommend that Qualicum Woods II follow these requirements.

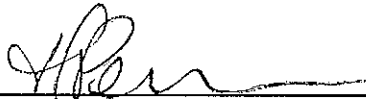
However, Qualicum Woods II should consider an Update with Site Inspection if any significant changes in the condition of the common property become apparent to Qualicum Woods II or are determined by more detailed condition reviews of specific building common elements. Similarly, Qualicum Woods – Phase II should consider an Update without Site Inspection at an earlier date (prior to 3-year anniversary of this study) if there are any significant changes to the cash flow due to unforeseen conditions, or to incorporate the results of more detailed investigations which may indicate that significantly more, or less, funds are required than have been allowed in this study.

In the past, we have found that major changes to reserve fund plans can be minimized by conducting an Update without Site Inspection every one to three years, and conducting an Update with Site Inspection every three to five years.

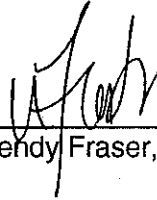


If you have any questions regarding the information contained herein, please contact the undersigned.

MORRISON HERSHFIELD LIMITED



Heather Penner, Graduate Technologist

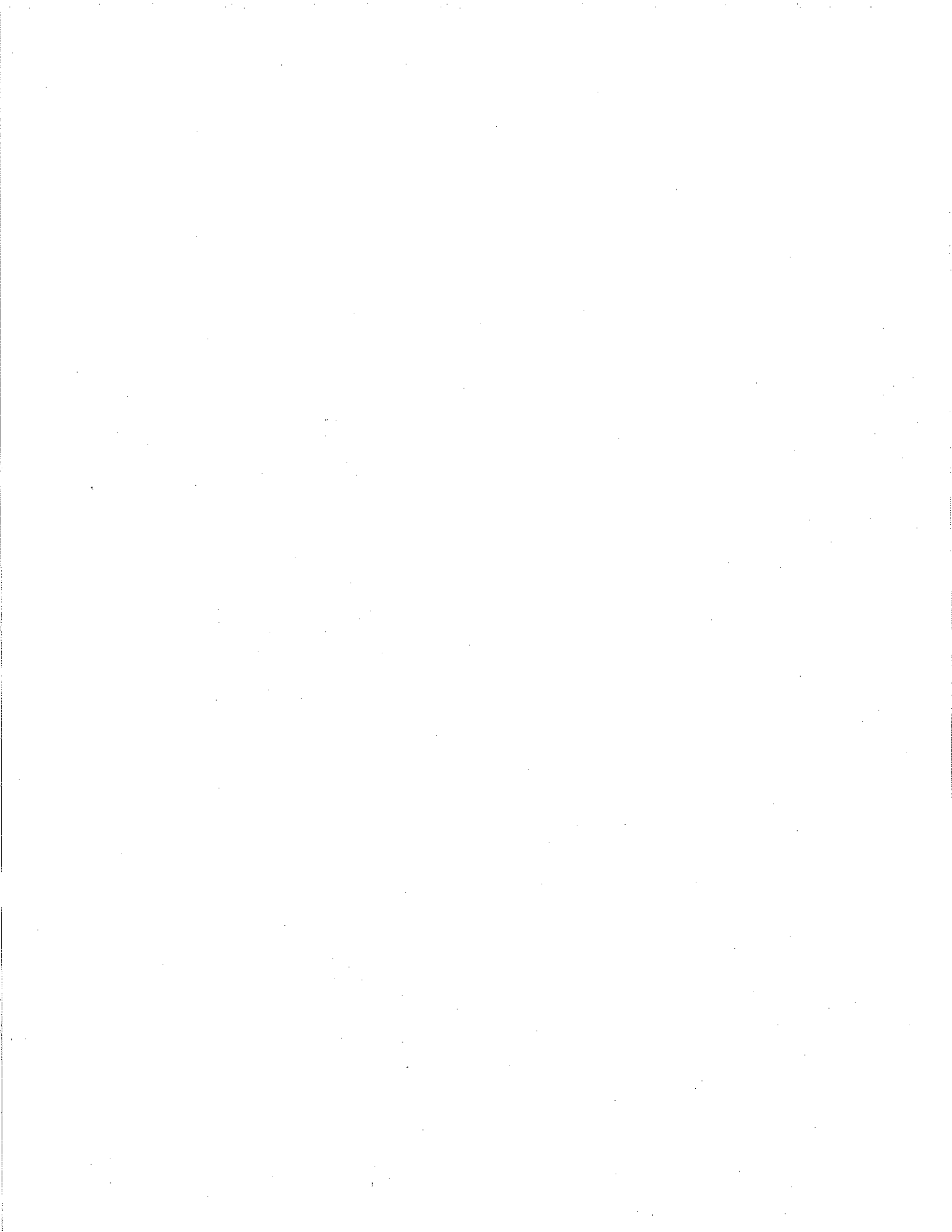


Wendy Fraser, P.Eng.





**APPENDIX A
SITE CONDITIONS**



APPENDIX A – SITE CONDITIONS

The common property elements of the complex were visually reviewed during our site visit on May 6, 2010. Our site review consisted of a general visual survey of a sampling of readily accessible, exposed components. Our review was conducted from ground level. A review of the design, test openings, and/or physical testing of any of the common property components was not part of our current contract.

ACCESS: VEHICULAR & PEDESTRIAN

There is one parking area located within the complex provided with vehicular access from Draper Avenue. A network of paved walkways provides access throughout the property.

AC1 Asphalt Paving

The parking area and the majority of the walkways are paved asphalt. In order to maintain the existing asphalt surfaces, proper patching of the asphalt and sealing of cracks is required to reduce the potential for further deterioration. We recommend a periodic allowance to properly patch holes and seal all cracks on the parking areas and walkways. It was reported to us by the property manager that since the date of our site review repairs to the asphalt paving have been completed

AC2 Parking Areas

The parking area, accessed from Draper Avenue, provides 109 parking spaces. At the time of our review, the parking area was in generally good condition. In the parking area we noted a few areas of water pooling and oil staining. There were cracks which had been repaired and cracks that require repair. With the previously repaired cracks, some of these repairs have failed as the seal has become dislodged from the cracks. Overall, the parking area seemed well graded and appears to slope towards the storm drains or the street.

We recommend that in the Draper Avenue parking area the unsealed cracks and the cracks where the seal has failed be repaired. This work can be completed under the allowance for localized repairs provided in *Section AC1 – Asphalt Paving*.

- a) Typically, asphalt surfaces require resurfacing on a 15 year cycle with a more elaborate rebuild every other occurrence (30 year cycle). Based on the condition of the parking area, we recommend the parking area be resurfaced in approximately 10 years.

- b) We also recommend including for the rebuilding of the asphalt parking area 15 years following the resurfacing. Before performing the rebuilding of the asphalt parking area, we recommend that the asphalt and sub-base be assessed to determine the in-situ condition and remaining service life. At the time of rebuilding, the concrete curbs should also be replaced and the grading evaluated to ensure proper drainage away from townhouse units.

AC3 Concrete Curbs

Cast-in-place concrete curbs are provided around the perimeter of the parking area. Additionally, the parking area is divided by an island which is enclosed with concrete curbs. The concrete curbs are in good condition with localized areas in fair condition. Generally, the concrete curbs show some cracking and scuffing. We noticed in several areas that small pieces of the concrete curb have been chipped away probably due to snow removal equipment or vehicular impact. In the Draper Avenue parking area we noticed two locations where the curbs have been stained by oil and two sections of the concrete curb are missing and have been replaced with asphalt.

We recommend that the replacement of the concrete curbs be coordinated with the rebuild of the asphalt parking area. We have included the cost of the concrete curb replacements in the budget provided for the asphalt surface rebuild of the parking area. Repairs to the concrete curbs can be covered under the operating/maintenance budget.

AC4 Walkways

Asphalt Walkways

Asphalt walkways are located throughout and surrounding the complex. At the time of our review, the walkways are in good condition. Generally the walkways within the complex and along Baseline Road are in slightly better condition than the perimeter sidewalks along Cornell Street and Draper Avenue.

The walkways along the western side of Cornell Street and along Draper Avenue are even and level with pitted areas. In one location along Draper Avenue the walkway is uneven and cracking due to the roots of a large tree. Throughout these walkways we noted cracking that requires repair.

The walkways within the complex and along Baseline Road are even and level with no holes. There are a few areas of water pooling and surface cracking. We noted evidence of previously repaired cracks.

Based on the condition of the walkways, we recommend the walkways be rebuilt within the next 10 years. We further recommend including for the rebuilding of the asphalt walkways every 15 years. Before performing the rebuilding of the



asphalt walkways, we recommend that the asphalt and sub-base be assessed to determine the remaining service life and any required repairs.

Concrete Sidewalk

There is a pre-cast concrete sidewalk located within in the recycling area at the entrance to the Draper Avenue parking area. The sidewalk is in good condition. We noticed some pitting of the surface, one crack, and that the joints are not sealed. An allowance to perform repairs to the concrete sidewalk has been included in the allowance for asphalt repairs in section *AC1 – Asphalt Paving*. We have included an allowance for the replacement of the concrete sidewalk at the end of the service life.

AC5 Steps

Wooden Steps

Where the sidewalk between units 1286-1300 Cornell Street and units 1302-1316 Cornell Street descends to meet Cornell Street, this change in elevation is achieved through wood framed steps. These steps are framed in pre-treated wood and topped with gravel. These steps are in good condition with the exception of the bottom step which is in poor condition. The frame of the bottom step is splitting, soft to the touch, and showing signs of wood deterioration. We recommend that the wood frame of the bottom step be replaced and this can be completed under the operating/maintenance budget. An allowance for the replacement of the wood framing members of the steps at the end of their service life has been included with the replacement of the wood retaining walls in *Section F2 – Retaining Walls*.

Concrete Steps

There are two steps creating a transition from the elevation of the Draper Avenue walkway to the walkway in front of units 2682-2700 Draper Avenue. These steps are pre-cast concrete complete with an aggregate finish on the top of each step. These steps are in good condition with no damage visible. There is also a single concrete step which provides access from the parking lot to the walkway in front of units 2682-2700 Draper Avenue. This step is in good condition with some scuffing and surface chipping of the concrete. Any minor repairs required to the concrete steps can be completed under the operating/maintenance budget. Typically concrete steps have a lifespan of approximately 35 years and we have included an allowance for the replacement of the concrete steps at the end of their service life.

LANDSCAPING

The site contains a significant amount of both hard and soft landscaping elements. Generally, the landscaping and site elements have been well maintained, however we



recommend including for some repairs/replacement at some time in the future as described following.

L1 Soft Landscaping

The soft landscaping includes the sod, trees and shrubs, and plantings or gardens. At the time of our site review the soft landscaping was in good condition and appears to have been well maintained. There is a large tree along Draper Avenue which may need to be removed as the root system is disrupting the asphalt walkway.

Apart from normal maintenance and up-keep of the landscaping, there will be the need for major repair and replacement of such items including future modifications which will be required over time. Such modifications and/or replacements could include replacing trees, shrubs, and gardens, and replacing sod in areas of damaged or missing grass. It was reported to us by the property manager that modifications to the soft landscaping elements were completed this year.

- a) We have included a periodic allowance for the replacement or removal of some components of the various soft landscaping items.

The property manager reported to us that tree pruning is an expense that Qualicum Woods – Phase II completes out of the reserve fund. Pruning of the trees was completed this year.

- b) We have included a periodic allowance for major tree pruning as required.

L2 Site Grading

The grading of the site is in good condition and appears to provide adequate site drainage. The grade slopes away from the townhouses and towards the catch basins, storm manholes, or the roadways. The previous reserve fund study report noted problems with the grading around units 1300 and 1330 Cornell Street. During our review, we noted no concerns around these units as the grading slopes away from the townhouses and have assumed the problems were corrected. We recommend that the site grading be evaluated on an annual basis to ensure that proper site drainage is being achieved.

L3 Hard Landscaping

There are several landscaped sections, namely between front facing units, throughout the site. The hard landscaping elements within these sections include the edging pavers, landscape cover, benches, birdhouses, and arbors.

Edging Pavers

There are precast concrete edging pavers with a scalloped edge surrounding some trees. There are precast concrete brick-shaped pavers defining the garden edge of the landscaping located between units 1286-1300 Cornell Street and units 1302-1316 Cornell Street. All of the pavers are in good condition. It was noted that one of the brick-shaped garden defining pavers is damaged and a large portion of the paver is missing. There may be a need in the future to re-level some of the pavers. The re-leveling and replacement of damaged pavers can be accomplished under the operating/maintenance budget.

Landscape Cover

Landscape cover is provided within the landscaped areas by redwood cedar chips or river stones. All of this landscaped cover is in good condition. It will require the removal of debris and the possible addition of more cover on an annual basis and this can be performed under the operating/maintenance fund.

Near unit 2700 Draper Avenue there is a pedestrian deterrent to pedestrians taking a shortcut instead of utilizing the walkways. The deterrent consists of concrete complete with decorative rocks which is in fair condition. We noted a few rocks missing and cracking throughout the concrete. There are locations where the concrete was uneven due to heaving and areas where the granular base was exposed. Due to the difference in freeze/thaw cycles of the concrete and the decorative rocks the cracking and elevation differences are likely to reoccur. The pedestrian deterrent should be replaced within the next five years and this work can be accomplished under the operating/maintenance budget.

Benches

There are two pre-assembled wooden benches located within the landscaped walkways that join with the walkway along Baseline Road. Both benches are in fair condition. The benches have significant areas where the wood is visible through the stain as the stain has deteriorated. Typically exterior wood structures such as these benches have a life expectancy of 15 to 20 years. They can be replaced at the end of their service life from the operating/maintenance budget.

There is a wooden bench within the landscaped section in front of unit 1300 Cornell Street. The bench is created from pressure-treated wooden boards and the bottom is covered with wooden lattice. The wooden boards are in good condition. The wooden lattice is in fair condition with signs of wood deterioration, especially in proximity to the catch base, and missing slats. We recommend that the wood lattice be repaired or replaced; this can be achieved under the operating/maintenance budget. An allowance to repair and/or replace the wood boards has been included in the periodic allowance provided for the wood retaining walls in *Section F2 – Retaining Walls*.

Birdhouses

A tall wooden pole containing a collection of birdhouses is located near units 2739 and 2775 Baseline Road. The collection of birdhouses is in poor condition. There are significant areas of peeling paint and paint deterioration and some houses are missing the roofs. We recommend that the missing roofs be replaced and the collection of birdhouses re-painted; this can be achieved under the operating/maintenance budget. Typically exterior wood structures such as these birdhouses have a life expectancy of 15 to 20 years. The replacement of the pole and associated birdhouses at the end of their service life can be covered under the operating/maintenance budget.

Arbors

There are wooden arbors located at both ends of the landscaped sections located between the front facing townhouse units. These arbors were in good condition. The arbors need to be re-stained as the wood, especially at the bottom of the supports, is visible through the stain and the stain has deteriorated. The arbors are stable and show no signs of damage. We noted a crack in one of the wood support panels of the arbor located near unit 2775 Baseline Road but the support post is sound. We recommend that the staining of the wood arbors be completed under the operating/maintenance budget. We have included an allowance for the replacement of the wood arbors within the next 10 years.

L4 Signage

Entrance Sign

There are two entrance signs for the complex located on the wood fence at the recycling area. These signs are painted metals and are in good condition. The signs are securely attached and show no signs of damage or rust. Any repair to or replacement of these signs can be achieved under the operating/maintenance budget.

Informational Signage

Throughout the complex there is informational signage including private property notification and indication of addresses in each block. These signs are either surface mounted on the walls of the townhouse units or mounted on metal poles. These signs and associated poles are in good condition with no rust, are secure, and straight. The operating/maintenance budget can include for the repair and/or replacement of these signs on an as-needed basis.

FENCES & RETAINING WALLS

F1 Fences

Sound Attenuation

There is a wood sound attenuation fence separating the complex from Baseline Road. The fence is constructed of pressure treated wood with metal supports and rails. The posts are precast concrete with a stamped brick finish. The concrete posts are in good condition with no cracking, wetting, or staining visible and no signs of damage. The metal supports and rails are in good condition with no corrosion or damage visible. One of the caps at the top of the metal supports is detached. The wood boards are in good condition. We noted areas where the wood boards are short and do not extend all the way to connect with the rails. We also noted some wood deterioration and staining along the bottom of boards; this is probably due to the increased moisture in this area as water pools on the top of the bottom rail. In a few locations the wood boards are below grade which increases the rate of wood deterioration.

- a) We have included an allowance to perform repairs, including the replacement of damaged boards, to the fence on a periodic basis. The typical life expectancy of this type of wood fence is 25 to 30 years and we have included for the replacement of the fence at the end of its service life.

Recycling Area

There is a wooden fence at the entrance to the Draper Avenue parking area that shields the recycling area from view. The wood fence is in fair condition. We noted some wood deterioration at the bottom of the boards. One of the exterior wood posts is cracked and the top rail is unattached.

- b) A periodic allowance for repairs or the replacement of damaged elements is included in the allowance provided for repairs to the sound attenuation fence. The typical life expectancy of this type of wood fence is 15 to 20 years. An allowance has been included for the replacement of this fence in approximately 10 years.

F2 Retaining Walls

Wood Retaining Wall

A wood retaining wall surrounds a tree located in the green space behind units 1302-1316 Cornell Street. This retaining wall appears to be relatively new, is in good condition, and shows no signs of damage or wood deterioration. There is a wood retaining wall located within the landscaped section between units 1286-1300 Cornell Street and units 1302-1316 Cornell Street. The wood retaining wall is in good condition. Sections of the wood retaining wall, notably the top row and

exposed end sections, appear to have been replaced and are newer than the remainder of the wall. Any repairs to the wood retaining walls can be completed under the operating/maintenance budget.

- a) We have included for the replacement of the wood retaining walls at the end of their serviceable life.

Stone Retaining Wall

There is a stone retaining wall located at the side of unit 1330 Cornell Street. The stone and mortar retaining wall is in good condition. The wall is not leaning and has no loose stones. The mortar deterioration is very minor as we noticed only a few locations where the mortar was cracked. The performance of local repairs including mortar re-pointing and stone replacement can be achieved under the operating/maintenance budget.

- b) We have included a cost for the replacement of the stone retaining wall at the end of the serviceable life.

Concrete Pavers Retaining Walls

There are two small retaining walls within the landscape area located between units 2737 to 2755 Baseline Road and units 2757 to 2775 Baseline Road. The retaining walls are created from stacked pre-cast architectural concrete paving stones. These retaining walls are in good condition. The concrete pavers are placed securely and no damage was visible. The cost to replace these concrete pavers retaining walls is included in the budget provided for the replacement of the stone retaining wall.

MECHANICAL SYSTEMS

The mechanical systems that form part of the common property include the water and sewerage systems, catch basins, and fire hydrants. We have included a brief description of the systems at the complex and have included funds for replacement or repairs, where applicable, based on our experience with similar complexes.

M1 Domestic Cold Water Systems

The only common elements in the domestic cold water supply system are the pipes from the City supply to the individual units and the common pipes located underneath the units. Failure of these water supply pipes is unpredictable and typically rare in occurrence, however we are of the opinion that it would be prudent to allow some funds within the 30 year plan of this study for an unforeseen failure. Therefore, we have included a contingency within the next 10 years for any unexpected failures of the domestic cold water supply system. We recommend systematic inspection and regular cleaning if frequency of problems occurs.

M2 Sewer Systems

There are two types of drain systems in this complex; storm and sanitary drains. Storm sewer is a system designed to carry rainfall runoff and other drainage but not sewage. Sanitary sewer is a system of underground pipes designed to carry sewage from bathrooms, sinks, kitchens, and other plumbing components to the wastewater treatment plant.

Similar to the domestic cold water system, the only common elements in the sewer system are the pipes from the City system servicing the complex and the individual units including the common pipes located underneath the units. Failure of these sewer pipes is also unpredictable. While on site we reviewed the condition of the manhole covers for both the storm and sanitary sewer systems. Although rusted, the manholes covers, visually, appeared in good condition and have a life expectancy of approximately 100 years.

- a) We have included a contingency for repairs and for regular maintenance including inspection and cleaning of the sewerage system.

MultiDrain completed a visual line inspection of the storm and sanitary sewers in order to evaluate the condition of the pipes. The inspection report, completed by MultiDrain, identified two areas of concern in the sanitary pipes: one longitudinal crack and one open joint. It is recommended that these areas be repaired as soon as possible and it is our understanding that the Committee has retained MultiDrain to complete this repair work. MultiDrain has recommended repairing the longitudinal crack and the open joint with internal spot repairs using "PipePatch". PipePatch is a pipe repair system which allows repairs to be completed internally with no excavation required to complete the repairs.

- b) We have included a budget in the reserve fund study, based on the quote provided by MultiDrain to the property manager, for these repairs to be completed this year.

The Committee of Qualicum Woods – Phase II has indicated that the above repair work is to be reviewed by a third party. This engineering review is two-fold. The first part is to review the inspection report, completed by MultiDrain, to ensure that the suggested method of repair is adequate. The second part is to review that the repair has been completed satisfactorily. Morrison Hershfield has been retained to complete this engineering review.

- c) We have included an allowance for this review. The allowance is based on the proposal Morrison Hershfield prepared and provided to the property manager on October 26, 2010.

M3 Catch Basins

There are five catch basins located throughout the complex. Visually, all of the catch basins are in good condition. The rust on the three metal catch basins is

not detrimental to the functionality or life expectancy of the catch basins. The life expectancy of a metal catch basin is at least 50 years. There are two green PVC catch basins which have a life expectancy of 20 to 25 years. The replacement of all types of catch basins can be accomplished under the operating/maintenance budget on an as-needed basis.

M4 Fire Hydrants

There are three fire hydrants located within the complex. One hydrant is located along Cornell Street in front of unit 1318, one is located at the corner of Cornell Street and Draper Avenue, and the third is located at the end of the site near unit 2700 Draper Avenue. We noted some surface rusting on the cap and edges as well as areas of peeling and faded paint. Regular maintenance of the fire hydrants is required to maintain their life expectancy and can be performed under the operating/maintenance budget.

ELECTRICAL SYSTEMS

The common property electrical systems at this site include the pathway lights, the outlets provided in the parking area, and the conduits and enclosures for hydro and telecommunication utilities. We have included a brief description of the systems at the complex and have included funds for replacement or repairs, where applicable, based on our experience with similar sites.

E1 Lighting Systems

Exterior Light Fixtures

There are exterior mounted light fixtures at the ends of some of the blocks of townhouses. Visually, all of the exterior mounted light fixtures appear to be in good condition. The majority of these fixtures has a clear lens and a black metal cap and appears to be of the same age. These fixtures are beginning to show signs of rust on the caps and a few of the lenses have yellowed significantly with age. At the side of unit 2660 Draper Avenue the light fixture has a silver finish and appears to have been installed more recently. Similarly, the light fixture at the side of unit 2680 Draper Avenue has a brown finish and appears newer. We have included for the replacement of the exterior mounted light fixtures at the end of their service life.

Parking Light Fixtures

There are two light fixtures located within the parking area accessed from Draper Avenue. These street lighting type fixtures are complete with a shoebox fixture mounted on a metal pole. These light standards were installed in 2002 and are in good condition. No rust or damage was visible on the poles and the lenses are clear. We have included for the replacement of these light fixtures at the end of their service life in approximately 20 years.

E2 Electrical Outlets

In the parking area, there are electrical outlets mounted on metal support channels located between parking spaces. One channel is equipped with two outlets to provide service to two spaces. The condition of these channel mounted outlets ranges from good to poor.

Support Channels

The metal support channels are in fair condition. We noticed peeling and cracked paint and significant corrosion. Although some of the metal channels are leaning, or twisted in the case of the support channel at spots 79 and 80, they are installed securely.

- a) We recommend that the metal channels be abrasively cleaned to remove corrosion and repainted. We have included an allowance for the metal channels to be replaced at the time of the rebuilding of the associated walkways in which the channels are embedded.

Brackets

The outlet boxes and conduit sleeves are secured to the metal channel with metal brackets. These metal brackets are in poor condition. The metal brackets are extremely corroded and have rusted through in a number of locations. The conduit and outlet boxes, at parking spaces 23 and 24, are secured to the support channel with fabric ties. We recommend that the metal brackets be replaced under the operating/maintenance budget.

Electrical Boxes

Some of the electrical outlet boxes are metal and appear to be original to the complex. Some of the original outlet boxes have been replaced with PVC boxes. All of the outlet boxes are provided with newer PVC faceplates. These faceplates are in good condition with a few exceptions. The faceplate at parking spaces 103 and 104 is damaged and should be replaced. At parking spaces 85 and 86, the cover plate at the bottom of the support channel is broken with exposed wiring.

The metal outlet boxes range in condition from fair to poor. The metal boxes are corroded and although some have been painted, the rust is showing through the paint. At parking spaces 105 and 106 the wiring is loose and is hanging out of the box. The PVC boxes are in good condition.

- b) We recommend that the metal outlet boxes be replaced and have included an allowance for this replacement within the next two years.
- c) We have included an allowance for the replacement of all types of electrical boxes at the end of their serviceable life.

Conduit Sleeves

Similar to the outlet boxes, the above ground portions of the conduit sleeves are either metal or PVC. The newer PVC conduit sleeves are generally in good condition. At parking spaces 81 and 82 and at parking spaces 83 and 84 the PVC conduit sleeve has been broken and the wiring is exposed. The older metal conduit sleeves are in fair condition. We noted areas of rust and peeling paint. In some locations the rust is staining the newer installed PVC elements. At parking spaces 97 and 98 the bottom of the conduit sleeve has deteriorated and the wiring is exposed; we recommend that the deteriorated conduit sleeve be replaced and attached to the remainder of the sleeve below grade. In several locations the wiring is exposed between the electrical box and the conduit sleeves; an additional piece of sleeve should be installed to protect the wiring from the elements.

- d) We recommend that the metal conduit sleeves be replaced. Until the time of replacement we recommend that the conduit sleeves be abrasively cleaned and repainted to help prevent further deterioration. We suggest that this replacement be coordinated with the rebuilding of the associated asphalt walkways to allow the conduit sleeve to be attached below grade. We also recommend that the PVC conduit sleeves be replaced at this time to ensure the proper attachment of the conduit sleeve below grade. We have included an allowance for the replacement of all types of conduit sleeves.

E3 Hydro Boxes

There are five hydro boxes on concrete pads located throughout the complex. Visually, the hydro boxes are in good to fair condition. We noted faded paint and significant areas of peeling paint. There is a large amount of rust on the tops of the hydro boxes as well as localized spots of rust on the sides. On the sides of the boxes there are stained streaks from the rust. Two of the concrete pads are in fair condition with cracking along the join of the two layers of the pad and deteriorated corners. The other concrete pads are in good condition. We recommend that the hydro boxes be abrasively cleaned to remove rust, repainted, and the deteriorated concrete pads be repaired; we have included a periodic allowance for the maintenance and repairs to the enclosures. We have included a contingency within the next 10 years for any unexpected failures of the hydro boxes.

E4 Telecommunication Boxes

There are grey telephone and green communications boxes located throughout the complex. Visually, these telecommunications boxes are in good condition. We noted faded paint and some rust on the caps of the telephone boxes. A few telephone boxes were leaning substantially but these enclosures are secure and do not move. At one telephone box the cap was cracked. At a few locations we noticed that the front panel of the telephone boxes is unsecured. Regular maintenance to maintain the life expectancy of the enclosures is required and

can be allocated under the operating/maintenance budget. We have included a contingency within the next 10 years for any unexpected failures of the telecommunication systems.

UNIT OWNER'S RESPONSIBILITIES

The individual owners, either solely or shared between owners, are responsible for the freehold townhouse unit as defined in the Joint Use Agreement. No allowance has been included to repair/replace any of the components of the townhouse unit.

PROFESSIONAL SERVICES

Reserve Fund Study Updates

The Reserve Fund Study is a dynamic document, which will change over time as repairs/replacements are carried out on the common elements and interest/inflation rates change.

Condominium corporations are required to complete a Reserve Fund Study Update without Site Inspection within three years of the date of this study, and a Reserve Fund Study Update with Site Inspection within three years of that study (as specified by O.Reg. 48/01, s. 31 (3)). This is the minimum requirement for conducting Reserve Fund Studies for condominiums and we recommend that as a Joint Use Property Qualicum Woods II also follows these requirements. .

Qualicum Woods II should also consider an Update with Site Inspection if any significant changes in the condition of the common property become apparent to Qualicum Woods – Phase II or are determined by more detailed condition reviews of specific building common elements. Similarly, Qualicum Woods II should consider an Update without Site Inspection at an earlier date (prior to the three year anniversary of this study) if there are any significant changes to the cash flow due to unforeseen conditions, or to incorporate the results of more detailed investigations which may indicate that significantly more, or less, funds are required than have been allowed in this study.

For the purposes of reserve fund budgeting, we have allowed for a Reserve Fund Study Update without Site Inspection every one to three years, and conducting an Update with Site Inspection every three to five years.

Professional Fees

We recommend that costs for consulting services, including design, tendering and construction review, be included in the reserve fund plan. The cost for these services can vary significantly depending on the size, scope and degree of complexity of the project. For the purposes of reserve fund budgeting, we have included a 7% allowance for consulting fees where appropriate.





APPENDIX B

FINANCIAL TABLES



TABLE 1

REPLACEMENT COST SUMMARY





**Table 1 - Replacement Cost Summary
Qualicum Woods II - December 1, 2010**

Item No.	Item	Recommendations	Normal Life Expectancy	Actual or Estimated Year of Acquisition	Present Age	Adjustment To Life Expectancy	Time To First Replacement	Time to Subsequent Replacements	Years Over Which Work is Phased	Total Repair or Replacement Costs*
AC1	Asphalt Paving - Local Repairs	Periodic allowance to repair, patch, and seal as required.	5	2010	0	0	5	5	1	\$5,000
AC2a	Parking Area - Resurface	Allowance to resurface asphalt parking area.	15	1998	12	4	7	30	2	\$190,000
AC2b	Parking Areas - Rebuild	Allowance to rebuild asphalt parking area.	15	1998	12	24	27	30	2	\$507,000
AC4a	Asphalt Walkways - Rebuild	Allowance to rebuild asphalt walkways.	15	1998	12	4	7	15	1	\$65,000
AC4b	Concrete Sidewalk - Replace	Replace concrete sidewalk at the end of the serviceable life.	30	1998	12	0	18	30	1	\$4,000
AC5b	Concrete Steps - Replace	Replace concrete steps at the end of the serviceable life.	35	1998	12	0	23	35	1	\$5,000
L1	Soft Landscaping - Replace	A periodic allowance to replace or remove some of the soft landscaping elements.	5	2010	0	0	0	5	1	\$5,000
L1	Soft Landscaping - Tree Pruning	A periodic allowance for tree pruning as required.	5	2010	0	0	0	5	1	\$5,000
L3	Hard Landscaping - Arbors Replace	Replace arbors at the end of the serviceable life.	20	1998	12	0	8	20	1	\$6,000
F1a	Fences - Repair	Periodic allowance to repair or replace fence components (includes the sound attenuation and recycling area fences).	10	-	-	0	1	10	1	\$3,000
F1a	Sound Attenuation Fence - Replace	Replace sound attenuation fence at the end of the serviceable life.	30	1997	13	0	17	30	1	\$30,000
F1b	Recycling Area Fence - Replace	Replace recycling area fence at the end of the serviceable life.	20	1999	11	0	9	20	1	\$8,000
F2a	Wood Retaining Wall - Replace	Replace wood retaining walls at the end of the serviceable life.	30	1998	12	0	18	30	1	\$8,000
F2b	Stone Retaining Wall - Replace	Replace stone retaining walls at the end of the serviceable life. Includes the retaining walls made of concrete pavers.	45	1998	12	0	33	45	1	\$5,000
M1	Domestic Cold Water Systems - Repair	A contingency to perform repairs to the domestic cold water supply should they be necessary.	10	-	-	-	9	10	1	\$18,000
M2a	Sewer Systems - Contingency Allowance	A contingency for a visual line inspection and to perform repairs to the sewerage system supply should they be necessary.	5	2010	0	0	5	5	1	\$3,000
M2b	Sewer Systems - Repair Work	A budget for the repair work of the crack and open joint in the sewer system pipes (based on quote from MultiDrain).	-	2010	-	-	0	50	1	\$6,667
M2c	Sewer Systems - Review of Repair Work	An allowance to review and determine that the proposed method of repair and the repair work are satisfactory.	-	2010	-	-	0	50	1	\$1,017

*The Total Repair or Replacement Costs is in current dollars and includes the Consulting Fee Allowance and applicable taxes for a single replacement within the 30-year period.

**Table 1 - Replacement Cost Summary
Qualicum Woods II - December 1, 2010**

Item No.	Item	Recommendations	Normal Life Expectancy	Actual or Estimated Year of Acquisition	Present Age	Adjustment To Life Expectancy	Time To First Replacement	Time to Subsequent Replacements	Years Over Which Work is Phased	Total Repair or Replacement Costs*
E1a	Exterior Lighting - Replace	Replace exterior wall mounted light fixtures at the end of the serviceable life.	20	2002	8	0	12	20	1	\$5,000
E1b	Parking Area Lighting - Replace	Replace exterior pole mounted light fixtures at the end of the serviceable life.	30	2002	8	0	22	30	1	\$3,000
E2a	Support Channels - Replace	Replace the support channels for the electrical outlets at the end of the serviceable life.	25	1998	12	-6	7	25	1	\$5,000
E2b	Electrical Outlets - Metal - Replace	Replace the metal electrical boxes and associated wiring and receptacles.	20	1998	12	-7	1	100	1	\$4,000
E2c	Electrical Outlets - Lifecycle - Replace	Replace all types of electrical boxes and associated wiring and receptacles at the end of the serviceable life.	20	-	-	-	22	5	1	\$9,000
E2d	Conduit Sleeves - Lifecycle - Replace	Replace all types of conduit sleeves at the end of the serviceable life.	20	1998	12	-1	7	20	1	\$7,000
PS1a	Reserve Fund Studies	Allowance to perform a Comprehensive Reserve Fund Study.	6	2010	0	0	6	6	1	\$3,000
PS1b	Reserve Fund Study Updates	Allowance to perform a Reserve Fund Study - Update without site visit.	-	-	-	0	3	6	1	\$1,800

*The Total Repair or Replacement Costs is in current dollars and includes the Consulting Fee Allowance and applicable taxes for a single replacement within the 30-year period.

Qualicum Woods II
30 Year Reserve Fund Cash Flow Table
Scenario 2 - Final - December 1, 2010

Assumed Interest Rate	4.0%
Assumed Inflation Rate	2.0%
Reserve Fund Balance at Start of 2010 Fiscal Year	98,604
Minimum Reserve Fund Balance	27,230

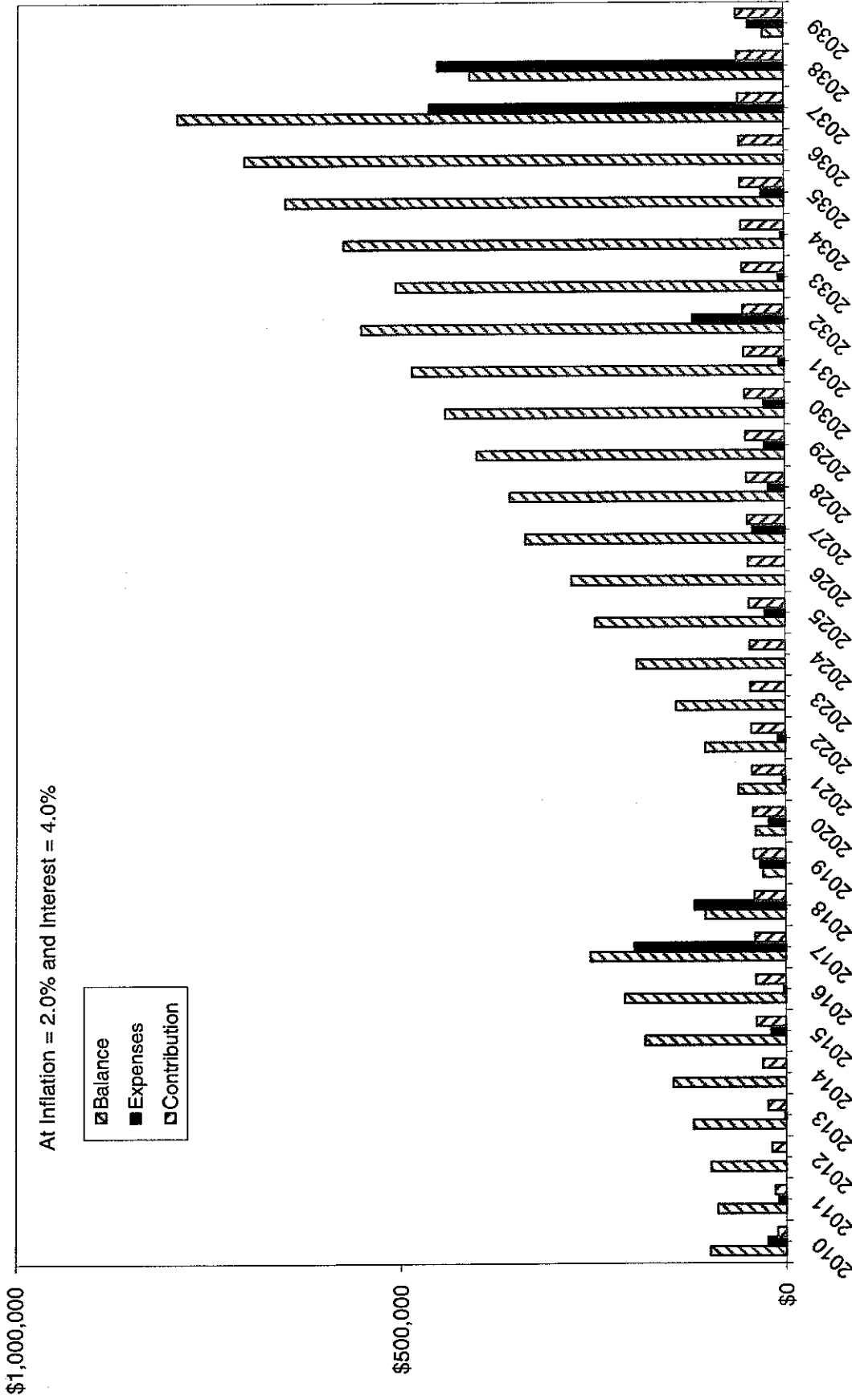
Year Ending In	Opening Balance	Annual Contribution*	Percent Increase over Previous Year	Other Contribution	Estimated Future Inflated Expenditures	Projected Interest Earned	Closing Balance
2010	98,604	11,587			24,584	3,684	89,291
2011	89,291	14,715	27.0%		10,140	3,663	97,530
2012	97,530	18,689	27.0%			4,275	120,494
2013	120,494	23,735	27.0%		1,910	5,256	147,574
2014	147,574	30,143	27.0%			6,506	184,223
2015	184,223	38,282	27.0%		19,873	7,737	210,368
2016	210,368	39,047	2.0%		3,378	9,128	255,165
2017	255,165	39,828	2.0%		197,574	7,052	104,471
2018	104,471	40,625	2.0%		118,338	2,625	29,383
2019	29,383	41,437	2.0%		33,224	1,340	38,936
2020	38,936	42,266	2.0%		21,942	1,964	61,224
2021	61,224	43,111	2.0%		3,730	3,237	103,841
2022	103,841	43,973	2.0%		10,146	4,830	142,499
2023	142,499	44,853	2.0%			6,597	193,949
2024	193,949	45,750	2.0%			8,673	248,372
2025	248,372	46,665	2.0%		26,648	10,335	278,724
2026	278,724	47,598	2.0%			12,101	338,423
2027	338,423	48,550	2.0%		42,007	13,668	358,634
2028	358,634	49,521	2.0%		21,424	14,907	401,639
2029	401,639	50,512	2.0%		26,223	16,551	442,479
2030	442,479	51,522	2.0%		26,747	18,195	485,449
2031	485,449	52,552	2.0%		7,275	20,324	551,050
2032	551,050	53,603	2.0%		119,040	20,733	506,346
2033	506,346	54,675	2.0%		7,884	21,190	574,327
2034	574,327	55,769	2.0%		4,825	23,992	649,262
2035	649,262	56,884	2.0%		29,531	26,518	703,133
2036	703,133	58,022	2.0%			29,286	790,441
2037	790,441	59,183	2.0%		463,078	23,540	410,085
2038	410,085	60,366	2.0%		451,796	8,575	27,230
2039	27,230	61,573	2.0%		46,172	1,397	44,029

* The term "annual contribution" refers to the amount contributed each year to the reserve fund from the monthly expenses.



**Qualicum Woods II
30 Year Reserve Fund Cash Flow Chart**

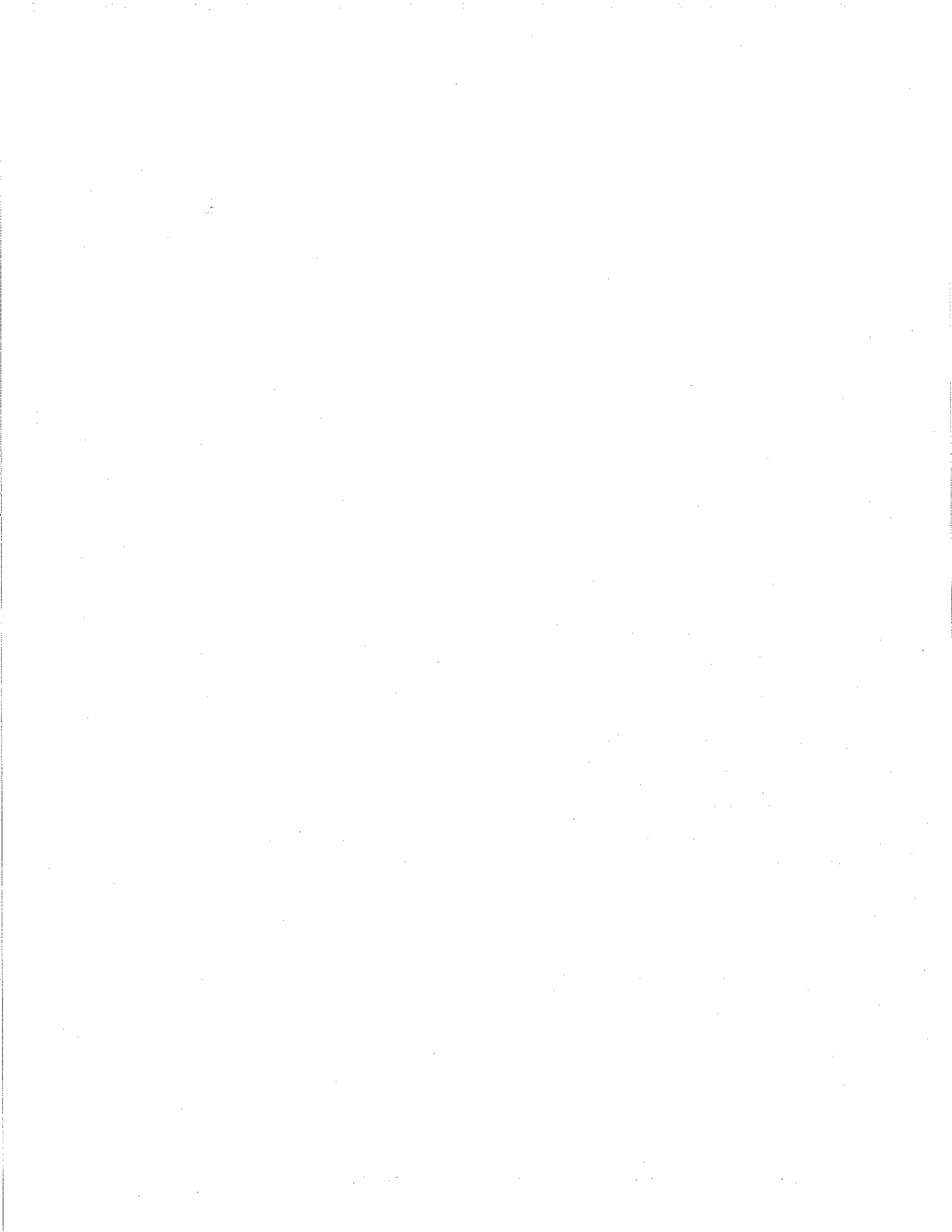
Scenario 2 - Final - December 1, 2010



**Qualicum Woods II
Contribution Table
Scenario 2 - Final - December 1, 2010**

Year	Annual Contribution*	Percent Increase over Previous Year	Other Contribution	Total Contribution
2010	11,587			11,587
2011	14,715	27.0%		14,715
2012	18,689	27.0%		18,689
2013	23,735	27.0%		23,735
2014	30,143	27.0%		30,143
2015	38,282	27.0%		38,282
2016	39,047	2.0%		39,047
2017	39,828	2.0%		39,828
2018	40,625	2.0%		40,625
2019	41,437	2.0%		41,437
2020	42,266	2.0%		42,266
2021	43,111	2.0%		43,111
2022	43,973	2.0%		43,973
2023	44,853	2.0%		44,853
2024	45,750	2.0%		45,750
2025	46,665	2.0%		46,665
2026	47,598	2.0%		47,598
2027	48,550	2.0%		48,550
2028	49,521	2.0%		49,521
2029	50,512	2.0%		50,512
2030	51,522	2.0%		51,522
2031	52,552	2.0%		52,552
2032	53,603	2.0%		53,603
2033	54,675	2.0%		54,675
2034	55,769	2.0%		55,769
2035	56,884	2.0%		56,884
2036	58,022	2.0%		58,022
2037	59,183	2.0%		59,183
2038	60,366	2.0%		60,366
2039	61,573	2.0%		61,573

* The term "annual contribution" refers to the amount contributed each year to the reserve fund from the monthly expenses.





MORRISON HERSHFIELD

June 16, 2011

Ms. Angela Del Giudice
Property Manager
Condominium Management Group
335 Catherine Street, Suite 200
Ottawa, Ontario K1R 5T4

Dear Ms. Giudice:

**Re: Qualicum Woods Sewer Repair Review
Our Project Number 2114004**

We received the Veolia CCTV Inspection Report for Qualicum Woods on June 13, 2011. This report included a DVD showing the before and after conditions of the sanitary and storm sewers previously identified for repairs.

The previous sewer inspection reports completed by Multi-Drain Inc., dated July 16, 2010, identified the following locations requiring repair:

1. Open joint in sanitary sewer at a distance of 1m from SAMH3 on the run leading to the building;
2. Longitudinal crack in storm sewer at a distance of 23.6m from STMH4 on the run leading to STMH6;
3. Circumferential joint fracture in storm sewer at a distance of 29.5m from STMH4 on the run leading to STMH6;
4. Open joint and longitudinal crack in storm sewer at a distance of 47.0m from STMH4 on the run leading to STMH6;

The inspection also noted a number of small longitudinal cracks that were deemed to be insignificant and therefore repairs were not required. These cracks should be monitored periodically.

Multi-Drain Inc. completed repairs at the locations listed above on May 16, 2011 using the Pipe Patch Pipe Repair System by Source One Environmental. Multi-Drain Inc. is a licensed supplier of this product and therefore qualified to complete the work. The CCTV of the four sections of pipe repaired was reviewed and the following are our comments:

1. Sanitary sewer open joint (1m from SAMH3) – The pipe repair was satisfactorily installed over the open joint covering a section of pipe upstream and downstream of the joint. The patch appears secure and smooth.
2. Storm sewer longitudinal crack (23.6m from STMH4) – The pipe repair has satisfactorily covered the entire pipe with the longitudinal crack. The patch appears to



be secure however there are excess pieces of the patch material hanging from the pipe wall. These pieces are small and are not expected to impact the integrity of the patch or the operation of the sewer.

3. Storm sewer circumferential joint fracture (29.5m from STMH4) – The pipe repair was satisfactorily installed over the entire pipe with the circumferential joint fracture. The patch appears secure and smooth.
4. Storm sewer open joint and longitudinal crack (47.0m from STMH4) – The pipe repair was satisfactorily installed over an entire pipe, the open joint and a portion of the next pipe. The patch sufficiently covers the open joint and crack and appears smooth and secure.

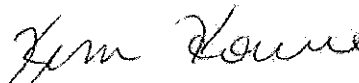
It is our opinion that the repair work was completed satisfactorily and should be accepted.

Please contact the undersigned if you have any questions or require clarification of the contents of this proposal.

Yours truly,
Morrison Hershfield Limited



Meghan MacSween, P.Eng.
Project Engineer



Kim Howie, P.Eng.
Manager, Municipal Infrastructure and Water Resources

