

ERGIL & JACKSON

APPRAISALS LTD

(FORMERLY HENDERSON & BUTT APPRAISAL CONSULTANTS LTD)



**RESERVE FUND REPORT
FOR**

**GOLD CITY COURT
YELLOWKNIFE, NT**

MARCH 2010

ERGIL & JACKSON

APPRAISALS LTD

(FORMERLY HENDERSON & BUTT APPRAISAL CONSULTANTS LTD)

Gold City Court Board of Directors
c/o Mackenzie Management
5011 – 48 Street
Yellowknife, NT, X1A 1N4

March 1, 2010

Attn: Mr. Dave McCann

Dear Sir: **Re: Reserve Fund Report**
 Gold City Court
 Condominium Plan: C-2086
 Range Lake Road
 Yellowknife, NT

Your attention is invited to the following Reserve Fund Study on the above property.

The report itemizes and describes all reserve fund concepts and major reserve fund items. It provides current and future replacement reserve estimates and recommends reserve fund actions.

It is our opinion that an efficient and effective reserve fund program can be implemented for Gold City Court. A plan has been created which provides for sufficient cash balances to meet future requirements. A special assessment has been scheduled for the current year to coincide with planned roof replacement.

To this end, it is recommended that effective January 1, 2010, a reserve fund plan and strategy be adopted and implemented. Concurrently, it is recommended that the annual contributions to the existing reserve fund be provided according to Schedule B. Under this strategy, sufficient cash reserves can be obtained to meet future reserve fund requirements.

Ergil & Jackson Appraisals Ltd. would be pleased to provide you and Gold City Court with a complete review and updating services for the reserve fund evaluation as required in the future. Finally, we appreciate the opportunity of performing this reserve fund study for you.

Respectfully submitted,

Shey Ergil, MBA, AACI, P.App., CRP
President

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ADDENDA

Reserve Fund Definitions & Concepts.....	Exhibit "A"
Photographs	Exhibit "B"

EXECUTIVE SUMMARY

According to Mackenzie Management:

1. The January 1, 2010 reserve fund opening balance is roughly \$155,000.
2. The roofs are scheduled to be replaced in 2010. This will necessitate a special assessment, which has been included in this report. Scheduled contributions for 2010 (special assessment) have been budgeted at \$168,000.
3. There is a relatively small amount of decking/stair replacement work for 2010. An ongoing budget of \$3,000 per year has been budgeted for future deck and stair replacement in 2011, since roof replacement in 2010 will require most of the available funds.
4. Mechanical work is required on the fire hydrant system. \$25,000 has been budgeted for this work in 2010.
5. There has been a problem with pipes bursting in the crawlspace area beneath one of the buildings, noted at the time of inspection. This has not been included in the reserve fund since the problem will likely have been resolved at the date of this report.
6. Windows and doors are not included.

Interest income will also have an effect on contribution levels. Under the recommended contribution schedule, the interest earned over the 25-year period is projected to be \$192,893.

Other than the noted roof and other repairs noted above, Gold City Court is not expected to have significant repairs until year 10 when fencing replacement is scheduled, and years 12-13 when asphalt replacement is scheduled. Otherwise, the complex can expect expenses as indicated in schedule "B" mainly between years 13 and 26. There will also be significant costs beyond the 25-year plan. These will be detailed later in the report and illustrated in the 40-year projection graph.

It must be remembered that the exact timing of these items may vary; the dates given are estimates based on the expected remaining life spans. Where practical and appropriate, the timing of the component replacement has been scheduled to prioritize replacement of components, to avoid too many expenses in one year; and to maximize the economies of scale by replacing related or similar components at the same time.

CONTRIBUTION SCHEDULE

The following contribution schedule has been created in order to strike a relatively fair balance between current and future owners' share of expenses. The average monthly contribution per unit increases over the previous five year period in order to help offset inflation.

The contributions are separated into five and ten year increments that will coincide with reserve fund study updates; this will allow for re-examining the entire plan at the beginning of each five-year increment. This is intended to make the planning process more efficient and effective.

The first year below represents a 'special assessment' that is intended to fund roof repairs.

<u>TIME LINE</u>			<u>UNIT OWNER'S CONTRIBUTION</u>	
			ANNUALLY	MONTHLY
January 1, 2010	to	December 31, 2010	\$168,000 /year	\$250.00 /unit/month
January 1, 2011	to	December 31, 2019	\$43,680 /year	\$65.00 /unit/month
January 1, 2020	to	December 31, 2029	\$50,400 /year	\$75.00 /unit/month
January 1, 2030		ONWARDS	\$57,120 /year	\$85.00 /unit/month

CONCLUSION

Once the current roof repairs are complete, the corporation will have sufficient time to save for future expenses while also benefiting from the affects of compounding interest.

Under this plan, a continuous and reasonably safe minimum balance or "buffer" of roughly \$150,000 has been created for contingencies without being over-funded. This buffer is based on roughly 10 percent of the total Future Replacement Cost Required (please see Schedule A).

In conclusion, should the reserve fund plan be adopted and implemented, it is anticipated that the future replacement costs can be met. This in turn will have a positive influence on the market values of the individual units.

PROPERTY DESCRIPTION

Name:	Gold City Court
Condominium Plans:	C-2086
Location:	Yellowknife, NT
Inspection date:	December 10, 2009
Effective Date of Report:	January 1, 2010
Report Date:	March 1, 2010
Year Built:	1990
Number of Buildings:	15
Number of Units:	56
Site Area (estimated):	153,000 Sq. ft

SIGNIFICANT RESERVE FUND ESTIMATES:

Current Replacement Costs:	\$	1,019,585
Future Replacement Costs:	\$	1,510,777
Interest Earned over 25 years:	\$	192,893

RESERVE FUND REPORT

PURPOSE

The purpose of this Reserve Fund Report is to provide cost estimates of various reserve components. It is subject to major repairs and/or replacement over the lifetime of the property. The function of this report is to estimate the funding required for such major repairs and replacements in accordance with the reserve fund report standards, published by the Real Estate Institute of Canada (Technical Bulletin No. 1). This report also conforms to the Consulting Standards as set out by the Appraisal Institute of Canada in the Canadian Uniform Standards of Professional Appraisal Practice.

EFFECTIVE DATE

This reserve fund report applies as of **January 1, 2010**.

DEFINITION

A Reserve Fund Report is a detailed financial document. It is not a structural analysis. However, it does include cost estimates of major repairs and replacement of components and assets of Gold City Court complex. It provides financial information, estimates and projections for funding the major repairs and replacement of those components and assets.

A reserve fund report is a practical guide to planning budgets and maintenance programs. Unlike a technical audit, it does not deal in detailed, technical matters. Rather, a comprehensive reserve fund report takes a straightforward, business approach to reserve fund management.

METHODOLOGY

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

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

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

In estimating the life span of the various components, physical deterioration, functional obsolescence and environmental factors were considered. In measuring the reserve requirements, depreciation tables and normal life span records from empirical sources were consulted. In addition, the same sources were also consulted in estimating the current condition and remaining life spans of reserve components.

SCOPE OF INVESTIGATION

The property has been physically inspected. The registered condominium plan was also reviewed for details of size and dimensions of the improvements and the description of common elements.

Cost data have been investigated, using construction cost services; reviewing actual repair bills and quotations, and using appropriate specialized contractors and other experts who are considered to be appropriate to this analysis. All of this cost data has been modified as to time, location, and quality of construction.

Condition assessments of the reserve components were made using cursory, non-destructive inspection methods in conjunction with previous repair and maintenance information provided to the planner; if such records were available. Please be advised that a detailed technical analyses and testing were not performed. However, further technical investigation of a particular component may be recommended if necessary.

SOURCES OF INFORMATION

The reserve fund components are grouped in categories for convenient reference. These are an itemization of the structural, finishes, mechanical, and site building components and an itemization of the various site improvements, as appropriate.

The replacement/repair cost estimates on this occasion have been derived from various tradesmen, suppliers, and distributors of all the identified various cost components.

In estimating the replacement/repair costs of reserve components, several empirical sources were consulted, in addition to which, direct consultations were held with a wide variety of tradesmen, suppliers, and distributors of the building components. In addition, the Marshall & Swift Valuation Service and the RS Means 2009 Repair & Remodeling Cost Data were also referenced.

The life span (anticipated and remaining years) was based on empirical records and our observation of the actual physical conditions. Again, these estimates have also been confirmed with reference to the Marshall & Swift Valuation Service and the RS Means 2009 Repair & Remodeling Cost data.

RESERVE FUND ESTIMATES

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

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

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

RECOMMENDED **MANAGEMENT PROGRAM & ANALYSIS**

Adequate reserve funding must be the primary objective of management since a sound reserve fund ensures the long-term integrity and viability of a condominium complex. ***A well-designed Reserve Fund plan will enhance the value to the owners and maintain property values in the marketplace.*** The following comments and projections are based on the assumption that the corporation will implement a proactive management program.

RESERVE FUND PROGRAM

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

RESERVE FUND CONTRIBUTIONS

Based on the assumptions, estimates and projections of this Reserve Fund Report, the reserve fund contributions may be increased, as shown in the Cash Flow Projections hereinafter until the reserve fund has attained a sufficient level to meet future expenses.

RESERVE FUND EXPENDITURES

The corporation should implement a reserve fund expenditure program to ensure appropriate expenditures and to maintain the property in excellent condition.

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

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

RESERVE FUND REVIEW

The Reserve Fund estimates must be periodically reviewed in the context of reserve expenditure experience, changing conditions, inflationary trends and interest rates.

PROPERTY MANAGEMENT AND MAINTENANCE

Gold City Court is currently managed by Mackenzie Management, a company with many years of property management experience. Also, the dedication, expertise, and experience of the Board of Directors are essential for the efficient operation and effective maintenance of the building and improvements.

The quality of management has a direct effect on reserve planning and building maintenance. Proactive management can prolong the life span of reserve components and ensure efficient building maintenance and operations, all of which are considerations in the reserve estimates hereinafter.

On this occasion, it would appear that from the initial physical inspection of this property that the management of Gold City Court has been dedicated and conscientious to maintaining a quality living environment.

PREVENTATIVE MAINTENANCE

The Condominium Board should regularly conduct inspections and commission surveys and investigations to ensure the continued efficient operation of the building systems and the most effective use of resources. An effective preventative maintenance program affects the life spans of reserve components, and they have been considered in the reserve component estimates hereinafter.

REPAIR AND REPLACEMENT COST ESTIMATES

The costs of repairs and/or replacements of many building components are invariably higher than original building costs. This occurs because contractors have considerable latitude in planning their work and utilizing economies of scale in keeping costs within construction budgets. By comparison, repair work must be frequently performed in an expedient manner with proper safety precautions and within certain constraints.

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

INSURANCE REPAIRS

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

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

RESERVE COMPONENT CLASSIFICATION

Reserve fund components are grouped into functional classifications, such as structural / architectural and site improvements. This classification system is consistently applied for quick analysis and data base applications.

STANDARD ASSUMPTIONS

The following assumptions underlie the reserve fund estimates hereinafter and are based on our investigations, observations and analyses of the various reserve components.

◆ Quality of Construction

The subject property was originally constructed in 1990. Presumably, the complex was constructed in accordance with applicable building codes and the prevalent construction practices. Having physically inspected the subject, it would appear that the quality of construction, materials and workmanship are acceptable.

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

◆ Demolition and Disposal Costs

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

◆ Goods and Services Tax

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

◆ Contingency Reserves

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

◆ Structural Deficiencies

There have not been any reports of structural deficiencies. An inspection of the building showed no significant structural problems.

◆ Management Policy

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

Routine maintenance and repairs are deemed to be operating expenses; in addition, any repairs or replacements under \$ 2,500 should be considered operating expenses and budgeted accordingly. Only major repairs and replacements in excess of \$ 2,500 should be charged to the reserve fund.

HYPOTHETICAL CONDITIONS AND EXTRAORDINARY ASSUMPTIONS

This report is based on conditions in place at the time of inspection. If the future physical condition of the property as indicated in the report should be substantially different as of the effective date, then this report should be reviewed and re-written to encompass any differences in condition that may exist from the date of the initial inspection of the subject property to ensure that the report is current and valid at that time.

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

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

Reserve fund estimates are subjective. They are based on the life cycle of building components. It must be appreciated that reserve fund budgeting and projections are, at best, prudent provisions for all possible contingencies, if, as and when they arise. Thus, they are subject to change and must be reviewed not less than every three years.

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

HYPOTHETICAL CONDITIONS

The following are hypothetical conditions that have been incorporated into the Reserve Fund Report and are critical to the Reserve Fund Plan. They are assumed to exist as of the effective date of the report when in fact they may or may not exist in the future.

On this occasion, there are no hypothetical conditions to consider in this Reserve Fund Report.

CONSTRUCTION COMPONENTS

The following plans and documents were reviewed in the course of the Reserve Fund Study.

1. Registered Condominium Plans.

- ◆ **Excavation and Foundations-** Foundation is comprised of poured, cast-in-place reinforced concrete walls on piles and footings; with insulation and drainage system installations.
- ◆ **Framing-** Wood-frame construction with wood-framed flooring and joists, walls and roof joists.
- ◆ **External Walls-** Primary finishing is vinyl siding. The wall substructure is assumed to be comprised of vapour barrier, batt insulation, wood framing, exterior sheathing, and building paper.
- ◆ **Roof Construction-** Asphalt shingles and sheathing over conventional engineered wood truss systems.
- ◆ **Interior Construction-** Assumed to be standard painted drywall with painted finish.
- ◆ **Electrical-** Main power distribution is assumed to be 100 amps with separate electrical meters for each unit.

PROJECT DATA

The following data and information have been compiled from an inspection of the building and site. The data have been calculated by physically measuring Gold City Court structures and by reviewing the condominium plans, and other documents contained herein.

Property Description

Name:	Gold City Court
Condominium Plan:	C-2086
Location:	Yellowknife, NT
Inspection date:	December 10, 2009
Report Date:	March 1, 2010
Effective Date of Report:	January 1, 2010

Site Statistics

Site Area (estimated):	153,000 Sq. Ft.
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Comprised of:

Landscaped Areas (est.):	85,450 Sq. Ft.
Paved Areas (est.):	32,310 Sq. Ft.
Building Areas (Foot Prints est.):	37,240 Sq. Ft.

Building Statistics

Year Built:	1990
Number of Buildings:	15
Number of Units:	56

LIFE SPAN ANALYSIS

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

1. Normal Life Span

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

2. Effective Age Analysis

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

3. Remaining Life Span

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

A life span analysis is a subjective, or empirical, assessment of the life cycle status of a reserve component. As such, it is only as good as the depth of research regarding each component's life span expectations and from consultations with related manufacturers and suppliers thereof. Furthermore, the life span of a reserve component is subject to change due to numerous factors particularly those brought about by changes in technology.

RESERVE COMPONENTS DESCRIPTION & ANALYSIS

1) Concrete Foundations

This reserve provision covers or offsets relatively minor future repairs to the poured-in-place foundation. It is expected that the foundation is a long-life item and will remain intact for the life of the property. However, unexpected problems can occur. Unfortunately, there is generally no reliable way to predict whether or if such problems will arise.

Thus, this reserve item is intended to help offset repairs and replacements if they do occur. It is primarily a contingency and will help to partially cover any structural problems, which may develop, including any technical investigation.

Unit Quantity	37,240 sq. ft.	
Unit Cost Estimate	\$1.50 per sq. ft/ contingency repair	
Replacement Cost Estimate	\$55,860	
Life Span Estimate		
	Normal Life Span	60 years
	Effective Age	20 years
	Remaining Life Span	40 years
Reserve Estimates:	1) Current Replacement Costs	\$ 55,860
	2) Future Replacement Costs	\$ 182,217

DEFICIENCY ANALYSIS:

No major deficiencies were observed or reported at this time.

There has been a problem with pipes bursting in the crawlspace area beneath one of the buildings, noted at the time of inspection. This is not a problem with the foundations as such, but rather a problem with conditions within the crawlspaces that permit freezing of pipes. This has not been included in the reserve fund since the problem will likely have been resolved at the date of this report.

Nonetheless, the foundations should be regularly inspected as part of a diligent maintenance program.

2) Exterior Wall Envelope

A contingency has been created to offset relatively minor repair to the exterior wall finishing. It is not anticipated that the complex would need to be completely resided during its lifetime unless for aesthetic purposes or technical or functional obsolescence of the existing finishing. However, most problems are associated with improper installation as opposed to the material itself.

From time to time, vinyl siding can become brittle especially in Yellowknife's extreme climate. This can lead to cracks or punctures in the siding. Individual pieces, however, can be replaced.

Unit Quantity	1 wall system	
Unit Cost Estimate	\$150,000 contingency	
Replacement Cost Estimate	\$150,000	
Life Span Estimate		
	Normal Life Span	35 years
	Effective Age	16 years
	Remaining Life Span	19 years
Reserve Estimates:	1) Current Replacement Costs	\$ 150,000
	2) Future Replacement Costs	\$ 263,026

DEFICIENCY ANALYSIS:

Overall, the vinyl siding appeared to be in good condition and there are no reported defects to date. Any minor defects in the exterior materials can be maintained or replaced through the operations budget as required from time to time. An annual inspection of the exterior and an analysis of any anticipated repairs will ensure the integrity and aesthetic appeal of the exterior walls well into the future.

4) **Balconies and Stairs**

This provision is for the full replacement of the wood balconies and staircases. Each unit has three sets of balconies/stairs. A budget of \$18,000 has been allocated for 2011 for immediate repairs, as identified by Mackenzie Management. An ongoing budget of \$3000 per year has been allocated, which translated to replacement for one unit per year. Since the conditions of stairs/balconies varies over all the units, allocating an annual repair budget is considered the most realistic way of budgeting for replacement.

Unit Quantity	168 sets	
Unit Cost Estimate	\$1,000.00 each/avg	
Replacement Cost Estimate	\$168,000	
Life Span Estimate		
	Normal Life Span	25 years
	Effective Age	13 years
	Remaining Life Span	12 years
Reserve Estimates:	1) Current Replacement Reserves	\$ 168,000
	2) Future Replacement Reserves	\$ 239,528

DEFICIENCY ANALYSIS:

Overall, the stairs and balconies appeared to be in adequate condition. They should be maintained in good condition at all times to ensure occupant safety.

5) Soffits & Fascia

This reserve covers the soffits, various fascia, metal drip edges and other assorted metal flashing.

These components are comprised of pre-finished aluminum and are generally designed to last about 30 to 40 years or more but they are prone to impact damage, detachment, and loose fittings from time to time. Usually, problems are associated with improper installation as opposed to the material itself.

Soffits and fascia are not generally replaced in whole unless part of a full exterior renovation. Thus, a nominal contingency for partial replacement of the soffits and fascia has been provided.

Unit Quantity	1 system	
Unit Cost Estimate	\$ 5,000.00	contingency
Replacement Cost Estimate	\$ 5,000	
Life Span Estimate		
	Normal Life Span	35 years
	Effective Age	15 years
	Remaining Life Span	20 years
Reserve Estimates:	1) Current Replacement Costs	\$ 5,000
	2) Future Replacement Costs	\$ 9,031

DEFICIENCY ANALYSIS:

The soffits and fascia appear to be in good condition overall and should continue to last for a long time. Missing or damaged pieces can be replaced as required under a diligent maintenance program.

6) Eavestroughs & Downspouts

These components are comprised of pre-finished aluminum and are generally designed to last about 25 years or more but they are prone to impact damage, detachment, and loose fittings from time to time. Downspouts are often damaged at ground level due to impact damage. Usually, problems are associated with improper installation as opposed to the material itself.

Unit Quantity	2,670 linear feet
Unit Cost Estimate	\$ 6.00 per linear foot
Replacement Cost Estimate	\$ 16,020
Life Span Estimate	
	Normal Life Span 35 years
	Effective Age 20 years
	Remaining Life Span 15 years
Reserve Estimates:	
	1) Current Replacement Costs \$ 16,020
	2) Future Replacement Costs \$ 24,959

DEFICIENCY ANALYSIS:

The drainage components appeared to have been recently replaced, and are in relatively good condition and there are no known reported problems.

9) Playground

This reserve is for full replacement of the playground equipment located on site. The equipment seems to be in good condition overall. The amount allocated below is a contingency, as playground equipment and installation can be costly, and prices can change dramatically depending on the contractor and the playground package selected.

Unit Quantity	1 playground		
Unit Cost Estimate	\$25,000.00 contingency		
Replacement Cost Estimate	\$25,000		
Life Span Estimate			
	Normal Life Span		40 years
	Effective Age		20 years
	Remaining Life Span		20 years
Reserve Estimates:	1) Current Replacement Reserves	\$	25,000
	2) Future Replacement Reserves	\$	45,153

DEFICIENCY ANALYSIS:

Overall, the equipment appeared to be in good condition.

16) Water/Sewer System

This item includes all water main and connections, catch basins, area drains, storm sewer manholes as well as storm and sanitary sewer connections. It is expected that the water and sewer system is a long-life item and will remain intact for the life of the property. However, unexpected problems can occur. Unfortunately, there is generally no reliable way to predict whether or if such problems will arise.

Thus, this reserve item is intended to help offset repairs and replacements if they do occur.

The reserve and life span estimates are for sewer systems under normal conditions for repair purposes. The normal lifespan is more indicative of when a problem might occur as opposed to the actual lifespan of the system.

Mechanical work is required on the fire hydrant system. \$25,000 has been budgeted for this work in 2010.

Unit Quantity	System		
Unit Cost Estimate	\$10,000		
Replacement Cost Estimate	\$10,000		
Life Span Estimate	Normal Life Span	45 years	
	Effective Age	20 years	
	Remaining Life Span	25 years	
Reserve Estimates:	1) Current Replacement Costs	\$	10,000
	2) Future Replacement Costs	\$	20,938

DEFICIENCY ANALYSIS:

A physical interior inspection of the water, sewage and drainage systems was not possible. Therefore, it is assumed that these items and their related components were built to prevailing code requirements of that era. Having physically inspected the subject property, there was no evidence to suggest that the sewage and drainage systems were not in reasonably good condition. However, they should be regularly inspected and repaired as required.

17) Outdoor Lighting & Electrical Systems

This reserve provision includes the incoming electrical service, various distribution panels, transformer, electrical cables and wiring, and connections located throughout the building. Exterior systems include such things as light standards, wall packs, bollard lighting and power pedestals.

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

For the purposes of reserve fund budgeting, the life cycle is 40 years which is considered to be a repair or replacement cycle.

Unit Quantity	1		
Unit Cost Estimate	\$10,000 system		
Replacement Cost Estimate	\$10,000 contingency		
Life Span Estimate			
	Normal Life Span		40 years
	Effective Age		20 years
	Remaining Life Span		20 years
Reserve Estimates:	1) Current Replacement Reserves	\$	10,000
	2) Future Replacement Reserves	\$	18,061

DEFICIENCY ANALYSIS:

The outdoor lighting and electrical systems, as applicable, appeared to be in adequate physical condition.

RESERVE FUND CRITERIA

In the preparation of the Reserve Fund Schedule of Estimates, the following criteria were considered:

- (1) Reserve fund estimates are grouped into categories which can readily be used for reserve fund budget preparation and accounting.**
- (2) The reserve fund components are identified, and current replacement reserves are estimated.**
- (3) Future replacement costs are estimated by applying a long-term inflationary factor to the current replacement estimates. It must be remembered that the future costs and depreciation estimates for items will not occur simultaneously. Each future replacement cost will occur at different times for different items; thus the total future costs do not represent costs all at one time.**
- (4) The current reserve fund balance when invested over time will grow at the compound rate of interest selected, and hence, they become future reserve accumulations.**

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

The Reserve Fund Schedule of Estimates, which appear on the following table, shows detailed computations of various reserve items. It incorporates an inflationary factor of 3.0% on all costs and a long-term interest rate of 4% for invested reserve funds. Due to rounding, there may be minor discrepancies in the data, which are not deemed significant.

PROJECTION FACTORS

Historically, building costs have been rising at various rates from year to year, depending on business cycles, economic conditions, interest rates, etc. In boom periods, cost increases were fairly pronounced, whereas in periods of recession, cost increases were only nominal or costs even declined. The trend in construction prices tends to follow the trend in the consumer price index, although construction price changes are higher than changes in the consumer price index (CPI). Changes in the CPI are taken as indicators of overall price inflation.

In recent years, the costs of construction have increased. This is due to the growing economic conditions in Yellowknife and Canada, the strengthening local real estate market, and relatively high commodity prices worldwide. However, as mentioned above, this study is based on overall long-term average rates. Such an average rate tries to capture the overall effect of rising costs in rising markets, and falling costs during recessions and periods of slow economic growth, in order to provide a more stable estimate over the study period of 25 years. Otherwise, it is virtually impossible to forecast changing rates of inflation for 25 years into the future. Even estimating inflation as far as five years into the future can be inaccurate.

However, a long term average rate, based on the average past rates that incorporate rising and falling markets, does seem to provide a more useful picture of average inflation over time. The long-term (25-year) average rate of inflation rate forecast is based on historical data provided by Statistics Canada. This information is used to forecast a 25-year average inflation trend.

Construction cost indices and the CPI were examined, since reserve cost estimates are related to building activities which in turn is related to the CPI. Data concerning the CPI were obtained from Statistics Canada. Data concerning construction price changes were obtained from Statistics Canada. These are presented in the tables below:

Average Annual Rates of Inflation (CPI) Yellowknife Historical	
Year	% Change
2006	1.4
2007	2.9
2008	4.0
2009	0.6
Average	2.23%

Average Annual Rates of Inflation		
	<u>5-year</u>	<u>20-year</u>
Yellowknife	2.23	2.6
Edmonton	2.22	2.32
Canada	2.22	2.66
<i>Source: Statistics Canada</i>		

The data indicates that the trend in inflation for Yellowknife is close to the national average.

Average Inflation of Construction Prices Annual Change	
Yellowknife	Not available
Edmonton 5-year	13.2%
Edmonton 20-year	3.18%
<i>Source: Statistics Canada</i>	

The data in the table above was obtained from Statistics Canada and show the average change in residential construction prices over the last five years for Edmonton and Canada overall. Data for Yellowknife specifically is not available. However, data for Edmonton is available. Given that the overall CPI trend data is similar for Edmonton and Yellowknife, it is concluded that the trend data for Edmonton will suffice for Yellowknife as well.

Long term average construction cost increases are expected to follow the overall trend in long-term inflation and in long-term increases in construction prices. For the purpose of this Report, the long-term (25-year) construction inflation rate for Yellowknife is forecasted to be 3.00%.

The current trend of interest rates is low and is forecast to remain relatively unchanged for the short-term future. Most low-risk savings instruments are achieving rates around two percent at present. It is concluded that an interest rate of three percent is valid, at least for the short to medium term. This measure can be updated in future updates of this reserve fund report to reflect prevailing economic conditions at those times.

Hence, in projecting replacement cost estimates and reserve fund requirements, the following factors have been incorporated:

Construction Price Inflation Rate	3.00%
Interest Rate	3.00%

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

CASH FLOW CRITERIA

The Cash Flow Deficiency Analysis presents a 25-year reserve fund projection showing cash positions, cash flows and cash expenditures in a form and detail which conforms to financial statement presentation of reserve fund operations. This schedule appears on the following page. Prior to the twenty-five year cash flow projections, the five more pertinent terms are explained below:

OPENING CASH BALANCE

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

CASH FLOWS

These are the regular reserve fund contributions, special assessments, and interest income based on 3.00% of the opening balance.

OPENING CASH FUNDS

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

CASH EXPENDITURES

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

CLOSING CASH FUND

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

THE PRECEDING COMMENTS ARE SET OUT ON THE 25 YEAR CASH FLOW PROJECTION (SCHEDULE B) AND THE GRAPHICAL DISPLAYS OF PLAN A ON THE FOLLOWING PAGES.

RECOMMENDATIONS

After reviewing the preceding data, analyses, assumptions and conclusions, the following recommendations are presented:

1. The Board should prepare and implement a long-term reserve fund strategy.
2. The annual reserve fund contributions should have incremental increases to ensure a sufficient cash reserve to offset future costs. The preceding schedules should provide sufficient cash reserves to meet foreseeable capital replacements.
3. The Reserve Fund should be invested in guaranteed securities, yielding at least 3% per annum. It is also recommended that Gold City Court retain the services of a professional financial advisor/ wealth manager. A minimum annual return of 3% could be exceeded with the services of a professional money manager.
4. The corporation should use the reserve funds for major repairs and replacements to continually maintain the common elements in excellent condition.
5. The reserve fund should be reviewed every year to ensure that the underlying assumptions are still valid and that the estimates remain current.
6. The corporation should update the Reserve Fund Report at least every five (5) years and perhaps more frequently depending on circumstances.

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

In order to better appreciate the preceding comments, please review the 25-year cash flow projections which appear on the following section of this report.

ADVISORY

Failure to implement an appropriate reserve fund strategy will result in large special assessments in the future when major repairs and replacements have to be incurred. It should also be considered that an insufficient reserve fund will depreciate property values as new purchasers look at the adequacy of the reserve fund balance when considering the purchase of a condominium. Thus, it is in the unit owner's best interest to ensure that an adequate reserve fund balance be achieved.

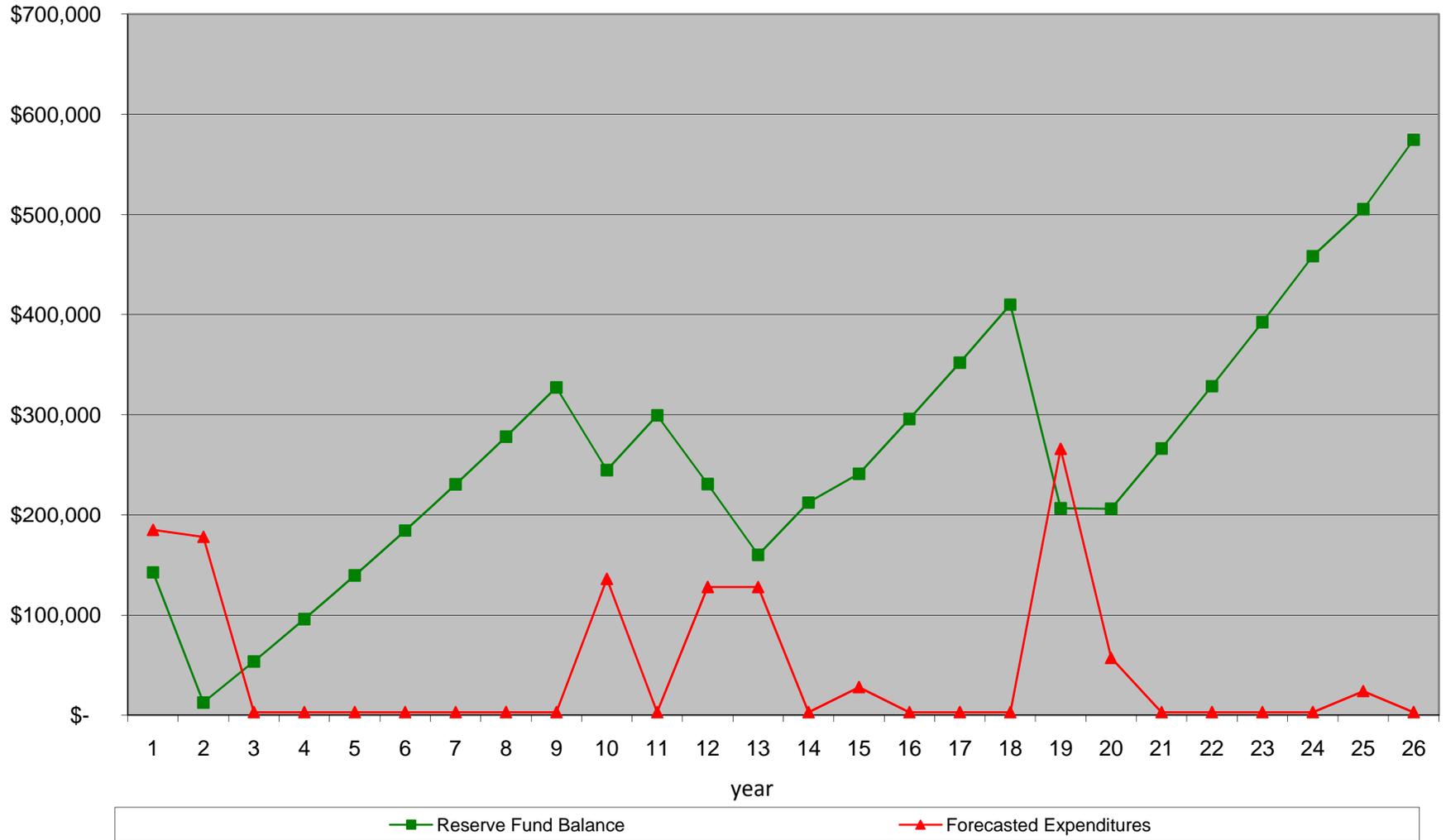
In order to better appreciate the preceding comments, please review the 25-year cash flow projections which appear on the following section of this report.

**RESERVE FUND SCHEDULE OF ESTIMATES
JANUARY 1, 2010 - DECEMBER 31, 2035**

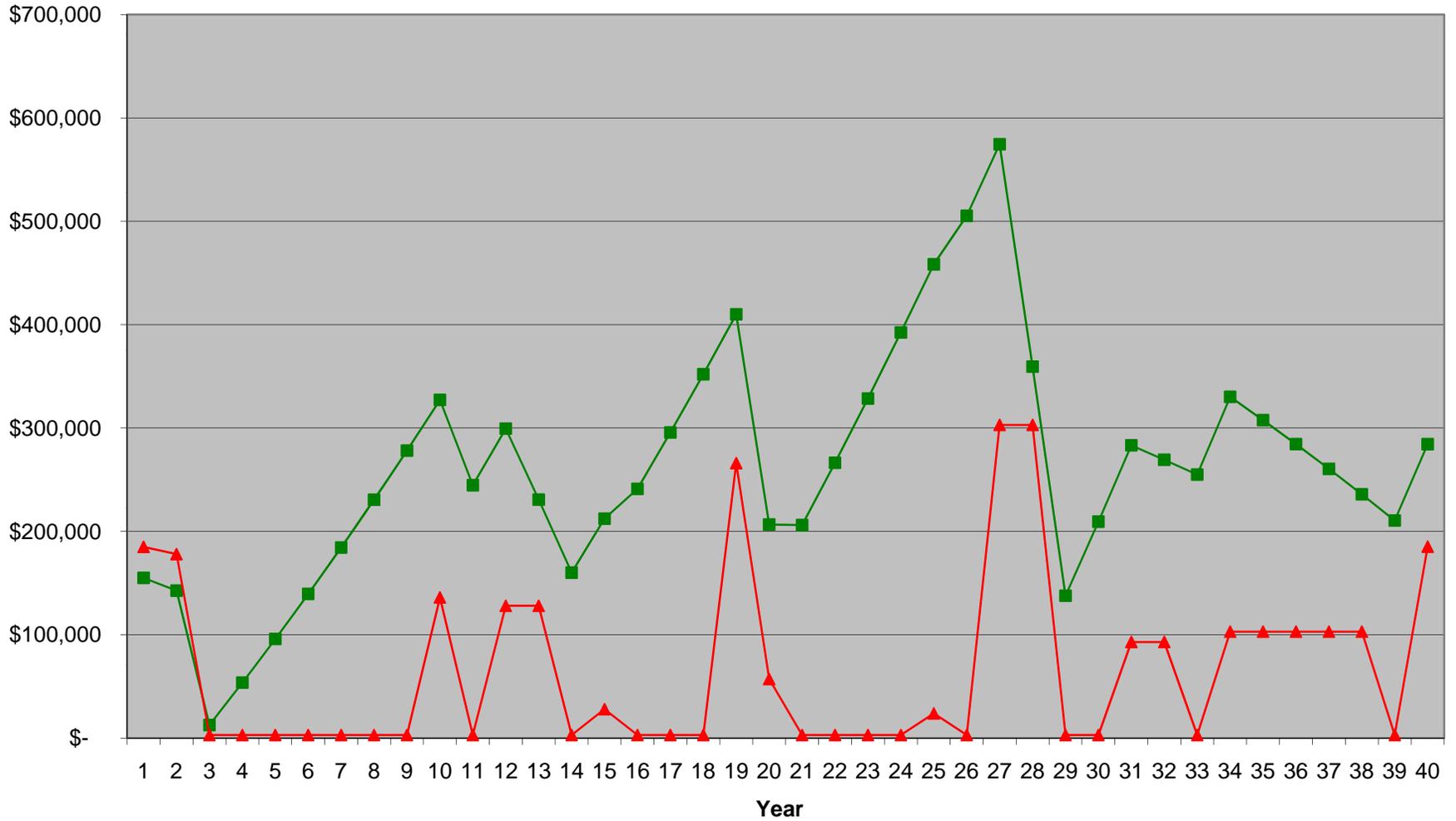
SCHEDULE "A"

	RESERVE COMPONENTS	EXPECTED LIFE SPAN YEARS	EFFECTIVE AGE YEARS	REMAINING LIFE SPAN YEARS	CURRENT REPAIR/ REPLACE COSTS	FUTURE REPAIR/ REPLACE COSTS
	BUILDING - STRUCTURAL / ARCHITECTURAL					
1	Concrete Foundations	60	20	40	\$55,860	\$182,217
2	Exterior Wall Envelope	35	16	19	\$150,000	\$263,026
3	Roof Assembly - Asphalt Shingles	25	23	2	\$303,000	\$321,453
4	Balconies & Stairs	25	13	12	\$168,000	\$239,528
5	Soffits & Fascia	35	15	20	\$5,000	\$9,031
6	Eavestroughs & Downspouts	35	20	15	\$16,020	\$24,959
	SITE IMPROVEMENTS					
7	Parking Areas - asphalt	25	13	12	\$177,705	\$253,365
8	Fencing - Wood	25	15	10	\$99,000	\$133,048
9	Playground	40	20	20	\$25,000	\$45,153
10	Water/Sewer System	45	20	25	\$10,000	\$20,938
11	Outdoor Lighting & Electrical Systems	40	20	20	\$10,000	\$18,061
	TOTAL RESERVES				\$1,019,585	\$1,510,777

Reserve Fund Balance & Expenditures 25-Year Projections



Reserve Fund Balance & Expenditures 40-Year Projections



CERTIFICATION

We hereby certify that Shey Ergil, MBA, AACI, P.App., CRP has personally inspected the property described herein on December 10, 2009, and has personally examined the documents as identified herein, and prepared the report.

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

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

The Appraisal Institute of Canada requires that all accredited members conform to a mandatory recertification program. This document certifies that Shey Ergil, MBA, B.Sc, AACI, P. App, CRP, is a fully accredited member and has complied with the recertification program. Shey Ergil is also a candidate member of the Real Estate Institute of Canada and has attained the CRP designation (Certified Reserve Planner).

The Real Estate Act requires that all fee-for-service appraisers/real estate consultants be licensed in Alberta. This document certifies that Shey Ergil, MBA, B.Sc, AACI, P. App, CRP is a licensed fee-for-service appraiser/real estate consultant in the Province of Alberta.

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

Shey Ergil, MBA, B.Sc., AACI, P.App, CRP

March 1, 2010

CONTINGENT & LIMITING CONDITIONS

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

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

Sketches, drawings, diagrams, photographs, if any, presented in this report are included for the sole purpose of illustration. No legal survey, soil tests, engineering investigations, detailed quantity survey compilations, or exhaustive physical examinations have been made. Accordingly, no responsibility is assumed concerning these matters, or other technical and engineering techniques, which would be required to discover any inherent or hidden condition of the property.

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

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

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

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

The agreed compensation for services rendered in preparing this report does not include fees for consultations and/or arbitration's, if any. Should personal appearances be required in connection with this report, additional fees will have to be negotiated. Unless otherwise noted, all estimates are expressed in Canadian currency.

ADDENDA

EXHIBIT

“A”

**RESERVE FUND DEFINITIONS &
CONCEPTS**

RESERVE FUND DEFINITIONS AND CONCEPTS

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

- **Reserve Component or Item:** Identification and description of the building component or improvement.
- **Replacement/Repair Cost:** The estimated cost of repairing or replacing a building component at current prices including the cost of demolition and disposal.
- **Expected or Normal Life Span:** The estimated life expectancy (years) of a reserve component under normal conditions.
- **Actual Age:** The chronological age (years) of the building components.
- **Effective Age:** The observed condition estimate of building components and improvements, not necessarily the actual age, expressed in years.
- **Remaining Life Span:** The difference between the expected or normal life span and the effective age of the reserve component.
- **Projected Inflation:** An estimated long-term inflation factor, used in projecting cost estimates.
- **Projected Interest Rate:** An average long-term interest rate, used in calculating interest earned from the investment of reserve funds.
- **Current Replacement/Repair Costs:** The estimated costs of replacing or repairing reserve components at current prices.
- **Future Replacement/Repair Costs:** The estimated costs of replacing/repairing reserve components at future prices, at the estimated time of replacement for that item. It must be remembered that the future costs and depreciation estimates for items will not occur simultaneously. Each future replacement cost will occur at different times for different items; thus the total future costs do not represent costs all at one time.
- **Quantity Survey:** This is the unit quantity of the reserve component within the complex.
- **Unit Cost Estimate:** This is the current replacement cost estimate of the reserve component on a per unit basis.
- **Deficiency Analysis:** This is a brief description of any observed condition, which requires remedial action.

EXHIBIT
“B”
Subject Photos

Gold City Court



View of units 1 & 2

Gold City Court



View of units 3-6



View of units 7-10

Gold City Court



Rear view of units 53-56

Gold City Court



Rear view of units 1-2



Rear view of units 3-6

Gold City Court



Front view of units 53-56



Front view of units 49-52

Gold City Court



Front view of units 41-44



Front view of units 37-40

Gold City Court



Front view of units 45-48



Rear view of units 45-48

Gold City Court



Rear view of units 15-18



Gold City Court



Front view of units 31-32



Rear view of units 31-32

Gold City Court



Front view of units 33-36

Gold City Court



Front view of units 27-30



Front view of units 23-26

Gold City Court



Front view of units 19-22



Front view of units 11-14

Gold City Court



Rear view of units 45-48



Rear view of units 15-18

Gold City Court



Front view of units 15-18