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Ottawa, Ontario K2A 0E8

November 25, 2008

Condominium Management Group
200-335 Catherine Street, Ottawa, Ontario
K1R 5T4

ATTENTION: Mr. Fred Buck

Re: Reserve Fund Study - Carleton Condominium Corporation 276

Dear Mr. Buck:

In accordance with your instructions, We have completed a reserve fund study on the above-captioned property.

The purpose of this Reserve Fund Study is to provide cost estimates of various reserve components, subject to major repairs and/or replacement over the life time of the property, and to estimate the funding required for such major repairs and replacement in accordance with the provisions of Section 93, 94 and 95 of the Condominium Act of Ontario (Bill 38), as outlined in the Terms of Reference Section of this report.

This reserve fund study applies as of November 24, 2008 and contains 34 pages including the cash flow charts.

The reserve fund study has been prepared on the assumption that the condominium improvement is a legal conforming use and complies with all requirements of the authorities having jurisdiction over environmental matters, land use regulations and applicable building code requirements as outlined in this report.

This reserve fund study has been prepared for you and your associates for your personal information and guidance. Neither the name of the Company nor the material submitted may be included in any prospectus, newspaper publicity or used in offerings or representations in connection with the sale of securities or participation interests to the public, without the prior written consent of the Company. The study is only valid when it bears the original signature of the author.

Should you have any questions regarding this report, please do not hesitate to contact the undersigned.

Respectfully submitted,
AFFILIATED APPRAISERS

Mike Shelp, Appraiser

Reviewed By:
L. Stephen Harman, AACI, P.App

TERMS OF REFERENCE

Definition of Reserve Fund Study

This Reserve Fund Study is a financial document, and includes cost estimates of major repairs and replacement of the common element components and assets of the corporation. It also provides financial information, estimates and projections for funding the major repairs and replacement of the common element components and assets of the corporation.

The Condominium Act – Reserve Fund

This Reserve Fund Study is intended to comply with the reserve fund provisions of The Condominium Act of Ontario **(Bill 38)** which received third reading on December 17, 1998 and Royal Assent on December 18, 1998.

93. 1) The corporation shall establish and maintain one or more reserve funds.

2) A reserve fund shall be used solely for the purpose of major repairs and replacement of the common elements and assets of the corporation.

3) A fund set up for the purpose mentioned in subsection (2) shall be deemed to be a reserve fund even though it may not be so designated.

4) The corporation shall collect contributions to the reserve fund from the owners, as part of their contributions to the common expenses.

5) Unless the regulations made under this Act specify otherwise, until the corporation conducts a first reserve fund Study and implements a proposed Study under section 95, the total amount of the contributions to the reserve fund shall be the greater of the amount specified in subsection (6) and 10 per cent of the budgeted amount required for contributions to the common expenses exclusive of the reserve fund.

6) The total amount of the contributions to the reserve fund after the time period specified in subsection (5) shall be the amount that is reasonably expected to provide sufficient funds for the major repair and replacement of the common elements and assets of the corporation, calculated on the basis of the expected repair and replacement costs and the life expectancy of the common elements and assets of the corporation.

7) Interest and other income earned from the investment of money in the reserve fund shall form part of the fund.

94. 1) The corporation shall conduct periodic studies to determine whether the amount of money in the reserve fund and the amount of contributions collected by the corporation are adequate to provide for the expected costs of major repair and replacement of the common elements and assets of the corporation.

2) A reserve fund shall be of a prescribed class, shall include the material that is prescribed for its class and shall be performed in accordance with the standards that are prescribed for its class.

3) For the purposes of this Act, an update to a reserve fund study shall constitute a class of reserve fund study.

4) A corporation created on or after this section comes into force shall conduct a reserve fund study within one year following the registration of the declaration and description and subsequently at the prescribed times.

5) A corporation created before the day this section comes into force shall conduct a reserve fund study at the prescribed times.

6) A reserve fund study shall be conducted by a person of a prescribed class who shall have no affiliation with the board or with the corporation that is contrary to the regulations made under this Act.

7) The cost of conducting the study shall be a common expense which the board may charge to the reserve fund.

8) Within 120 days of receiving a reserve fund study, the board shall review it and propose a study for the future funding of the reserve fund that the board determines will ensure that, within a prescribed period of time and in accordance with the prescribed requirements, the fund will be adequate for the purpose for which it was established.

9) Within 15 days of proposing a plan, the board shall,

   a) send to the owners a notice containing a summary of the study, a summary of the proposed plan and a statement indicating the areas, if any, in which the proposed plan differs from the study; and

   b) send to the auditor a copy of the study, a copy of the proposed plan and a copy of the notice sent to the owners under clause (a).

10) The board shall implement the proposed plan after the expiration of 30 days following the day on which the board complies with subsection (9).

95. 1) No part of a reserve fund shall be used except for the purpose mentioned in subsection 94(2).

2) The board does not require the consent of the owners to make expenditures out of a reserve fund.

3) The amount of a reserve fund shall constitute an asset of the corporation and shall not be distributed to the mortgagees of the units or, except on termination of the corporation, to the owners of the units.

Purpose of the Reserve Fund Study

The purpose of the reserve fund study is to provide cost estimates of various common element components which will be subject to repairs and or replacement over the life of the condominium property; and to estimate the funding required for such major repairs and replacement in accordance with the provisions of Section 93, 94 and 95 of the Condominium Act of Ontario (Bill 38). This reserve fund study is effective as of November 24, 2008.

Definition of The Reserve Fund Study

This study is a financial document and it includes cost estimates for major repairs and replacement of the common element components and assets of the corporation. It also provides estimates and projections for the future funding of major repairs and replacement of common element components as outlined herein.

Declaration

The following is an excerpt of the applicable sections of the Declaration for Sandhamn Private townhouses. A condominium incorporated under the laws of the Province of Ontario (Hereinafter called the "Declarant") and upon registration became known as Carleton Condominium Corporation 267):

Schedule A - Condominium Property

The property is located on the north - east corner of Albion Road and Cahill Drive in the City of Ottawa. It is municipally known as:

400 - 511 Sandhamn Private

Ottawa, Ontario

The property is legally described as follows:

All and singular that certain tract of land and premises situate, lying and being in the City of Ottawa in the Regional Municipality of Ottawa-Carleton and being composed of Block 10 on Plan M-236, and being the whole of Parcel 10-1, Section M-236.

Schedule C - Boundaries of Units and Monuments

The Monuments which control the extent of all units are the physical surfaces hereinafter defined, namely:

A) The vertical boundaries of a unit are:

1) The unit side surfaces of the framing studs forming part of the exterior walls of the first and second floors of the unit, and the plane created by said surfaces, and the production of said plane through the floors and across openings for vents.

2) In the basement, the unit side surface of the exterior poured concrete foundation walls forming such basement.

3) In the garage : - Above the foundation walls, the unit side surfaces of the framing studs forming part of the exterior walls of the unit and the plane created by said surfaces.
- Below the top of the foundation walls, the unit side surfaces of the exterior poured concrete foundation walls.

4) The unit side surface of the innermost panes of window glass.

5) The unfinished unit side surface of the window frames.

6) The unfinished unit side surface of the doors leading out of the unit, in the closed position and where applicable, the unit side surface of the glass in the said doors.

7) In the vicinity of the concrete block firewalls, applicable to units 3, 4, 23, 24, 35, 36, 45, 46, 57, 58, 65 and 66, the unit side surface of said concrete block firewalls.

B) The horizontal boundaries of a Unit are:

1) Lower : - The upper surface of the unfinished concrete floor slab in the basement and garage.

2) Upper : - The upper surface of the ceiling drywall of the second floor.
- In that portion of the garage extending beyond the second floor outline, the lower surfaces of the roof trusses and the plane created by said surfaces.

3) In the vicinity of the transition from concrete foundation wall to the first floor studs wall or the garage stud wall, the upper surface of said concrete foundation wall.

Further to the foregoing,

1) The unit shall include all fixtures, outlets, heating equipment, and other facilities which are within the boundaries of the unit and which service the unit only.

2) The fireplaces in units 38, 41, 47, and 52, and all equipment appurtenant thereto shall form part of the unit, save and except the metal chimney extending above the upper unit boundary.

Notwithstanding the forgoing, a unit shall NOTinclude:

(1) Pipes, wires, cables, conduits, ducts, flues, or shafts which serve other units or the common elements.

(2) Public utility lines, including those lines used for power, telephone, cablevision, gas, water,sewer, or drainage.

Schedule E - Common Expenses

Common Expenses include but shall not be limited to the following:

(a) The expense of the performance of any functions consistent with its objects which the Corporation has the right of duty to perform.

(b) The cost of water, and other utilities or services purchased by the Corporation but only when such services or utilities are the responsibility of the Corporation to provide.

(c) The cost of borrowing money when each borrowing has been authorized by By-law.

(d) Management Agent fees

(e) Insurance Trustee fees.

(f) The cost of maintaining, repairing and keeping free from snow all visitors parking areas and internal roadways.

(g) The cost of maintaining any landscaped areas forming part of the common elements other than exclusive use areas.

(h) Generally, the cost of maintaining and repairing the common elements other than those parts of the common elements over which any owner has exclusive use (it being understood, however, that the staining or painting of fen ces around each patio area shall be the reponsibility of the Corporation but that the responsibility for cleaning windows, both outside and inside shall be that of the unit owner concerned.)

Reserve Fund Study

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

This Reserve Fund Study comprises the following elements:

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

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

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

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

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

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

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

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

Methodology

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

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

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

In estimating the life span of the various components, physical deterioration, functional obsolescence and environmental factors are considered, as required. In measuring the reserve requirements, I have considered depreciation tables and normal life span experience records. Finally, I relied on my own judgement and experience of estimating the current condition and remaining life spans of the various reserve components.

Scope of Investigation

The property has been inspected. Available building plans have been examined for details of construction, improvements and other relevant component data. I also examined the condominium documents and available financial statements and/or budgets and have measured various areas of the site where plans were not available.

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

Reserve Fund Estimates

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

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

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

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

Reserve Fund Definitions and Concepts

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

Reserve Component or Item	Identification and description of the building component or improvement
Replacement Cost	The estimated cost of repairing or replacing a reserve component at current prices with one of similar utility including the cost of demolition and disposal
Expected or Normal Life Span	The estimated life expectancy of a reserve component in terms of years under normal conditions
Actual Age	The chronological age of the building components, expressed in years.
Effective Age	The observed condition estimate of building components and improvements not necessarily the actual age, expressed in years. May be less or greater than the actual age due to the effects of maintenance, unusual wear etc.
Remaining Life Span	The difference between the expected or normal life span and the effective age of the reserve component.
Projected Inflation	An estimated long-term inflation factor, used in projecting cost estimates
Projected Interest Rate	An averaged long-term interest rate, used in calculating interest earned from the investment of reserve funds.

Current Replacement Costs	The estimated costs of replacing reserve components at current prices.
Future Replacement Costs	The estimated costs of replacing reserve components at future prices
Current Reserve Requirements	Reserve funds required today, considering the effective age of the components or improvements.
Future Reserve Accumulation	The current reserve requirements invested at the projected interest rate over the relevant time period.
Future Reserve Requirements	The shortfall between the future replacement cost estimate and the future reserve fund accumulation.
Annual Reserve Assessment	Annual amount required to be paid into the reserve fund and to be invested at the projected interest rate to fund the future reserve requirements

Conditions and Assumptions

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

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

Reserve fund estimates are subjective, and they are based on my understanding of the life cycle of building components and my experience gained from observing buildings over a 30 year period. It must be appreciated that reserve fund budgeting and projections are not exact sciences. They are, at best, prudent provisions for all possible contingencies, if, as and when they arise. Reserve fund requirements are subject to change and must be reviewed and modified over time, not less than every three years.

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

Reserve Fund Projection Factors

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

Analysing long term cost increases, included the examination of construction cost indices rather than consumer price indices, since reserve cost estimates are related to building activities rather than consumer goods and service pricing.

The most recently available data are from Marshall and Swift Valuation Service for the Ottawa area, as follows:

An average of 5.85% per annum for the period from 1966 to 1982
An average of 6.43% per annum for the 10 years from 1982 to 1992
An average of 1.6% per annum for the 10 years from 1992 to 2002
An average of 5.6% per annum for the 6 years from 2002 to 2008

Analysing these cost increases, one may conclude that the rate of Consumer Price Index for Ottawa has increased in recent years; in fact, the average year to year increase from July 2004 to July 2008 has been 2.4% locally with an increase of 3.4% in 2008.

Long term cost increases in the future are not expected to be impacted by extreme inflationary pressures, and therefore, the average cost factor will level out at about 3%. For the purpose of this study, the long-term inflation rate is assumed to be 3.0%. Similarly, interest rates have fluctuated from period to period, and they have been impacted by the high rates of inflation as well as government policies.

The current trend of interest rates is down and should prevail over the foreseeable future. A cogent benchmark is the five year Province of Ontario Savings Office GIC rate of 3.00% to 4.75%, compounded annually. The

long term bond market is currently ranging around 4.8 % to 4.9% with a prime lending rate of 4.75%. The following factors are projected in order to estimate replacement costs and reserve fund requirements:

Inflation Rate 3.00%
Long term Interest Rate 4.00%

NOTE: **Historically the subject condominium has not invested reserve funds and has not earned interest income. Reserve Fund Projections Should Be Regularly Reviewed to Adjust for Changes in Inflationary Trends and Investment Returns, as They Significantly Impact Reserve Fund Requirements.**

DESCRIPTIONS
BUILDING AND IMPROVEMENTS

GENERAL DESCRIPTION

Carleton Condominium Corporation 276
400 - 511 Sandhamn Private
Ottawa, Ontario

A 79 unit, condominium townhouse complex located on a private drive whose loop comprises Sandhamn Private. Common areas include landscaped areas bordering Sandhamn Private. Surface parking for visitors is located in four areas on Sandhamn Private. Parking for unit owners is a private use driveway that includes a single car garage located at the front of each unit.

The site comprises an area of approximately 228,234 square feet, and the units have a footprint of approximately 69,836 square feet according to the partial condominium plan provided and field measurements taken.

Basic construction consists of reinforced concrete foundations, concrete basement floor, a wood frame exterior wall structure finished in brick and siding. Roof structures are comprised of wood trusses and sheathing with an asphalt cover. Each unit has a private driveway with a single car garage and there are four visitor parking areas on the property containing 18 spots. Windows are of average quality, consisting of vinyl frame fixed and sliding, double glazed units. Roof cover of the buildings and garage are covered with asphalt shingles.

Site improvements include a loop of asphalt paved access road bordered with curbing and including catch basins, drains and fire hydrants. Parking areas (4) are situated along the loop and unit parking is provided on individual driveways fronting each unit. There are three asphalt covered pedestrian walkways and individual patio stone walkways that lead to each unit from the street frontage. Wooden fences separate the rear yards of each unit. The site includes numerous mature trees and typical landscaping features.

Building Plans
Site plans were available. Field measurements were taken during the site inspection and information was obtained from the condominium plan. The interior of two of the units, as well as the exterior of the units and site have been inspected and photographed. Various construction details, facilities, equipment installations and improvements have been noted for consideration in the component estimates contained herein.

BASIC CONSTRUCTION COMPONENTS

Excavation and Foundations
Excavation and concrete footings; insulation and drainage system installations; crushed stone and gravel fill; grade level main floor

Framing and Exterior Wall and Roof Construction
Wood frame construction with pre-engineered wooden roof trusses. A single course brick and aluminum and wood siding exterior with an asphalt shingle roof cover. Unit owners are responsible for all interior maintenance and maintenance of electrical and mechanical systems.

Project Data

The following data and information have been compiled from the site inspection

Statistics	
Site Area	228,234 sq. ft. (Approximate from Partial Site Plan)
Building Coverage	69,836 sq. ft. (Approximate area from Condo. Plan)
Driveways/Roadway	44,401 sq. ft. (Estimated from field measurements)
Landscaping	113,997 sq. ft. (Estimated from field measurements)
Building Height	2 storeys above grade
Average Floor Height	8.66 ft. +/-
Parking	
Surface Parking	Private driveways and unit garages plus visitor parking for 18 cars
Site Improvements	
Sewer Systems	Underground to municipal standards
Water Supply System	Municipal supply
Street Lighting	Exterior unit lights
Landscaping	Each unit has a privacy fence separating the rear patios from each other. The entrance, interior road and common parking area are bordered by concrete curbs.

RESERVE COMPONENTS
PRINCIPLES AND CONCEPTS

RESERVE COMPONENTS

Principles and Concepts

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

Reserve components must be identified and analysed. A detailed description and analysis of each reserve component will be provided in this Reserve Fund Study hereinafter. The reserve fund analysis herein identifies, describes and analyses reserve components in these terms:

Identification and Description
This includes the name of the project and a brief description of the reserve component.

Quantity Survey
This is the unit quantity of the reserve component within the project.

Unit Cost Estimate
This is the current replacement cost estimate of the reserve component on a per unit basis.

Replacement Cost Estimate
It provides a total current replacement cost estimate of the reserve component.

Life Span Analysis:
This is the life cycle analysis of each reserve component based on the observed condition estimate involving:

- Life Span estimate of the reserve component in terms of years;
- Effective Age estimate, which is an observed condition judgement in terms of years; and
- Remaining Life estimate, which is the useful life of the reserve remaining from the date of the inspection.

Reserve Fund Estimates:

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

(1) **Current Replacement Costs**
These are the current replacement cost estimates of the various reserve components.

(2) **Future Replacement Costs**
These are the future replacement cost estimates of the reserve components based on long term inflationary trends.

(3) **Current Reserve Fund Requirements**
These are the current reserve fund requirements (or obligation) which consist of the amount of reserve funding required today based on the effective age analysis of each reserve component.

(4) **Future Reserve Fund Accumulation**
This is the estimated future reserve fund accumulation, which is the current amount in the reserve fund invested at a long term, stable interest rate, at the end of the life span of each reserve component.

(5) **Future Reserve Fund Requirements**
These are the estimated future reserve fund requirements, which consist of the estimated amount required for the repair or replacement of the reserve component which must be funded by adequate reserve fund contributions over the estimated remaining life span of the reserve component.

(6) **Annual Reserve Fund Assessment**
This is the required reserve fund contribution expressed in annual payments invested at a long term, stable interest rate over the remaining life of the reserve component.

Deficiency Analysis:
This is a brief description of any observed condition, which requires remedial action. The reserve fund components are grouped in categories for easy reference and convenience. The cost estimates are taken from the Means Repair & Remodelling Cost Data, 23rd Edition, and the Marshall Valuation Service as well as office files. Life span estimates herein are also based on experience records and our observation of conditions.

Underlying Assumptions
The following assumptions underlie the reserve fund estimates hereinafter and are based on our investigation, observation and analysis of the various reserve components.

Quality of Construction
The project had been constructed Circa 1984 in accordance with applicable building codes and then current construction practices. The quality of construction, materials and workmanship generally is considered to be good, and Pennington Lane has a reputation as a well run and desirable condominium. The reserve fund estimates hereinafter are affected by observed conditions, the current program of renovations and preventive maintenance, and an analysis of building components, which reflect the quality of construction and finishing.

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

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

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

Structural Deficiencies
There have not been any reports of any structural deficiencies.

Management Policy
The Board of Directors and property management should devise appropriate policies of reserve fund planning and management, differentiating between operating expenses and reserve fund expenditures. Routine maintenance and repairs are deemed to be operating expenses; in addition, any repairs or replacements under $1,000 should be considered operating expenses and budgeted accordingly. Only major repairs and replacements in excess of $1,000 should be charged to the reserve fund.

Life Span Analysis

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

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

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

3. **Remaining Life Span**
   Given a normal life span estimate and a sound estimate of the effective age, the remaining life span of a reserve item is determined by subtracting the effective age from the normal life span. This does not mean that reserve expenditures should only be made at the end of the remaining life. Reserve expenditures should and must be made during the remaining life span to maintain building components and facilities in good condition. A life span analysis is a subjective, or empirical, assessment of the life cycle status of a reserve component, and as such, it is only as good as the considered opinion of the reserve fund analyst. Furthermore, the life span of a reserve component is subject to change due to numerous factors.

Property Management and Maintenance

The property is professionally managed by Condominium Management Group. The dedication, expertise and experience of the property managers are essential for the efficient operation and effective maintenance of the building and improvements, as the quality of management has a direct effect on reserve planning and building maintenance. Proactive management can prolong the life span of reserve components and ensure efficient building maintenance and operations, all of which are considerations in the reserve estimates hereinafter.

Preventive Maintenance

A comprehensive preventive maintenance program, which consists of annual inspections and regular servicing of all major mechanical equipment, the elevators, heating and ventilation systems. Maintenance contracts providing detailed servicing of the equipment, replacements of parts at the discretion of the contractor and emergency services. In this type of contract, the contractor will maintain systems in excellent condition.

Management 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.

Repair and Replacement Cost Estimates

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

Insurance Repairs

Insurance should cover the buildings and improvements against numerous perils, but it is not intended to be a maintenance program. The difference between an insurance claim and maintenance repairs is not always clear, and it can result in prolonged disputes. For example, an unexpected sewer cave-in and resulting a back-up is a legitimate insurance claim, and as such and damages and repairs required should be covered by the insurance policy subject to the stated deductible, whereas the deterioration of a sewer connection, which caused a cave-in resulting into a sewer back-up is a repair expense.

Condominium Act, 1998

The regulations under the Act require that a reserve fund consist of a physical analysis and a financial analysis. The physical analysis shall consist of:

- the component inventory of the corporation
- an assessment of each item in the component inventory that states its actual or estimated year of acquisition, its present or estimated age, its normal life expectancy, its remaining life, the estimated year of its major repair or replacement to be covered by the reserve fund and the adjusted cost resulting from the application of that percentage.

Component Inventory

The component inventory consists of the reserve components described and analysed in Schedules A, B and C. There are 15 reserve components comprised of 7 building components, 6 site components and 2 other components.

In compliance with the provisions of the Condominium Act (1998) each component is described as follows:

1. Reserve component description
2. Its actual or estimated acquisition date
3. Its unit quantity
4. The unit cost estimate
5. The adjusted repair or replacement estimate
6. Its normal life expectancy
7. Its observed condition or estimated present (effective) age
8. Remaining economic or physical life
9. The estimated year of its major repair or replacement
10. The percentage of that cost of major repair or replacement

Reserve Components
Description and Analysis

RESERVE FUND COMPONENTS

The following is a brief description of each reserve component. Current replacement costs remaining life span etc. can be found in Schedule A of this study.

Introduction

The interior of the units are the owners responsibility. Foundations, exterior finish, windows and doors are all the responsibility of the Corporation, as outlined in the declaration. Reserve components such as caulking and waterproofing, repointing of brick, painting and exterior maintenance etc., have therefore been included in the reserve fund calculations and descriptions.

Reserve component (1) Structure and Exterior Wall Assembly - Brick

The construction is poured concrete foundation, wood stud framed walls filled with insulation, vapour barrier and drywall. The wall structure of the ground level on the front exposure consists of face brick. This wall assembly is considered typical for this type of construction.

This reserve provision is to allow maintenance of the foundation, framing and exterior brick. Foundation, framing brickwork etc., is intended to last the life of the improvements. A contingency is provided to allow minor repairs such as repointing, parging etc., that is periodically required in areas of high exposure. The units themselves appear to be in good overall condition

Reserve component (2) Exterior Wall Assembly - Siding

The exterior wall construction of the units consists of aluminium and wood siding on the exposures of the second storey and the ground level back exposures. The units include wood stud framed walls filled with insulation, vapour barrier and drywall. The wall assembly is considered typical for this type of construction.

This reserve is a provision for replacement and / or repair of the siding. It includes removal and replacement with vinyl siding, which is considered the most cost effective solution for this application, which carries the best life expectancy and warranty from a cost perspective. The siding appears to be in good condition and have projected a remaining life of 20 years.

Reserve component (3) Window Assemblies

The windows in the subject project are newer and of average quality. They consist of fixed and sliding units. The windows are vinyl clad double glazed.

The windows were replaced in 2005 and 2006.

Reserve component (4) Door Assemblies - Patio Doors

This reserve provision covers the replacement of the patio doors. This item is deemed to have a life expectancy of 30 years and are subject to regular maintenance and replacing of caulking. Regular inspection are required to achieve the estimated life span. The patio doors consist of sliding units of average quality. Three patio doors have been replaced over the last few years at an average cost of $1,500 per door. The remainder of the doors should be replaced in 2010.

Reserve component (5) Door Assemblies - Front and Garage Doors

This reserve provision covers the replacement of unit exterior front doors including frames and assemblies. This item is deemed to have a life expectancy of 30 years and are subject to regular maintenance and replacing of caulking. Regular inspection are required to achieve the estimated life span. The front doors consist of wood entrance are considered to be of good quality. The doors should be regularly inspected and repaired or replaced as necessary on a case by case basis. The garage doors are of average quality and should be regularly inspected and repaired or replaced as necessary on a case by case basis.

Reserve component (6) Painting and Caulking

This reserve provision covers the replacement of exterior caulking required to prevent water penetration around expansion joints in exterior brick, flashing and around windows and doors etc. Caulking is deemed to have a life expectancy of 15 years and should be inspected regularly, particularly in areas of high exposure to the elements. Required caulking and repairs were conducted in 2005 and 2006 with the replacement of the windows. The windows were replaced with vinyl windows and they are budgeted for the replacement of the patio doors with good quality vinyl clad units which would eliminate the painting requirement. Some caulking will continue to be required but should reduce the costs accordingly.

Reserve component (7) Roof Assembly

This reserve provision covers the replacement of the roof cover, soffits and facia etc., as the structural components of the roof assembly are expected to last the life of the units, with proper protection. A life expectancy of 20 years is estimated and the roof cover was reportedly replaced in 1998, 1999 and 2000 and are currently in good condition.

Reserve component (8) Pavement

This reserve provision is to allow periodic replacement of paved parking areas driveways and the main roadway. All existing pavement appears to be in fair to average condition. The current budget provides for a complete pavement program with-in the next in 10 years.

Reserve component (9) Curbing

This reserve provision includes the poured in place curbing that borders the roadway providing access to the subject units and the cast curbing that is located at the front of each driveway. The curbing is in fair to average condition with many chipped areas noted but is still functional. There are substantial savings to be realized in replacing / repairing this component in quantity. It is prudent, therefore ,to wait until such time as repairs to a larger amount of this component are indicated. The remaining life is estimated to be 10 years.

Reserve component (10) Sewer System

This reserve includes all catch basins, area drains, storm and sanitary sewer manholes as well as storm and sanitary sewer connections. These are expected to last the duration of the subject units and this component is intended as a contingency to allow repairs and replacement of supply lines etc. There are no indications that the sewers and drainage systems are in anything but good condition.

Reserve component (11) Water Supply System

This reserve covers the incoming water main and hydrants. It only includes services and installations within the property boundaries. In the case of the subject, there are three hydrants on the service loop. The water supply system is expected to last the duration of the subject units and this component is intended as a contingency to allow repairs and replacement of supply lines etc. There are no indications that the water supply system is in anything but good condition.

Reserve component (12) Fencing and Decks

This reserve provision is dedicated to the repairs and replacement of the decks and privacy fencing (wood) that separates the rear yards of each unit. Some of the decks have been replaced over the last couple of years and the remainder should be replaced as required. The privacy fencing is in average condition therefore they have a remaining life span of 5 years.

Reserve component (13) Landscaping Facilities

Landscaping such as lawns and flower gardens etc. are not included as these are typically an operating budget item. The reserve allowance is intended to allow replacement of walkways, retaining walls, borders, etc. which are subject to normal wear and deterioration. Lawns and shrubbery are maintained on an ongoing basis out of the operating fund. In the case of the subject property, landscaping includes several large trees, three asphalt walkways, seven light fixtures and the patio stone walkways at the front of each unit. The landscaping facilities and site improvements are generally in good condition.

Reserve component (14) Miscellaneous

Cleaning and landscaping equipment (lawn tracker, edger, lawn mower snow removal equipment, carts etc.) required for the maintenance of the facility are (if required) included in the operating budget and are not funded through the reserve. This expense component is intended to allow funding for minor reserve expenses.

Reserve component (15) Professional Fees

The reserve fund has been completed in 2008 and according to the Condominium Act (1998) must be updated every three years. An allowance has been added to the reserve fund to provide funds to update the reserve, as required as this expense is not included in the operating budget but will be funded through the reserve.

RESERVE FUND ESTIMATES

RESERVE FUND ESTIMATES

After reviewing the various reserve fund components in terms of their condition and life cycle, and analysing the contingencies for such items as exterior walls, structural elements, H.V.A.C. systems, sewers, landscape facilities, I have produced individual reserve fund estimates.

In estimating the replacement costs of reserve components, I relied on Building Service and Costing publications, such as the Means Repair & Remodelling Cost Data and Marshal Valuation Service. In addition, some cost estimates have been based on information provided by contractors, fabricators and suppliers as well as information contained in office files.

The Reserve Fund Estimates for Carleton Condominium Corporation No. 276 are shown in Schedule "A" - Schedule of Reserve Fund Estimates hereinafter. In summary, the current replacement reserve estimates, the current reserve fund requirements and estimated annual reserve fund assessment are as follows:

Current Replacement Costs	**$ 1,511,500**
Current Reserve Fund Requirements	**$ 695,866**
Annual Reserve Fund Assessment	**$ 69,301**

Current replacement costs are the reserve fund provisions at current prices and under current economic conditions. Current reserve fund requirements refer to reserve funds, which should now be retained by the corporation to be invested in interest bearing securities.

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

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

RESERVE FUND ESTIMATES

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

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

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

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

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

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

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

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

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

The following Schedule of Reserve Fund Estimates shows detailed computations of various reserve items using the inflationary factor of 3.0%. Historically, the subject has been earning long-term interest and has been applied in the cashflow analysis. The current long term rate has been estimated at 4.0% and could be of benefit to the corporation if available funds were invested on a regular basis. Due to rounding automatically executed by computer, there may be minor discrepancies in the data, which are not deemed significant.

FINAL SUMMARY

The Reserve Fund position and requirements of Carleton Condominium Corporation 276 as estimated herein are as follows:

Current Replacement Reserves or Costs which are provisions for all major repairs and replacements at current prices	**$ 1,511,500**
Future Replacement Reserves or Costs which are provisions for all major repair and replacement costs in the future at the end of the expected life span	**$ 2,515,810**
Current Reserve Fund Requirements which are reserve fund estimates based on the notion of effective age and should have been contributed by unit owners	**$ 695,866**
Future Reserve Fund Accumulations which are the current reserve fund requirements together with interest compounded over the remaining life span	**$ 1,042,326**
Future Reserve Fund Requirements which are to be funded by unit owners' payments to the reserve fund plus any interest earned	**$ 1,475,484**
Annual Reserve Fund Assessments which are the annual reserve fund payments to be made by unit owners	**$ 69,301**

In accordance with these estimates, Carleton Condominium Corporation 276 should have $557,088 more in its reserve fund at the end of its current fiscal year than it currently has, and the assessed annual payments or contributions to the reserve fund by unit owners should be $ 67,603 with an increase to $77,845 for the next fiscal year followed by an increase of 15% per annum for the next five years to meet significant expense requirements such paving and curb replacement. This will allow the corporation to reach fully funded status within the next 7 years (as illustrated in Schedule C - 30 Year Cash Flow Model) at which time the reserve fund contributions can be adjusted accordingly to maintain fully funded status with adequate funds for future expenditures.

Reserve Fund Analysis
Recommendations

RESERVE FUND ANALYSIS

Analysing the reserve fund position and practices of Carleton Condominium Corporation 276, I have reviewed the available financial statements of the Corporation for the years 2003 to 2007, and have examined the reserve fund operation over this period.

The financial statements were prepared by the condominium corporation and reviewed by an accountant. The financial information consisted of the audited financial statements up to December 31, 2007, and contained the following relevant notes in respect to the Reserve Fund.

1. Operations

The corporation (known as Carleton Condominium Corporation 276) was incorporated without share capital in 1985 under the Condominium Act of Ontario.

The purpose of the corporation is to manage and maintain the common elements, as defined in the corporation's Declaration and By-laws, and to provide common services for the benefit of the unit owners of the 79 units located at 400 - 511 Sandhamn Private, Ottawa, Ontario

2. Summary of significant accounting policies

The corporation follows the accounting principles generally accepted for Ontario condominium corporations.

b) Statutory Reserve Fund

The corporation, as required by the Condominium Act of Ontario, has established a reserve for financing future major repairs and replacements of the common elements. The financial statements did not provide any elaboration as to the corporation's policies of reserve fund administration, nor was there any reference to the adequacy of the Reserve Fund.

Reserve Fund Operations
The corporation had established its reserve fund in the first fiscal year of operation, as required by Section 36 of the Condominium Act of Ontario, Revised Statutes 1990 and a minimum of 10% of common area expenses were set aside for the reserve. The contributions to the reserve fund varied from $40,179 per annum to $54,101 over the period examined, which was increased to restore the fund subsequent to some large expenditures.

Reserve fund expenditures varied during the period under examination but funds were maintained by increasing the amount set aside for the reserve, as required in each fiscal year. The balance at the end of the 2007 fiscal year was $74,381

See the reserve fund Activity Report - Schedule B on the following page for additional information

SCHEDULE B

SANDHAMN PRIVATE
ACTIVITY REPORT

(C)	(G)	(H)	(I)	(J)	(K)
	Year	Year	Year	Year	Year
	2003	2004	2005	2006	2007
OPENING BALANCE	178,991	177,108	202,194	107,486	43,350
Reserve Fund Contributions	40,179	42,075	47,000	53,273	53,273
Reserve Fund Intrest Income	3,937	1,940	2,281	1,590	1,200
Reserve Makeup	0	0	0	0	0
Total Cash Resources	223,107	221,123	251,475	162,349	97,823
BUILDING					
1. Structure and Exterior Wall Assembly - Brick			9,200	2,834	2,034
2. Exterior Wall Assembly - Siding				4,770	
3. Window Assemblies	10,165		111,143	102,762	
4. Door Assemblies - patio Doors				1,776	
5. Door Assemblies - Front t and Garage Doors		5,687	5,071		
6. Painting and Caulking	23,433				2,019
7. Roof Assembly			3,285	6,857	
SITE IMPROVEMENTS					
8. Paving	3,317		14,445		1,060
9. Curbing		9,603			
10. Sewer System					
11. Water Supply System					7,833
12. Fences and Decks	9,084				10,496
13. Landscaping			845		
OTHER IMPROVEMENTS					
14. Contigencies					
15. Professioinal Fees		3639			
TOTAL EXPENDITURES	45,999	18,929	143,989	118,999	23,442
CLOSING BALANCE	177,108	202,194	107,486	43,350	74,381

RESERVE FUNDS
30 YEAR PROJECTIONS

Management Program

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

Reserve Fund Program

It is important that a formal reserve fund program be established and implemented. A Reserve Fund Program will ensure that reserve fund requirements are adequate for contemplated major repairs and replacements and that reserve fund contributions are sufficient to cover 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 Study, the reserve fund contributions should be set at $67,603 per annum and increased on an annual basis as recommended for six years until the deficiency is eliminated. This will allow adequate reserves to meet necessary repair expenses as outlined in the 30 Year Cashflow model.

Reserve Fund Expenditures

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

Major reserve fund expenditures are projected in the 30 Year Cash Flow Projections hereinafter.

30 Year Cash Flow Projections

The Reserve Fund - Projected Cash Flow and Deficiency Analysis presents a 30 year reserve fund projection showing cash positions, cash flows and cash expenditures in a form and detail, which conforms to financial statement presentation of reserve fund operations.

Opening Cash Balance

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

Contributions and Interest (Cash Flows)

These are the regular reserve fund contributions, special assessments, and interest income. There has been significant interest income earned on reserve fund balances to date and should be implemented to improve the long term cash flow position of the corporation.

Opening Cash Funds

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

Reserve Fund Expenditures

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

Closing Cash Fund

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

Deficiency Analysis

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

Following is the 30 Year Projection