

**RESERVE FUND STUDY
BROOKVIEW HOMEOWNERS ASSOCIATION
EDMONTON, ALBERTA**

for

**BOARD OF DIRECTORS
Brookview Homeowners Association
Bulyea Road & Burton Road
Edmonton, Alberta**

by

**Jeff Miller,
B. Comm., Licensed Candidate**

and

**Pawel Martyniak,
MBA, AACI, Licensed Appraiser
Reserve Fund Study Provider**

September, 2023

BROOKVIEW HOMEOWNERS ASSOCIATION

Edmonton, Alberta



RESERVE FUND FILE: RP-3655-23
September 5, 2023

Brookview Homeowners Association
Bulyea Road & Burton Road
Edmonton, Alberta

Attention: Mr. Bill Parsons

Dear Sir:

Re: Reserve Fund Study
Brookview Homeowners Association
Edmonton, Alberta

Pursuant to your request for a reserve fund study of the within described project, we have prepared the attached report. This Reserve Fund Study has been prepared for the Directors of the Brookview Homeowners Association who are the intended users.

The Reserve Fund Study describes the reserve fund concepts and major reserve fund items. It provides current and future replacement reserve estimates and recommends reserve fund actions.

Typically, a Reserve Fund Study is completed for a registered condominium corporation in accordance with the Condominium Act and Regulations. In this instance, the Reserve Fund Study is being completed for a Homeowners Association (HOA) to assist with internal decision making and financial planning for best practices. The writers will utilize the HOA bylaws (if provided), the standards from the Appraisal Institute of Canada, as well as the Real Estate Institute of Canada, in the preparation of this report. Although the HOA is not subject to the Condominium Act, experience with the development of reserve studies for condominiums will also be used as a guideline, together direction from the Board of Directors from the HOA.

Brookview Homeowners Association - Reserve Fund Study

The Reserve Fund Study is a complex document and should be reviewed both in detail and overall. **The Reserve Fund Study is a financial document for reserve fund planning and not an inspection report.**

In our opinion, the current reserve fund position of the Brookview Homeowners Association exhibits a moderate to significant surplus. It is recommended that a reserve fund plan and strategy be adopted and implemented and that the recommended annual contributions to the reserve fund be maintained to provide adequate fund to carry out necessary maintenance in the future.

CanWest Reserve Planners Ltd. would be pleased to provide you with complete review and updating services for the reserve fund evaluation of Brookview Homeowners Association, as needed in the future. We appreciate the opportunity of performing this reserve fund study for you. If you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,
CanWest Reserve Planners and
Insurance Appraisals

Jeff Miller,
B. Comm., Licensed Candidate

Pawel Martyniak,
MBA, AACI, Licensed Appraiser
Reserve Fund Study Provider

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EXECUTIVE SUMMARY

PURPOSE: This executive summary has been prepared as a reference of pertinent facts and estimates of this Reserve Fund Study, and it is provided as convenience only. Readers are advised to refer to the full text of this Reserve Fund Study for detailed information.

RESERVE FUND STUDY APPLICANT AND INTENDED USER(S) Brookview Homeowners Association

PROPERTY TYPE: Homeowners Association

PROPERTY LOCATION: Bulyea Road & Burton Road
Edmonton, Alberta

DATE OF INSPECTION: July 11, 2023

EFFECTIVE DATE OF ANALYSIS: January 1, 2024

COMPLETION DATE September 5, 2023

SUMMARY OF RESERVE FUND ESTIMATES FROM BENCHMARK ANALYSIS (STABILIZED):

Current Replace/Repair Costs	\$ 555,600
Future Replace/Repair Costs	\$ 845,765
Current Reserve Requirements	\$ 207,349
Future Reserve Accumulation	\$ 292,710
Future Reserve Requirements	\$ 553,054
Annual Reserve Assessment	\$ 24,344

Brookview Homeowners Association - Reserve Fund Study

DEFICIENCY ANALYSIS:

Actual Reserve Fund Balance	\$ 436,000
<i>Expected Balance as of Dec 31, 2023</i>	
Reserve Fund Requirements	<u>\$ 207,349</u>
Reserve Fund Surplus	<u>\$ 228,651</u>

Based on the projections herein, a significant reserve fund surplus is noted in the table above, which is considered beneficial should unexpected costs arise as it reduces the likelihood of requiring a special assessment.

MAJOR RECOMMENDATIONS:

RESERVE FUND CONTRIBUTIONS:	2024	\$15,000.00 per annum
	* Increasing 1.0% per year thereafter	
	2025	\$15,150.00 per annum
	2030	\$15,923.00 per annum
	2035	\$16,735.00 per annum
	2040	\$17,589.00 per annum
	2045	\$18,486.00 per annum
	2050	\$19,429.00 per annum

ADDITIONAL RECOMMENDATIONS

- The Home Owners Association (HOA) is recommended to accept this study as the capital replacement reserve fund.
- The reserve fund should be fully invested to maximize returns.
- The reserve fund should be reviewed by the board every year to ensure that the underlying assumptions are still valid and that the estimates remain current.

Brookview Homeowners Association - Reserve Fund Study

- The association should have this Reserve Fund Study updated by a Reserve Planner every five years to ensure that the underlying assumptions are still valid and that the estimates remain current.

DATE OF REPORT:

September 5, 2023

REPORT PARAMETERS

PURPOSE OF THE RESERVE FUND STUDY

This Reserve Fund Study is a financial document, which provides the basis for funding major repairs and/or 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.

ELEMENTS OF THE RESERVE FUND STUDY

This Reserve Fund Study comprises the following elements:

- it identifies the reserve components, their quality, normal life span and present condition;
- it provides current replacement cost estimates including the cost of removing worn-out items and special safety provision;
- it provides observed condition estimates of components in terms of years effluxed and accrued reserve costs;
- it projects the useful life of reserve components in terms of remaining serviceable years;
- it projects current replacement costs at an appropriate and compounded inflation rate;
- it projects the value of current reserve funds compounded at a long term interest rate; and
- 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 schedules included hereinafter. Any recommendations are for guidance to management and the board of directors.

ACT, REGULATION & BYLAWS

The writer has not been provided the Home Owner's Association (HOA) bylaws for review, however did receiving other supporting documentation and conducted discussions with the Board regarding which components are considered the responsibility of the HOA. The intent is to set aside funds related to maintenance and replacement of depreciating assets to which the HOA is responsible.

Discussion with the Board confirms that the items which are the responsibility include: several areas of common concrete sidewalk trails (as shown in the Brookview Community Walkway map provided to the writers), entrance signage & associated landscaping, benches, small portions of fencing, and major tree replacement/removal along community walkways.

This reserve fund study can be used for the internal decision making on setting aside reserves for the depreciating assets as determined in this report, however no legal interpretation is given as to the requirements the HOA, bylaws, or other related documents.

METHODOLOGY

Reserve fund study methodology involves examination of HOA documentation, financial statements, budgets and existing reserve fund accounts, as well as a physical inspection and visual examination of common elements of the project (not a technical audit) made available by the property representative or owner; no destructive testing or dismantling of components is conducted. Building plans, specifications and reports, field notes and other information are also analyzed in preparation of various estimates and value judgments.

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 lifespan and therefore must be repaired, replaced or periodically upgraded to maintain the property in excellent condition.

Replacement 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 the physical deterioration, functional obsolescence and environmental factors are all contemplated. In measuring the reserve requirements, depreciation tables and normal life span experience records are considered. Finally, we rely on our professional judgment and experience in estimating current conditions and remaining life spans of reserve components.

SCOPE OF INVESTIGATION

Plans, bylaws, and other documents, as available, have been obtained and examined for the purpose of this analysis:

- Project Name Brookview Homeowners Association
- Boundaries See Brookview HOA map later in this report

These plans have been examined and were used in identifying and quantifying building components and other improvements together with any measurements from the inspection by Jeff Miller, B. Comm., Licensed Candidate.

The subject improvements have been inspected and photographed. Various construction details, facilities, equipment installations and improvements have been noted for consideration in the component estimates herein.

Cost data have been investigated, using construction cost services, modified as to time, location and quality of construction as well as cost comparisons with local contractors and suppliers.

<i>Date of Inspection</i>	<i>July 11, 2023</i>
<i>Effective Date of Report</i>	<i>January 1, 2024</i>
<i>Completion Date</i>	<i>September 5, 2023</i>

RESERVE FUND PROJECTION FACTORS

Historically, building costs have risen at differing rates from year to year, due to factors such as business cycles, economic conditions, and interest rates. In boom periods, cost increases have been fairly pronounced, whereas in recessionary conditions, cost increases have been nominal or have declined.

In analyzing long term cost increases, we have examined 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 recent data available from the R.S. Means Construction Cost Index are presented as follows:

- 4.43% for 50 years from 1950 to 2000
- 3.27% for 20 years from 1980 to 2000
- 2.41% for 10 years from 1990 to 2000

The above tends to indicate a lowering of construction costs over the previous 25 to 50 years up to 2000. It is noted however that in the last 10 to 15 years, construction costs have been erratic in rising and falling due to the economic boom and subsequent recession in the Edmonton and Alberta economy. Some isolated costs, including labour, reflect a 100% increase from two to three years ago. The current costs tend to indicate elevated levels however this must be examined in the context of the longer time period under analysis.

The past fifteen years of cost increases and declines for the Edmonton market, according to the R.S. Means Construction Cost Index, are presented in the following table:

Future Replacement Costs

The future replacement or repair cost estimates of the reserve components based on long term inflationary trends.

Current Reserve Fund Requirements

The current reserve fund requirements (or obligation) which consists of the amount of reserve funding required today based on the effective age analysis of each reserve component.

Future Reserve Fund Accumulation

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 lifespan of each reserve component.

Future Reserve Fund Requirements

The estimated future reserve fund requirements, which consist of the estimated amount required for the repair or replacement of the reserve component to be funded by adequate reserve fund contributions over the estimated remaining lifespan of the reserve component.

Annual Stabilized Reserve Fund Assessment

The required reserve fund contribution once the fund is in equilibrium (absence of surplus or deficit), expressed in annual payments invested at a long term, stable interest rate over the remaining life of the reserve component.

Deficiency Analysis

A brief description of any observed condition which requires remedial action.

PROPERTY INFORMATION

PROJECT DATA

The following data and information have been compiled by CanWest Reserve Planners Ltd. from the available plans, and the physical inspection of the improvements. The data has been calculated from the plans and inspection.

<i>Site Statistics</i>		
Sidewalks	5,197	L. Ft.
Fencing	170	L. Ft.
Wood Entrance Sign	1	
Brick & Metal Community Signs	14	
Community Benches	7	

COMPONENT DESCRIPTION AND ANALYSIS

(1) CONCRETE SIDEWALKS

This reserve provision covers the concrete sidewalks and related items such as bollard and maintaining proper grading for drainage.

It is highly unlikely that the concrete will deteriorate at the same rate throughout the development, with major repairs and replacement being required based on periodic cycles. Therefore, an estimated replacement allowance is projected every 5 years within the 30-year projection.

<i>Replacement or Repair Cost Estimate:</i>	\$ 328,000
<i>Life Span Estimates</i>	
Estimated Life Span	40 years
Effective Age	20 years
Remaining Life Span	20 years
<i>Reserve Estimates</i>	
Current Replace/Repair Costs	\$ 328,000
Future Replace/Repair Costs	\$ 487,391
Current Reserve Requirements	\$ 164,000
Future Reserve Accumulation	\$ 232,024
Future Reserve Requirements	\$ 255,367
Annual Reserve Assessment	\$ 10,774

Deficiency Analysis

The concrete sidewalks vary in condition although are generally considered in average condition overall, with some areas of newly replaced concrete noted. Some areas require grading/drainage repairs in the short term, which are reflected in the Cash Flow Analysis later within this report. Regular repair cycles are projected on an as needed basis as the component continues to age, which is expected to accelerate over the next 20 to 25 years, given the current age. The repair cycle projected herein is based on typical lifespan estimates and actual repair scope or timelines may vary.

(2) SIGNAGE

This reserve provision includes the cost of major repair for the neighborhood entrance signage and neighborhood walkway maps located throughout the community. It is noted that the brick structures of the signs can last the life of a development when properly maintained. This component therefore represents a repair cycle for the brick components and a replacement provision for the lettering, any associated electrical items, and map signs.

<i>Replacement or Repair Cost Estimate:</i>	\$ 99,000
<i>Life Span Estimates</i>	
Estimated Life Span	30 years
Effective Age	5 years
Remaining Life Span	25 years
<i>Reserve Estimates</i>	
Current Replace/Repair Costs	\$ 99,000
Future Replace/Repair Costs	\$ 162,420
Current Reserve Requirements	\$ 16,500
Future Reserve Accumulation	\$ 25,459
Future Reserve Requirements	\$ 136,961
Annual Reserve Assessment	\$ 4,414

Deficiency Analysis

The brick signage and wood Brookview community sign have recently undergone renovations and are considered in good condition overall. The walkway map signage is of relatively new construction and are considered in good condition overall.

(3) SIGNAGE LANDSCAPING

This reserve provision includes the cost of major repair for the landscaping associated with community signage, which includes rock or mulch garden beds, bordering, and associated soil/grading.

This component is not intended to cover regular/recurring maintenance of grass, shrubs, flowerbeds, or annual plantings which are to be considered in the annual operating budget.

<i>Replacement or Repair Cost Estimate:</i>	\$ 65,000
<i>Life Span Estimates</i>	
Estimated Life Span	30 years
Effective Age	5 years
Remaining Life Span	25 years
<i>Reserve Estimates</i>	
Current Replace/Repair Costs	\$ 65,000
Future Replace/Repair Costs	\$ 106,639
Current Reserve Requirements	\$ 10,833
Future Reserve Accumulation	\$ 16,716
Future Reserve Requirements	\$ 89,924
Annual Reserve Assessment	\$ 2,898

Deficiency Analysis

The landscaping elements related to signage are considered in good condition overall, with extend lifespans estimated. It is noted that replacement of the signs is not likely to occur all at once, but rather over several years as needed. This is reflected in the Cash Flow analysis contained later in this report.

(4) FENCING & BRICK PILLARS

This is a reserve provision for the wood fencing at the north end of the property, abutting Whitemud Drive, as well as masonry pillars located along the community walkways. It is noted that this represents a repair contingency for the masonry pillars and a replacement provision for the wood fencing.

<i>Replacement or Repair Cost Estimate:</i>	\$ 23,600
<i>Life Span Estimates</i>	
Estimated Life Span	25 years
Effective Age	4 years
Remaining Life Span	21 years
<i>Reserve Estimates</i>	
Current Replace/Repair Costs	\$ 23,600
Future Replace/Repair Costs	\$ 35,770
Current Reserve Requirements	\$ 3,776
Future Reserve Accumulation	\$ 5,436
Future Reserve Requirements	\$ 30,334
Annual Reserve Assessment	\$ 1,208

Deficiency Analysis

The wood fencing was replaced in 2019 and is considered in good condition overall. Painting of the wood fence should occur on a regular basis to maintain the wood component in good condition and is covered in component #6 – Landscaping and Miscellaneous later in this report.

Masonry pillar recently underwent a renovation program and are considered in good condition overall.

(5) COMMUNITY BENCHES

This is a reserve provision for major repair or replacement of the 7 wood and concrete benches located throughout the community, including the surface concrete pad.

<i>Replacement or Repair Cost Estimate:</i>	\$ 21,000
<i>Life Span Estimates</i>	
Estimated Life Span	25 years
Effective Age	1 years
Remaining Life Span	24 years
<i>Reserve Estimates</i>	
Current Replace/Repair Costs	\$ 21,000
Future Replace/Repair Costs	\$ 33,777
Current Reserve Requirements	\$ 840
Future Reserve Accumulation	\$ 1,274
Future Reserve Requirements	\$ 32,503
Annual Reserve Assessment	\$ 1,101

Deficiency Analysis

The community benches were recently installed in 2022 and are considered in good condition overall.

(6) LANDSCAPING, MAJOR TREE MAINTENANCE & MISCELLANEOUS

This is a reserve provision for various landscaping components not including concrete sidewalks (such as sodding or grading), major tree maintenance, and other minor miscellaneous maintenance items such as periodic painting of the wood fence. Discussion with the Board indicates that minor tree maintenance is covered under the annual operating budget and therefore this provision only covers major maintenance such as removal or replacement.

This component is not intended to cover regular/recurring maintenance of grass, shrubs, flowerbeds, or annual plantings which are to be considered in the annual operating budget.

<i>Replacement or Repair Cost Estimate:</i>	\$ 19,000
<i>Life Span Estimates</i>	
Estimated Life Span	5 years
Effective Age	3 years
Remaining Life Span	2 years
<i>Reserve Estimates</i>	
Current Replace/Repair Costs	\$ 19,000
Future Replace/Repair Costs	\$ 19,768
Current Reserve Requirements	\$ 11,400
Future Reserve Accumulation	\$ 11,802
Future Reserve Requirements	\$ 7,965
Annual Reserve Assessment	\$ 3,948

Deficiency Analysis

Several trees located along the community walkways require removal or replacement, which is projected to occur in the short term within this analysis. Similar tree maintenance is expected to be a periodic, recurring expense to maintain the health of the trees and safety of the residents/property and is to be undertaken on an as-needed basis.

It is noted that this represents an estimated repair/maintenance cycle and actual costs incurred in any given year are likely to vary although the total cost in any given 5-year repair cycle is considered reasonable given the recent and historical maintenance needs, as indicated by the Board.

BENCHMARK ANALYSIS

The various reserve fund estimates in the Component Description & Analysis are further expanded and summarized in Schedule A, Reserve Fund Estimates (Benchmark Analysis), which reflects prudent reserve fund practices, providing for inflationary cost increases over time and interest income from reserve fund investments. In this Schedule of Reserve Fund Estimates:

- Reserve fund estimates are grouped into categories which can readily be used for reserve fund budget preparation and accounting;
- The reserve fund components are identified, and current replacement reserves are estimated;
- Future replacement reserves are estimated by applying a long-term inflationary factor to the current replacement reserve estimates;
- Current reserve requirements are calculated by applying the effective age to the current replacement reserve estimates;
- Current reserve fund requirements when invested over time will grow at the compound rate of interest selected, and hence, they become future reserve accumulations;
- 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; and
- Since reserve fund contributions are continually invested, the payments of such contributions represent discounted payments which must be assessed by the HOA Board.

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, property owners will contribute their fair share to the reserve fund

Schedule A shows detailed computations of reserve items using the inflationary factor of 2.00% and a long-term interest rate of 1.75%. Due to rounding automatically executed by computer, there may be minor discrepancies in the data, which are not deemed significant.

The Benchmark 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.

BENCHMARK ESTIMATE SUMMARY

<i>Current Replacement or Repair Reserves or Costs</i>	<i>\$ 555,600</i>
for all major repairs and replacements at current prices.	
<i>Future Replacement or Repair Reserves or Costs</i>	<i>\$ 845,765</i>
for all major repair and replacement costs in the future at the end of the expected lifespan.	
<i>Current Reserve Fund Requirements</i>	<i>\$ 207,349</i>
reserve fund estimates based on the notion of effective age and should have been contributed by unit owners.	
<i>Future Reserve Fund Accumulations</i>	<i>\$ 292,710</i>
the current reserve fund requirements together with interest compounded over the remaining lifespan.	
<i>Future Reserve Fund Requirements</i>	<i>\$ 553,054</i>
to be funded by unit owners' payments to the reserve fund plus any interest earned.	
<i>Annual Stabilized Reserve Fund Assessments</i>	<i>\$ 24,344</i>
the stabilized annual reserve fund payments to be made by unit owners when the fund is in a state of equilibrium (absence of deficiency or surplus).	

In accordance with the Benchmark estimates, Brookview Homeowners Association, if collecting the annual assessment and incurring normal expenditures as discussed, should have \$ 207,349 in the reserve fund at the end of the current financial year, and the assessed annual payments or contributions to the reserve fund should be \$ 24,344 when the fund is in a state of equilibrium (absence of deficiency or surplus).

Brookview Homeowners Association - Reserve Fund Study

SCHEDULE A - BENCHMARK DETAIL

RESERVE COMPONENTS		A	B	C	1
		EXPECTED LIFESPAN	EFFECTIVE AGE	REMAINING LIFE SPAN	CURRENT REPLACEMENT COST
		Years	Years	Years	
Construction Cost Inflation Index	2.00%				
Interest rate	1.75%				
BUILDING - STRUCTURAL/ARCHITECTURAL					
1	Concrete Sidewalks	40	20	20	328,000
2	Signage	30	5	25	99,000
3	Signage Landscaping	30	5	25	65,000
4	Fencing & Brick Pillars	25	4	21	23,600
5	Community Benches	25	1	24	21,000
6	Landscaping, Major Tree Maintenance & Miscellaneous	5	3	2	19,000
TOTAL RESERVES					555,600

2	3	4	5	6	7
FUTURE REPLACEMENT COSTS	CURRENT RESERVE FUND REQUIREMENTS	FUTURE RESERVE FUND ACCUMULATION	FUTURE RESERVE FUND REQUIREMENTS	ANNUAL RESERVE FUND ASSESSMENT	RESERVE FUND ASSESSMENT ALLOCATION
FV= PV(1+I)^n	PV*EA/NL	FV= PV(1+I)^n	FRC-FRFA	PMT= FV*I/((1+I)^n-1)	ARFA/Sum
487,391	164,000	232,024	255,367	10,774	44.26%
162,420	16,500	25,459	136,961	4,414	18.13%
106,639	10,833	16,716	89,924	2,898	11.91%
35,770	3,776	5,436	30,334	1,208	4.96%
33,777	840	1,274	32,503	1,101	4.52%
19,768	11,400	11,802	7,965	3,948	16.22%
845,765	207,349	292,710	553,054	24,344	100.00%

RESERVE FUND DEFICIENCY ANALYSIS

The reserve fund deficiency analysis is a comparative analysis between the amount which should be in the reserve fund, according to the Benchmark Analysis (Schedule A), and the actual amount of the reserve fund at the Effective Date. Based on these two figures, the potential shortfall or deficiency of the reserve fund is calculated as follows:

Actual Reserve Fund Balance	\$ 436,000
<i>Expected Balance as of Dec 31, 2023</i>	
Reserve Fund Requirements	<u>\$ 207,349</u>
Reserve Fund Surplus	<u>\$ 228,651</u>

Based on the projections herein, a significant reserve fund surplus is noted in the table above, which is considered beneficial should unexpected costs arise as it reduces the likelihood of requiring a special assessment.

30 YEAR CASH FLOW PROJECTIONS

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

Opening Cash Balance

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

The regular reserve fund contributions, special assessments, and interest income based on 1.75% of the opening balance.

Opening Cash Funds

The total cash resources available in any financial year and include the current year's cash flow.

Cash Expenditures

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

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

Deficiency Analysis

The reserve deficiency has been projected by a formula which recognizes 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.

Brookview Homeowners Association - Reserve Fund Study

SCHEDULE B – CASH FLOW PROJECTIONS

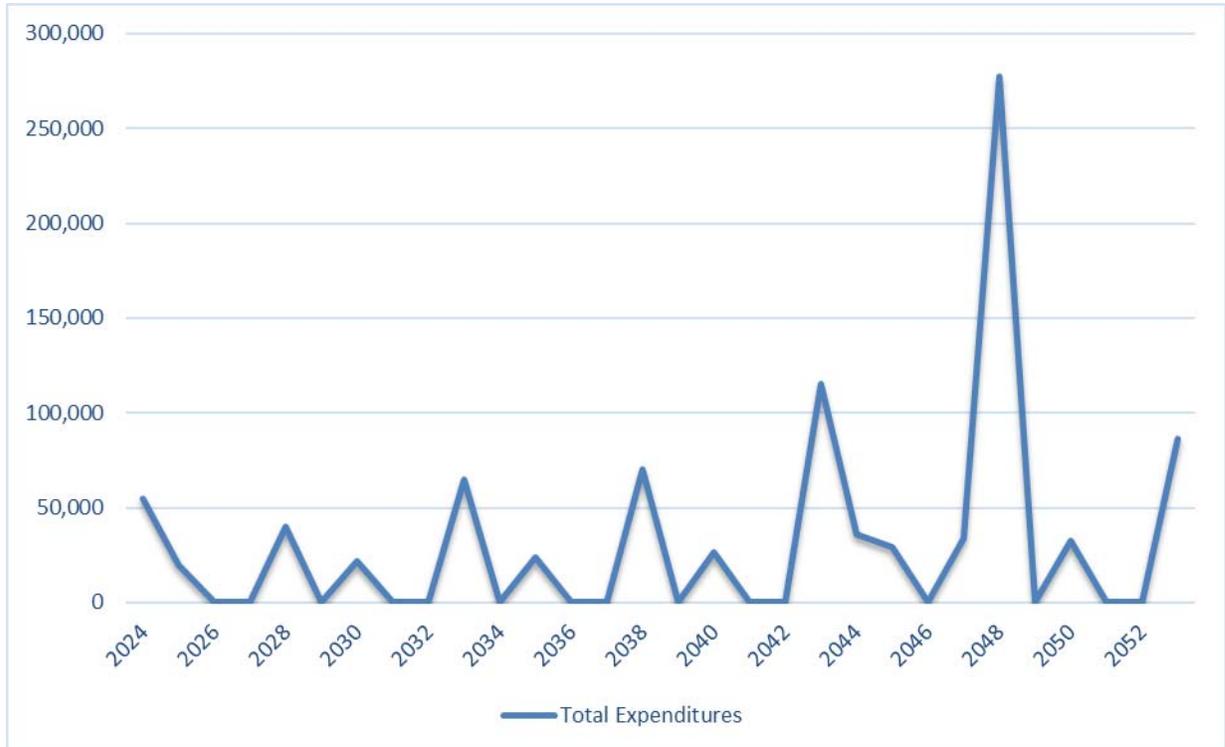
Year Start, January 1	Year 2024 1	Year 2025 2	Year 2026 3	Year 2027 4	Year 2028 5	Year 2029 6	Year 2030 7	Year 2031 8	Year 2032 9	Year 2033 10
OPENING BALANCE (start of year)	436,000	403,630	406,044	428,451	451,403	434,912	458,288	460,431	484,570	509,293
Reserve Fund Contributions	15,000	15,150	15,302	15,455	15,609	15,765	15,923	16,082	16,243	16,405
Reserve Fund Interest Income 1.75%	7,630	7,064	7,106	7,498	7,900	7,611	8,020	8,058	8,480	8,913
Special Levy										
Total Cash Resources (end of year)	458,630	425,844	428,451	451,403	474,912	458,288	482,231	484,570	509,293	534,611
RESERVE FUND EXPENDITURES										
1 Concrete Sidewalks 164,000	55,000				40,000					65,000
2 Signage 16,500										
3 Signage Landscaping 10,833										
4 Fencing & Brick Pillars 3,776										
5 Community Benches 840										
6 Landscaping, Major Tree Maintenance & Mis 11,400		19,800					21,800			
TOTAL EXPENDITURES	55,000	19,800	0	0	40,000	0	21,800	0	0	65,000
CLOSING BALANCE	403,630	406,044	428,451	451,403	434,912	458,288	460,431	484,570	509,293	469,611
DEFICIENCY ANALYSIS										
Reserve Requirements 207,349	180,322	188,021	215,655	243,773	232,383	260,793	267,901	296,933	326,473	291,530
Reserve Fund Surplus (-Deficiency)	223,308	218,022	212,796	207,630	202,529	197,495	192,530	187,637	182,820	178,081

Year Start, January 1	Year 2034 11	Year 2035 12	Year 2036 13	Year 2037 14	Year 2038 15	Year 2039 16	Year 2040 17	Year 2041 18	Year 2042 19	Year 2043 20
OPENING BALANCE (start of year)	469,611	494,399	495,686	521,262	547,456	504,279	530,518	530,791	557,844	585,549
Reserve Fund Contributions	16,569	16,735	16,902	17,071	17,242	17,415	17,589	17,765	17,942	18,122
Reserve Fund Interest Income 1.75%	8,218	8,652	8,674	9,122	9,580	8,825	9,284	9,289	9,762	10,247
Special Assessment										
Total Cash Resources (end of year)	494,399	519,786	521,262	547,456	574,279	530,518	557,391	557,844	585,549	613,917
RESERVE FUND EXPENDITURES										
1 Concrete Sidewalks 164,000					70,000					80,000
2 Signage 16,500										
3 Signage Landscaping 10,833										35,000
4 Fencing & Brick Pillars 3,776										
5 Community Benches 840										
6 Landscaping, Major Tree Maintenance & Mis 11,400		24,100					26,600			
TOTAL EXPENDITURES	0	24,100	0	0	70,000	0	26,600	0	0	115,000
CLOSING BALANCE	494,399	495,686	521,262	547,456	504,279	530,518	530,791	557,844	585,549	498,917
DEFICIENCY ANALYSIS										
Reserve Requirements 207,349	320,976	326,837	356,900	387,490	348,614	379,059	383,436	414,490	446,087	363,238
Reserve Fund Surplus (-Deficiency)	173,423	168,849	164,362	159,966	155,664	151,459	147,354	143,354	139,461	135,680

Brookview Homeowners Association - Reserve Fund Study

Year Start, January 1	Year 2044 21	Year 2045 22	Year 2046 23	Year 2047 24	Year 2048 25	Year 2049 26	Year 2050 27	Year 2051 28	Year 2052 29	Year 2053 30
OPENING BALANCE (start of year)	498,917	490,151	487,815	515,022	509,093	259,648	283,428	275,417	299,860	324,927
Reserve Fund Contributions	18,303	18,486	18,671	18,857	19,046	19,236	19,429	19,623	19,819	20,018
Reserve Fund Interest Income 1.75%	8,731	8,578	8,537	9,013	8,909	4,544	4,960	4,820	5,248	5,686
Special Assessment										
Total Cash Resources (end of year)	525,951	517,215	515,022	542,893	537,048	283,428	307,817	299,860	324,927	350,630
RESERVE FUND EXPENDITURES										
1 Concrete Sidewalks 164,000					80,000					50,000
2 Signage 16,500					162,400					
3 Signage Landscaping 10,833	0				35,000					36,600
4 Fencing & Brick Pillars 3,776	35,800									
5 Community Benches 840				33,800						
6 Landscaping, Major Tree Maintenance & Mis 11,400		29,400					32,400			
TOTAL EXPENDITURES	35,800	29,400	0	33,800	277,400	0	32,400	0	0	86,600
CLOSING BALANCE	490,151	487,815	515,022	509,093	259,648	283,428	275,417	299,860	324,927	264,030
DEFICIENCY ANALYSIS										
Reserve Requirements 207,349	358,138	359,349	389,982	387,350	141,073	167,885	162,767	189,959	217,627	159,180
Reserve Fund Surplus (-Deficiency)	132,013	128,465	125,040	121,742	118,575	115,543	112,650	109,901	107,299	104,851

CASH EXPENDITURES BY YEAR



CASH FLOW ANALYSIS

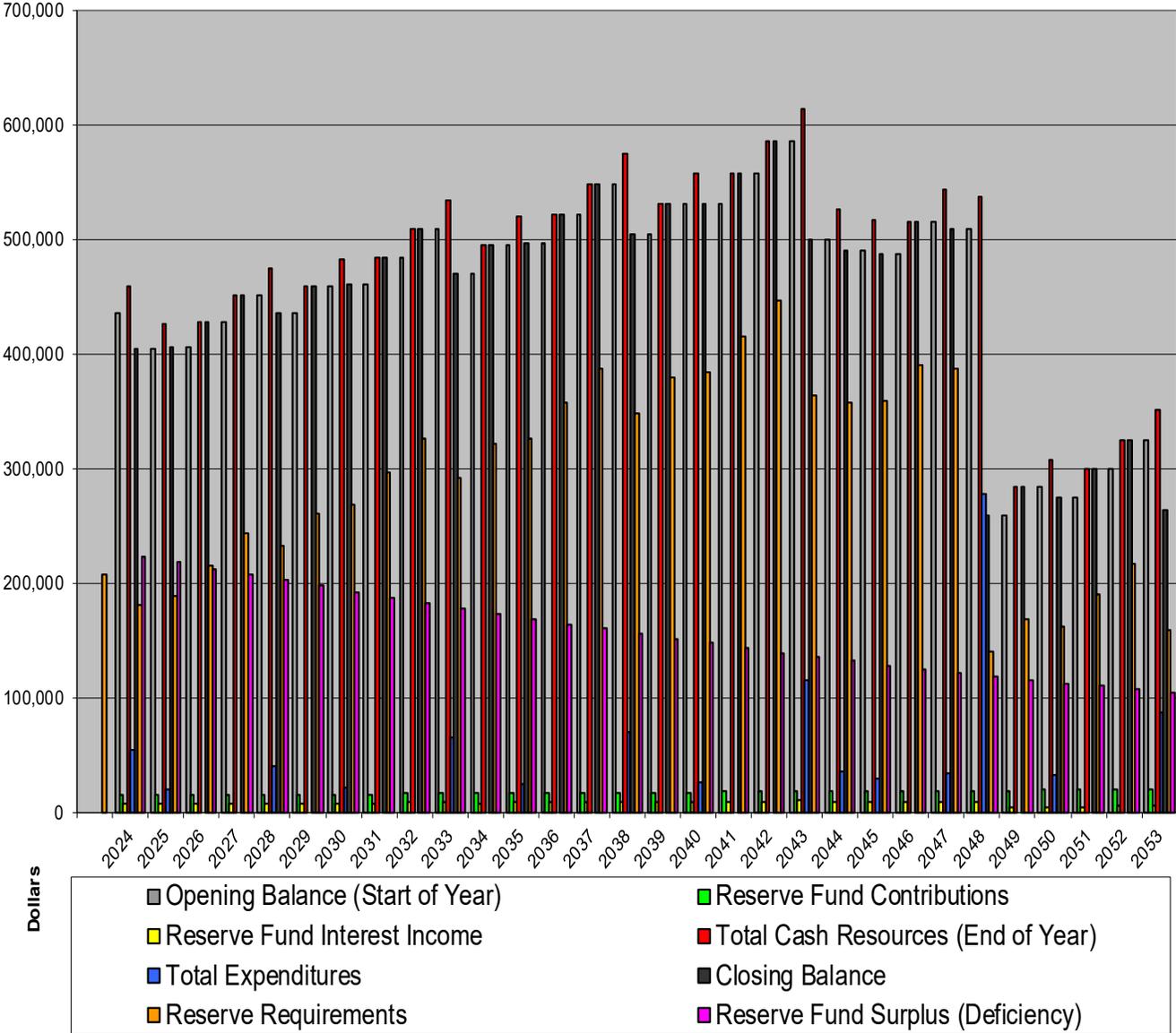
The Homeowners Association is expected to have sufficient cash resources for anticipated expenditures throughout the 30 year projection. Cash resources will become significantly depleted towards 2043 when signage and concrete sidewalks will likely require major repair or replacement.

Graphic Projection

Considering the overall Cash Flow Analysis and initial cash position the Reserve Fund is considered to exhibit a moderate to significant surplus.

The graphical presentation of the Cash Flow Analysis indicates the surplus being slowly reduced throughout the 30-year projection although not eliminated.

CASH FLOW GRAPH



RECOMMENDATIONS FOR RESERVE FUND PLANNING

The reserve fund of Brookview Homeowners Association exhibits a moderate to significant surplus. This surplus should be maintained over time to ensure that the corporation is fully funded to affect all major repairs and replacements necessary to maintain the project in excellent condition, although will be reduced throughout the 30-year projection. Our recommendations, are as follows:

Reserve Fund Contributions:

2024	\$15,000.00 per annum
* Increasing 1.0% per year thereafter	
2025	\$15,150.00 per annum
2030	\$15,923.00 per annum
2035	\$16,735.00 per annum
2040	\$17,589.00 per annum
2045	\$18,486.00 per annum
2050	\$19,429.00 per annum

The current surplus is recognized in the above contribution recommendations and the recommendations are made with the intent to slowly reduce surplus over time (as shown on the last line of the Cash Flow Analysis presented earlier).

In the event that the surplus were to be eliminated, the recommended contributions would change to equal the Stabilized Contribution amount of \$24,344, as shown on Page 18

Additional Recommendations:

- The Home Owners Association (HOA) is recommended to accept this study as the capital replacement reserve fund.
- The reserve fund should be fully invested to maximize returns
- The reserve fund should be reviewed by the board every year to ensure that the underlying assumptions are still valid and that the estimates remain current.
- The association should have this Reserve Fund Study updated by a Reserve Planner every 5 years to ensure that the underlying assumptions are still valid and that the estimates remain current.

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

CERTIFICATE OF APPRAISER/RESERVE FUND STUDY PROVIDER

We certify to the best of our knowledge and belief that:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal impartial, and unbiased professional analyses, opinions and conclusions;
- We have no, present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
- We have no bias with respect to the subject matter, property or issue that is the subject matter of this report or to the parties involved with this assignment;
- We are not in a conflict of interest to undertake this assignment;
- We are a Reserve Fund Study Provider and no grounds for disqualification under section 21.1 or 21.2 of the Alberta Condominium Property Regulations apply.
- Our compensation is not contingent on an action or event resulting from the analyses, opinion, or conclusions in, or the use of, this report;
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice;
- We have the knowledge, skills and experience to complete the assignment competently;
- No one provided professional assistance or third party professional assistance to the person signing this report;
- As of the date of this report the undersigned has/have fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for members;
- The undersigned are a member(s) in good standing of the Appraisal Institute of Canada;

Brookview Homeowners Association - Reserve Fund Study

- Jeff Miller, B. Comm., Licensed Candidate, made a personal inspection of the property that is the subject of this report on July 11, 2023. The report was completed under the direct supervision of Pawel Martyniak, MBA, AACI, Licensed Appraiser Reserve Fund Study Provider, who did not make a personal inspection of the property; and
- The analyses, conclusions and recommendations, effective as at January 1, 2024 and completed as at September 5, 2023 are summarized in the previous section:

Respectfully submitted,

Jeff Miller,
B. Comm., Licensed Candidate

Pawel Martyniak,
MBA, AACI, Licensed Appraiser
Reserve Fund Study Provider

Date: September 5, 2023

EXHIBIT A
FUNDAMENTAL ASSUMPTIONS AND LIMITING CONDITIONS

FUNDAMENTAL ASSUMPTIONS AND LIMITING CONDITIONS

Fundamental 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, and noticeable deterioration.

Reserve fund estimates are necessarily in part subjective, and those given here are based on our understanding of the life cycle of building components and our experience. 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 should 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.

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 is assumed to have been constructed in accordance with applicable building codes and then current construction practices. The quality of construction, materials and workmanship is generally considered to be good.

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. Reserve estimates are therefore of a contingency nature and as such are subject to changing conditions and repair experience over time.

Structural Deficiencies

There have not been any reports of any serious structural deficiencies with none being apparent upon inspection. It is noted however, that the planner is not a structural engineer and is not expressing an opinion on the structural integrity of any component, but is commenting on observed and reported conditions

Environmental Conditions

The planner(s) is/are not qualified to comment on environmental issues that may affect this analysis, including but not limited to pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government or otherwise, and free of any environmental condition, past, present or future, that might affect this Reserve Fund Study. If the party relying on this report requires information about environmental issues, that party is cautioned to retain an expert qualified in such issues. CanWest Reserve Planners expressly denies any legal liability relating to the effect of environmental issues on the Reserve Fund Study.

Insurance Repairs

Insurance should cover the building(s) 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 back-up is a legitimate insurance claim and as such should be covered by the insurance policy subject to the stated deductible, whereas the deterioration of a catch basin and sewer connection, which caused a cave-in resulting into a sewer back-up is a building repair expense.

Management Policy

It is assumed that the subject property will continue to operate under professional property management. This would usually entail the following:

- Operating and reserve fund expenditures are kept separate in the financial accounting and budgeting;
- Routine maintenance and repairs are deemed to be operating expenses; and
- In general, any repair or replacement under \$1,000.00 is considered, as a guideline, an operating expense. Major repairs and replacements over \$1,000.00 are charged to the Reserve Fund. It is emphasized that this is only a guideline.

Fundamental 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 and 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, nor exhaustive physical examinations have been made. Accordingly, no responsibility is assumed concerning these matters, nor other technical and engineering techniques which would be required to discover any inherent or hidden condition of the property.

The Reserve Fund Study is a Financial Document which has been prepared from supplied documents, financial statements, budgets and existing reserve funds. A limited physical inspection is conducted of common property that is made available for inspection by the property manager or owner. The inspection is based on a visual observation only. No destructive testing, dismantling or technical audit is made.

In order to arrive at supportable replacement cost estimates, it is 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 utilization of the cost estimates is valid only within the context of this report. The estimates herein must not be used in conjunction with any other appraisal or reserve fund study 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 author, 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 arbitrations, if any. Should personal appearances be required in connection with this report, additional fees must be negotiated. Unless otherwise noted, all estimates are expressed in Canadian currency.

All rights reserved. No part of this report may be reproduced or used in any form or by any means, graphic, electronic or mechanical, including photocopying, recording, typing or information storage and retrieval, without permission of the author.

Personal Information Protection and Electronic Documents Act (PIPEDA)

This report conforms to the requirement of the “Personal Information Protection and Electronic Documents Act” (PIPEDA).

EXHIBIT B
PHOTOGRAPHS OF SUBJECT PROPERTY



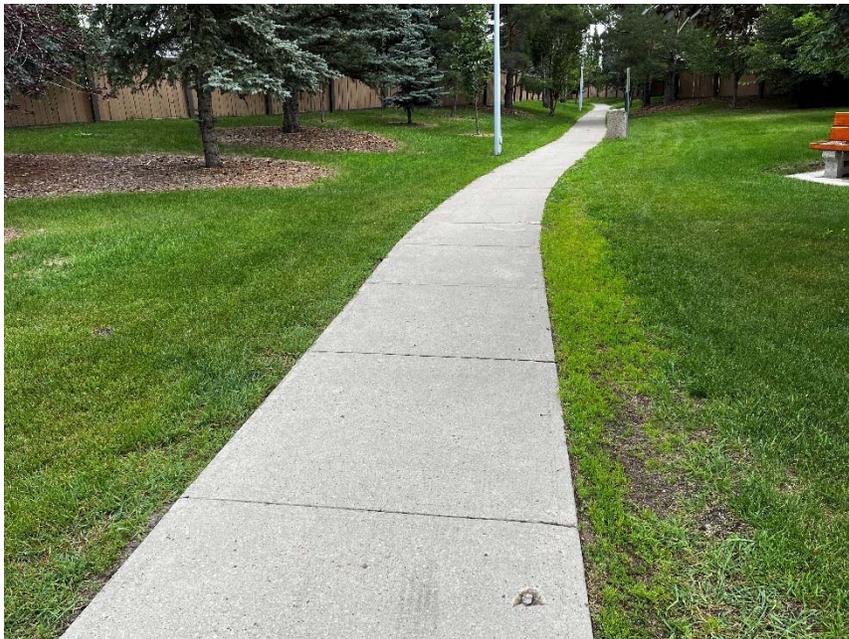
Views of Subject



Views of Subject



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EXHIBIT C
STANDARD DEFINITIONS

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.

Reserve Component or Item

Identification and description of the building component or improvement.

Replacement or Repair Cost

The estimated cost of repairing or replacing a reserve component at current prices 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.

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.

Future Replacement Costs

The estimated costs of replacing or repairing 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 Stabilized Reserve Assessment

Annual amount required to be paid into the reserve fund once any deficit is eliminated, and to be invested at the projected interest rate to fund the future reserve requirements.

Life Span Analysis

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 judgment in terms of years; and
- Remaining Life estimate, which is the useful life of the reserve remaining from the date of the condition estimate.

Reserve Component Classification

The reserve component classification used herein is based on the Unifomat System, developed by the US Government and has been modified for reserve fund planning purposes.

Reserve fund components are grouped into functional classifications, such as architectural, structural, interior design, mechanical, electrical and special facilities. This classification system is consistently applied for quick analysis and data base applications.

In this reserve fund study, there are 6 major reserve components for easy reference and convenience.

The cost estimates are taken from the 2023 (3Q) R.S. Means Repair & Remodeling Cost Data for the Canadian Construction Industry as well as local contractors pricing for various items. The life span estimates herein are based on experience records and our observation of conditions.

EXHIBIT D
RESERVE PLANNER QUALIFICATIONS

APPRAISER & CONSULTANT QUALIFICATIONS

- Jeff Miller, B.Comm. -

EDUCATION

- **MacEwan University**
2013: Bachelor of Commerce Degree – Management Major
- **University of British Columbia, Sauder School of Business Division**
2014 – Present: Post-Graduate Certificate in Real Property Valuation
- **Appraisal Institute of Canada**
2014 - Present: Candidate Appraiser

EXPERIENCE

- **Glen Cowan & Associates Real Property Appraisals Ltd.**
2014 - Present: Commercial Real Estate Appraiser
 - Valuation of commercial, industrial, residential, investment and special use properties.
 - Consulting services
 - Market research and analysis
- **CanWest Reserve Planners and Insurance Appraisers**
2014 - Present:
 - Preparation of reserve fund studies and cost-based appraisals for insurance purposes.

APPRAISAL & RESERVE PLANNING EXPERIENCE

- Completed a vast number of appraisal reports utilized for obtaining mortgage financing and/or internal decision-making purposes. The appraisals involve a wide range of property types from heavy use industrial manufacturing facilities, to grocery anchored shopping centres, to apartment complexes, to existing and proposed residential/industrial subdivisions.
 - Completed various appraisal valuations and expert reports which were submitted to the courts for aid in foreclosure.
 - Completed both current and retrospective appraisal analyses on a wide range of different real estate assets.
 - Completed Reserve Fund Study reports for a variety of properties including row/townhouses, low-rise and high-rise residential, retail, bare land, and industrial.
-

PROFESSIONAL ORGANIZATIONS AND MEMBERSHIPS

- Appraisal Institute of Canada – Candidate Member

APPRAISER & CONSULTANT QUALIFICATIONS

— Pawel Martyniak, MBA, AACI, P. App —

EDUCATION

- November 2016 **Masters of Business Administration**
University of Alberta
Finance Specialization
- June 2005 **Bachelor of Commerce**
University of Alberta
Major in Finance, minor in International Business
- June 2010 **Post-Graduate Certificate In**
Real Property Valuation
University of British Columbia
Received AACI – Accredited Appraiser Canadian Institute - 2011

EXPERIENCE

- July 05 **Commercial Real Estate Appraiser, Partner**
- Present Glen Cowan & Associates Real Estate Appraisals Ltd.
CanWest Reserve Planners Ltd.
- ❖ Commercial real property valuations
 - ❖ Consulting services
 - ❖ Research
 - ❖ Expert Testimony

PROFESSIONAL ORGANIZATIONS AND MEMBERSHIPS

- ❖ AIC – Appraisal Institute of Canada, AACI, P. App Accreditation –
November 2011
 - ❖ Alberta Expropriation Association (AEA)
-

EXPERT WITNESS

- ❖ Alberta Court of King's Bench

APPRAISAL EXPERIENCE

- ❖ Completed a vast number of appraisals and consulting reports utilized for obtaining mortgage financing, internal decision making purposes, litigation purposes, etc. The assignments involve a wide range of property types from industrial facilities, to grocery anchored shopping centres, to apartment complexes, to existing and proposed developments, etc.
 - ❖ Completed various appraisal valuations and expert reports which were submitted to the courts for aid in foreclosure and other legal matters
 - ❖ Completed both current and retrospective consulting and appraisal analyses on a wide range of different real estate assets
 - ❖ Completed feasibility studies for multi-family and mixed-use developments, etc.
-