



**SUNCHASER VACATION VILLAS
FAIRMONT RESORT
FAIRMONT HOT SPRINGS, BC**

PROGRESS DRAW 8

February 27th, 2014

LTA Consultants Inc.

Professional Quantity Surveyors
& Construction Cost Consultants
905 – 1708 Dolphin Avenue
Kelowna, BC V1Y 9S4

T: 250-868-8800

F: 888-371-1458

E: lyndon@ltaconsultants.com

W: www.ltaconsultants.com

Prepared for:

Mr. Douglas S Frey

Vice President

Northwynd Resort Properties Ltd.

5799 – 3rd Street SE

Calgary, Alberta T2H 1K1

Table of Contents

1.	PROGRESS DRAW 8	3
1.1	SITE INSPECTION	3
1.1.1	<i>Site Development Work</i>	3
1.1.2	<i>Building Renovations</i>	3
1.1.3	<i>General Comments</i>	4
1.1.4	<i>Consultant Field Reports</i>	4
1.2	CONTINGENCY	4
1.3	GST & PST	4
1.4	BUILDERS' LIEN HOLDBACK	4
1.5	DETAILS OF PROGRESS DRAW	5
1.5.1	<i>Building 300</i>	5
1.5.2	<i>Building 400</i>	6
1.5.3	<i>Building 800</i>	7
1.5.4	<i>Resort Villa Management Ltd. (RVM) Costs</i>	7
1.6	STATUTORY DECLARATION & WCB LETTER.....	7
2.	SCHEDULE	8
2.1	CONSTRUCTION SCHEDULE	8
3.	OUTSTANDING INFORMATION	8

SCHEDULE A – MASTER BUDGET SUMMARY

SCHEDULE B – SUPPORTING DOCUMENTATION

SCHEDULE C – PROGRESS PHOTOGRAPHS

1. PROGRESS DRAW 8

1.1 Site Inspection

LTA Consultants Inc. has not conducted a site inspection of the project for review of the January 2014 progress billing submitted by VVI Construction Ltd. In lieu of a site inspection, Resort Villa Management Ltd. has provided photos of the current work completed on buildings 300 and 400. We have also been provided with a verbal and written description of the work completed to date on buildings 300 and 400.

Progress photographs have been included under Schedule 'C' of this report. The photographs were provided by Resort Villa Management Ltd. on February 24th, 2014.

1.1.1 Site Development Work

Building 300

There has generally been no further progress on the site development work since our last site visit in early February 2014. Please refer to our comments in Progress Draw Report Number 7 dated February 5th, 2014.

Building 400

Site development work around the perimeter of building 400 is complete.

Building 800

No further site development work has been completed around the perimeter of building 800. We understand no further work is required at this time.

1.1.2 Building Renovations

Building 300

There has not been significant progress with regards to the exterior finishing work on building 300 since our last site visit in early February 2014. Please refer to our comments in Progress Draw Report Number 7 dated February 5th, 2014.

Interior demolition work is complete, and all of the new partitions have been framed. All of the new insulation has been placed, and drywall boarding is now complete. Taping, mudding, and sanding of the drywall is approximately 90% complete. Prime painting of the walls and ceilings has been completed in 9 of the 10 units. Application of the first finish coat of paint is approximately 50% complete. Finish carpentry materials have been delivered to the site. Several new doors and frames have been delivered to the site. Preparation of the existing subfloor to accommodate the new floor finish is now underway. Routing of the new plumbing lines is now complete. The new boiler has been delivered to the site, however the boiler has not yet been installed. Electrical rough-in work is now complete.

Building 400

Exterior finishing work on Building 400 is complete.

Interior demolition work is now complete throughout building 400. All of the new partitions have been framed. The placement of new insulation is approximately 20% complete. Drywall boarding is not yet underway. The installation of new plumbing is approximately 25% complete, and the new tubs have been delivered. Electrical rough-in work is generally complete.

Building 800

Exterior and interior finishing work on Building 800 is complete.

1.1.3 General Comments

Construction appears to be of good quality and workmanship. The construction appears to be progressing in general conformity with the plans and specifications. WCB site safety measures appear to be enforced.

1.1.4 Consultant Field Reports

We have not yet been provided with copies of any consultant field reports. Upon receipt of the reports we will review and advise of any concerns in a future progress draw report. We will continue to follow up with the contractor for copies of the consultant field reports.

1.2 Contingency

The total value of the project contingency remains unchanged in the total sum of \$1,000,000.

1.3 GST & PST

We note that the Project Budget currently **excludes** HST/GST and PST. As noted in our Initial Report and Budget Review, the revised provincial tax structure will result in an additional 7% being applied to the purchase of materials on the project effective April 1st, 2013. Please refer to our Initial Report dated April 2nd, 2013, for further details regarding the costs associated with the PST on the project.

We note that GST is excluded from our calculations in the Progress Draw Certificates for each building. However, the developer will be required to pay the GST on an on-going basis.

1.4 Builders' Lien Holdback

We note that under the BC Builders' Lien Holdback Legislation, the developer will be required to retain holdback, and these monies are normally included in the value recommended for payment, so that the developer can set up holdback accounts in accordance with the lien legislation.

1.5 Details of Progress Draw

1.5.1 Building 300

Budget Revisions

Based on our discussions with owner and contractor, we understand the budget for building 300 is going to increase as a result of the following changes:

- The costs associated with the replacement of the concrete sidewalk/patios along the north (front) elevation of the building will be increased over the original estimated value. The original budget was based on replacing the sidewalks with a concrete slab on grade, similar to the concrete sidewalks on building 400. However, upon removal of the existing concrete paving it was discovered that the building is situated on steel piles in lieu of the conventional concrete foundations on building 400 and 800. As a result, the structural engineer has recommended that the concrete sidewalks on building 300 be replaced with a suspended concrete slab, in order to reduce the risk of differential settlement between the building and sidewalk, and transfer the point loads from the balconies above to the offset pile caps. We have not yet been provided with a copy of the structural drawings for review, however we anticipate the revised concrete sidewalk slab will be substantially thicker than a standard concrete sidewalk, with integral concrete beams (slab bands) bridging the point loads from above to the pile caps, with a reinforcing steel connection to the existing building 300 foundation walls. The preliminary estimated value of the additional structural work is in the range or approximately \$55,000;
- The drywall scope of work has been increased to include a full removal and replacement of the existing gypsum board on the walls and ceilings, as a result of the failed electrical heating system that was discovered when the existing finishes were removed. We understand that this system was abandoned sometime in the past and corrected with an 'ad-hoc' non-compliant refurbishment, which was subsequently hidden by drywall finishes. The originally estimated scope of the work was to include a partial demolition and replacement of the drywall, similar to building 800. We have been advised by the contractor that the additional costs associated with the increased drywall scope of work equate to approximately \$40,000;
- The costs associated with the electrical budget will be increased as a result of a more extensive replacement of the existing electrical systems. Upon removal of the existing drywall the contractor discovered a higher than anticipated level of deficient electrical work, therefore the decision was made to remove and replace all of the existing fixtures, wiring and boxes. The original estimated budget amount included for a partial replacement of the electrical systems, similar to the scope of work on building 800. We have been advised by the contractor that the additional electrical costs could range from approximately \$1,200 to \$1,300 per unit.

We will provide a more thorough review of the costs associated with the items referenced above upon receipt of the finalized budget information and/or site instructions from the contractor. We have also been advised that the remaining unused (surplus) portion of the building 800 budget will be reallocated to cover the anticipated

cost overruns relating to the additional work items referenced above. We also understand there will likely be a budget surplus on building 400 that could be reallocated to any further cost overruns over the course of construction.

Current Progress Draw

This Progress Draw Number 8 is based on actual Hard Cost Construction Work and Project Soft Costs invoiced to January 31st, 2014. Please refer to the Progress Draw Certificate on page 8 of this report for a detailed summary of the current progress draw values.

VVI Construction Ltd. Invoice #1216 dated January 31st, 2014, has been submitted for our review and analysis, and develops a total claim value of \$253,135.78 (excluding GST). We have not included GST in our calculation of the current claim value, as GST does not form part of the project budget. Please note, we have not adjusted the current claim to reflect the value of invoices previously paid by Resort Villa Management Ltd. A copy of the invoice has been included in Schedule 'B' of this report.

The invoices submitted to date by VVI Construction Ltd. are summarized as follows:

Summary of VVI Construction Ltd. Invoices - Building 300					
Date	Invoice #	Net Amount (Excluding Holdback)	GST	Total (Excluding Holdback)	Comments
30-Nov-13	1197	\$23,551.61	\$1,177.58	\$24,729.19	Includes invoices directed to RVM
31-Dec-13	1208	\$149,057.89	\$7,452.89	\$156,510.78	Includes invoices directed to RVM
31-Jan-14	1216	\$253,135.78	\$12,656.79	\$265,792.57	Includes invoices directed to RVM
Total to Date		\$425,745.28	\$21,287.26	\$447,032.54	

It can be seen from the 'Comments' section that the current invoice includes values that have been paid directly by Resort Villa Management Ltd. (RVM). According to the invoice provided by VVI Construction Ltd. the total value of invoices to be directed to RVM equates to \$15,284.04 (including GST). We have not deducted the value of these invoices from the current value recommended for payment, as the costs associated with these items form part of the total project budget, and these values need to be included in the calculation for the work completed to date.

1.5.2 Building 400

This Progress Draw Number 8 is based on actual Hard Cost Construction Work and Project Soft Costs invoiced to January 31st, 2014. Please refer to the Progress Draw Certificate on page 10 of this report for a detailed summary of the current progress draw values. **We have not reduced the value of the building 400 budget to reflect the remaining "interior only" costs. Our Progress Draw Certificate on page 10 includes the total original budget amount \$2,091,164, including the previously recommended values for payment that cover the exterior portion of the work.**

VVI Construction Ltd. Invoice #1217 dated January 31st, 2014, has been submitted for our review and analysis, and develops a total claim value of \$34,434.49 (excluding GST). We have not included GST in our calculation of the current claim value, as GST does not form part of the project budget. Please note, we have not adjusted the current

claim to reflect the value of invoices previously paid by Resort Villa Management Ltd. A copy of the invoice has been included in Schedule 'B' of this report.

The invoices submitted to date by VVI Construction Ltd. are summarized as follows:

Summary of VVI Construction Ltd. Invoices - Building 400					
Date	Invoice #	Net Amount (Excluding Holdback)	HST/GST	Total (Excluding Holdback)	Comments
31-Mar-13	1076	\$617.72	\$74.13	\$691.85	Includes invoices directed to RVM
30-Apr-13	1084	\$179,519.95	\$8,976.00	\$188,495.95	Includes invoices directed to RVM
31-May-13	1092	\$151,193.67	\$7,559.68	\$158,753.35	Includes invoices directed to RVM
30-Jun-13	1107	\$80,067.88	\$4,003.39	\$84,071.27	Includes invoices directed to RVM
31-Jul-13	1121	\$33,565.73	\$1,678.29	\$35,244.02	Includes invoices directed to RVM
31-Aug-13	1147	\$48,750.41	\$2,437.52	\$51,187.93	Includes invoices directed to RVM
30-Sep-13	1162	\$4,797.25	\$239.86	\$5,037.11	Includes invoices directed to RVM
30-Nov-13	1196	\$2,352.72	\$117.64	\$2,470.36	Includes invoices directed to RVM
31-Jan-14	1217	\$34,434.49	\$1,721.72	\$36,156.21	Includes invoices directed to RVM
Total to Date		\$535,299.82	\$26,808.23	\$562,108.05	

It can be seen from the 'Comments' section that the current invoice includes values that have been paid directly by Resort Villa Management Ltd. (RVM). According to the invoice provided by VVI Construction Ltd. the total value of invoices to be directed to RVM equates to \$6,186.80 (including GST). We have not deducted the value of these invoices from the current value recommended for payment, as the costs associated with these items form part of the total project budget, and these values need to be included in the calculation for the work completed to date.

1.5.3 Building 800

There has been no invoice submitted for building 800 in the current progress draw.

1.5.4 Resort Villa Management Ltd. (RVM) Costs

RVM is a subcontractor to the project, and provides goods and services to VVI Construction Ltd. In this Progress Draw Number 8, VVI Construction has approved invoices totalling \$21,470.84 (including GST) that can be directed to RVM for the work completed on buildings 300 and 400.

1.6 Statutory Declaration & WCB Letter

We have not yet been provided with a copy of the statutory declarations as prepared by VVI Construction Ltd., however we understand an original copy of the statutory declaration for each building/invoice has been forwarded to the Owner.

A copy of the WCB Clearance Certificate for VVI Construction Ltd. dated February 25th, 2014, has been included under Schedule 'B' of this report. The certificate indicates that the account is currently active and in good standing.

2. SCHEDULE

2.1 Construction Schedule

Based on the work in place, and the current activities on site, the renovation of building 300 appears to be approximately two weeks behind schedule. Several elements of work such as rough carpentry, gypsum board and insulation, painting, and the electrical rough-in are generally on schedule; however, finish carpentry, interior doors, and flooring are approximately three weeks behind schedule.

Interior renovation work in building 400 appears to be generally on schedule.

We will continue to monitor the schedule as construction progresses, and provide comments with each progress draw report.

3. OUTSTANDING INFORMATION

The following information is outstanding at this time:

- Consultant Field Reports.

PROGRESS DRAW NUMBER 8 – BUILDING 300

PROGRESS DRAW CERTIFICATE - BUILDING 300	
Original Project Budget (Excluding GST & PST)	\$1,964,566.00
Changes to Budget	(\$11,239.00)
Revised Project Budget (Excluding GST & PST)	\$1,953,327.00
Less: Remaining Available Budget (Variance)	(\$1,480,276.69)
Total Work Completed to Date (Excluding GST & PST)	\$473,050.31
Less: Previous Value Recommended for Payment	(\$191,788.33)
Less: Deficiency Retention	\$0.00
Current Work Completed (Excluding GST & PST)	\$281,261.98
Less: Builder's Lien Holdback @ 10%	(\$28,126.20)
Current Value Recommended for Payment (Excluding GST & PST)	\$253,135.78

Notes:

1. The above value excludes GST and PST;
2. Builders' Lien Holdback has been deducted from the current value recommended for payment as noted above.
3. Refer to Schedule 'A' for details regarding the Project Master Summary;
4. Refer to Schedule 'B' for a copy of the contractor's invoice and specific details regarding the project budget and current claim for the building.



Lyndon P. Thomas, PQS, MRICS

February 27th, 2014

DRAW SUMMARY – BUILDING 300

DRAW SUMMARY - BUILDING 300	
Total Project Budget	\$1,953,327.00
Previously Uncertified Claimed Values	\$0.00
Progress Draw Number 1	\$0.00
Progress Draw Number 2	\$0.00
Progress Draw Number 3	\$0.00
Progress Draw Number 4	\$0.00
Progress Draw Number 5	\$0.00
Progress Draw Number 6	\$26,168.45
Progress Draw Number 7	\$165,619.88
Progress Draw Number 8	\$281,261.98
Total Progress to Date (Including Holdback, Excluding GST & PST)	\$473,050.31
Remaining Budget Available (Including Holdback, Excl. GST & PST)	\$1,480,276.69

PROGRESS DRAW NUMBER 8 – BUILDING 400

PROGRESS DRAW CERTIFICATE - BUILDING 400	
Original Project Budget (Excluding GST & PST)	\$2,091,164.00
Changes to Budget	\$0.00
Revised Project Budget (Excluding GST & PST)	\$2,091,164.00
Less: Remaining Available Budget (Variance)	(\$1,502,336.17)
Total Work Completed to Date (Excluding GST & PST)	\$588,827.83
Less: Previous Value Recommended for Payment	(\$550,567.29)
Less: Deficiency Retention	\$0.00
Current Work Completed (Excluding GST & PST)	\$38,260.54
Less: Builder's Lien Holdback @ 10%	(\$3,826.05)
Current Value Recommended for Payment (Excluding GST & PST)	\$34,434.49

Notes:

1. The above value excludes GST and PST;
2. Builders' Lien Holdback has been deducted from the current value recommended for payment as noted above.
3. Refer to Schedule 'A' for details regarding the Project Master Summary;
4. Refer to Schedule 'B' for a copy of the contractor's invoice and specific details regarding the project budget and current claim for the building.



Lyndon P. Thomas, PQS, MRICS

February 27th, 2014

DRAW SUMMARY – BUILDING 400

DRAW SUMMARY - BUILDING 400	
Total Project Budget	\$2,091,164.00
Previously Uncertified Claimed Values	\$686.35
Progress Draw Number 1	\$199,466.61
Progress Draw Number 2	\$167,992.97
Progress Draw Number 3	\$88,964.31
Progress Draw Number 4	\$37,295.26
Progress Draw Number 5	\$48,750.41
Uncertified Invoice No. 1162 dated September 30, 2013	\$4,797.25
Progress Draw Number 6	\$2,614.13
Progress Draw Number 7	\$0.00
Progress Draw Number 8	\$38,260.54
Total Progress to Date (Including Holdback, Excluding GST & PST)	\$588,827.83
Remaining Budget Available (Including Holdback, Excl. GST & PST)	\$1,502,336.17

**SCHEDULE – ‘A’
MASTER BUDGET SUMMARY**

Description	Original Budget	Changes to Budget	Revised Budget	Work Completed to Date		Remaining Budget (Variance)	Construction Schedule		General Comments
				\$	%		Start Date	Finish Date	
100 Series Buildings									
Building 100	\$1,151,406.00	\$0.00	\$1,151,406.00	\$0.00	0%	\$1,151,406.00	T.B.D.	T.B.D.	
Building 200	\$2,147,297.00	\$0.00	\$2,147,297.00	\$0.00	0%	\$2,147,297.00	T.B.D.	T.B.D.	
Building 300	\$1,964,566.00	(\$11,239.00)	\$1,953,327.00	\$473,050.31	24%	\$1,480,276.69	November 2013	May 2014	Exterior and interior renovation work is now underway.
Building 400	\$2,091,164.00	\$0.00	\$2,091,164.00	\$588,827.83	28%	\$1,502,336.17	March 2013	June 2014	Exterior work is complete. Interior renovations underway.
Building 500	\$1,141,926.00	\$0.00	\$1,141,926.00	\$0.00	0%	\$1,141,926.00	T.B.D.	T.B.D.	
Building 600	\$1,167,408.00	\$0.00	\$1,167,408.00	\$0.00	0%	\$1,167,408.00	T.B.D.	T.B.D.	
Building 700	\$1,261,943.00	\$0.00	\$1,261,943.00	\$0.00	0%	\$1,261,943.00	T.B.D.	T.B.D.	
Building 800	\$1,320,875.00	\$0.00	\$1,320,875.00	\$1,257,911.91	95%	\$62,963.08	April 2013	October 2013	Exterior and interior renovation work is now complete.
1000 Series Buildings									
Building 1000	\$2,041,208.00	\$0.00	\$2,041,208.00	\$0.00	0%	\$2,041,208.00	T.B.D.	T.B.D.	
Building 2000	\$2,085,899.00	\$0.00	\$2,085,899.00	\$0.00	0%	\$2,085,899.00	T.B.D.	T.B.D.	
Building 3000	\$2,219,457.00	\$0.00	\$2,219,457.00	\$0.00	0%	\$2,219,457.00	T.B.D.	T.B.D.	
Building 4000	\$2,125,257.00	\$0.00	\$2,125,257.00	\$0.00	0%	\$2,125,257.00	T.B.D.	T.B.D.	
Building 5000	\$1,945,374.00	\$0.00	\$1,945,374.00	\$0.00	0%	\$1,945,374.00	T.B.D.	T.B.D.	
Building 6000	\$2,428,897.00	\$0.00	\$2,428,897.00	\$0.00	0%	\$2,428,897.00	T.B.D.	T.B.D.	
Building 7000 (Upper Levels)	\$2,495,456.00	\$0.00	\$2,495,456.00	\$0.00	0%	\$2,495,456.00	T.B.D.	T.B.D.	
Building 7000 (Basement)	\$733,936.00	\$0.00	\$733,936.00	\$0.00	0%	\$733,936.00	T.B.D.	T.B.D.	
Building 8000	\$2,315,323.00	\$0.00	\$2,315,323.00	\$0.00	0%	\$2,315,323.00	T.B.D.	T.B.D.	
Building 8100	\$353,917.00	\$0.00	\$353,917.00	\$0.00	0%	\$353,917.00	T.B.D.	T.B.D.	
Building 8100 Canopy	\$221,183.00	\$0.00	\$221,183.00	\$0.00	0%	\$221,183.00	T.B.D.	T.B.D.	
Contingency									
Material Price Contingency	\$1,000,000.00	\$0.00	\$1,000,000.00	\$0.00	0%	\$1,000,000.00	T.B.D.	T.B.D.	
Building Sub-total	\$32,212,492.00	-\$11,239.00	\$32,201,253.00	\$2,319,790.05	7%	\$29,881,462.94			
Civil Work									
Sunchaser	\$540,558.00	\$0.00	\$540,558.00	\$0.00	0%	\$540,558.00	T.B.D.	T.B.D.	
Hillside	\$1,642,090.00	\$0.00	\$1,642,090.00	\$0.00	0%	\$1,642,090.00	T.B.D.	T.B.D.	
Riverside	\$146,933.00	\$0.00	\$146,933.00	\$0.00	0%	\$146,933.00	T.B.D.	T.B.D.	
Civil Work - Sub-total	\$2,329,581.00	\$0.00	\$2,329,581.00	\$0.00	0%	\$2,329,581.00			
Total Project Budget	\$34,542,073.00	-\$11,239.00	\$34,530,834.00	\$2,319,790.05	7%	\$32,211,043.94			

**SCHEDULE – ‘B’
SUPPORTING DOCUMENTATION**



WORKING TO MAKE A DIFFERENCE

Assessment Department Location

Mailing Address

PO Box 5350
Station Terminal
Vancouver BC V6B 5L5

6951 Westminster Highway
Richmond BC
V7C 1C6
www.worksafebc.com

Clearance Section

Telephone 604 244 6380
Toll Free within Canada
1 888 922 2768
Fax 604 244 6390

LTA Consultants Inc
905 - 1708 Dolphin Ave
KELOWNA, BC V1Y 9S4

February 25, 2014

**Person/Business : VVI CONSTRUCTION LTD.
817749 AQ(061)**

This letter provides clearance information for the purposes of Section 51 of the *Workers Compensation Act*.

We confirm that the above-referenced firm is active, in good standing, and has met WorkSafeBC's criteria for advance clearance. Accordingly, if the addressee on this letter is the prime contractor, the addressee will not be held liable for the amount of any assessment payable for work undertaken by the above-referenced firm to **April 01, 2014**.

This firm has had continuous coverage with us since January 01, 2009.

Employer Service Centre
Assessment Department

Clearance Reference # : C127677644
CLRAAA

For more information about Section 51 and clearance letters visit WorkSafeBC.com

Please refer to your account number in your correspondence or when contacting the Assessment Department.

To alter this document constitutes fraud.

**SCHEDULE – ‘C’
PROGRESS PHOTOGRAPHS**



Views of the north (front) elevation of building 300. No further exterior work has been completed.



Building 300 – Rough-in work is complete. Finish painting is well advanced.



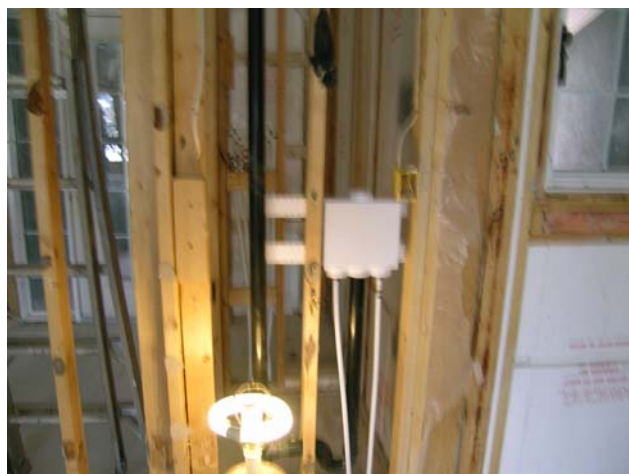
Building 300 – Doors and frames have been delivered. Drywall finishing work is nearly complete.



Building 400 – All of the framing has been completed. Insulating is well advanced.



Building 400 – The new tubs are on site. Electrical rough-in work is generally complete.



Building 400 – The new plumbing rough-in is well underway.



Building 300 Exterior Slab re-construction.



Building 300 failed former electrical heating system.