

Lakeland Holding Ltd.

Capital Expenditure Request

Date	July 5 2017
Project Title	Parry Sound Office and roof repairs
Operating unit	Lakeland Power
Request number	

Description and Purpose

Replace the roof at the Parry Sound Office. It is past end of life and is currently in disrepair.
 Repair damaged caused by the leaking roof.
 Minor improvements.

Economic Justification

Tax depreciation declining balance (%)	4%	Payback period (in years)	6.94
Book depreciation life (in years)	25	Internal rate of return (IRR%)	0.2%
Estimated delivery/start date		Cumulative Economic Value Added	\$45,809
Estimated start-up period (in months)			
Anticipated post audit date			

Cost Summary

Capital expenditure	\$44,179	
Related expenses	\$ 34,004	
Additional working capital requirements		
Total funds required	\$ 78,183	

Quote no. 1 (selected)	CAD 68,154	
Quote no. 2	CAD 0	
Quote no. 3	CAD 0	

Included in current Profit Plan / Budget

Yes / No	no	
Amount in Plan/ Budget if Yes		
Reason if No	not planned	

Approvals

		Date
Prepared by	Brian Elliott	July 6 2017
Project Leader		
Chief Operating Officer	Vince Kulchycki	
Chief Financial Officer	Margaret Maw	
President and CEO	Chris Litschko	Sept 29/17
Board of Directors approval	Roger Alexander, Chair	Sept 29/17

Reason for Proposed Capital Expenditure

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The roof is past end of life. A typical flat roof has a life span of approximately 25 years and come with installed warranties of 10-15 years. We believe the Parry Sound roof to be older than this, although we do not have the documentation from the last time the roof was replaced. If the roof is indeed original, it would place the roof past fifty years.

We had a previous leak in the roof in 2015. At that time the roof and interior damage was repaired and claimed under insurance.

Early this year the roof again leaked in a different location. This caused some additional damage to the office inside the building. After discussing it with a contractor and our own inspection, it was determined that the roof needed to be replaced.

This work will extend the life of the building, prevent leaking, mold and poor office environment, allow the office space to be rented out for income (hub) - \$800/mth estimate to breakeven

The alternatives discussed include, demolish building and divest; repair instead of replacement, building a peaked truss roof.

This repair was not submitted as an insurance claim as we have given notice to Mearie and are riding out the three year notice period. New quotes will require disclosing any claims in the past 24 months - two claims would drive up quote. In addition, much of the repair was due to lack of maintenance as well as cleaning up inside office space which includes upgrade in order to rent out.

In lieu of donation, the meeting room will be let to the Alzheimer's Society for meetings - Community value of \$2400 per year

As an offset, renovation costs to have a desk in the town hall was estimated at \$20 K - this will be avoided

Lakeland Holding Ltd.

Financial Review of Proposed Capital Expenditure

Expenditure Detail	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total Project
Capital Expenditure (cash outflow)	\$44,179	CDN							
Related Expenses (after-tax cash outflow)	\$34,004								
Working capital (Investment) / Reduction	\$0								\$0
Community service	-	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	16,800
Rental space - \$800 per month	-	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600	N/A
Net Sales - potential customers	-								
Incremental (out-of-pocket) Costs									
	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	-		\$0	\$0	\$0	\$0	\$0	\$0	\$0
	-		\$0	\$0	\$0	\$0	\$0	\$0	\$0
	-	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Incremental (cash) Savings									
Eliminate need to refurbish space at town hall (avoidance)	-	\$20,000	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000
	-		\$0	\$0	\$0	\$0	\$0	\$0	\$0
	-								\$0
Tax depreciation	-	(\$884)	(\$1,732)	(\$1,663)	(\$1,596)	(\$1,532)	(\$1,471)	(\$1,412)	(\$10,290)
Income before tax	-	\$31,116	\$10,268	\$10,337	\$10,404	\$10,468	\$10,529	\$10,588	\$93,710
Provision for income tax	27.0%	\$8,401	\$2,772	\$2,791	\$2,809	\$2,826	\$2,843	\$2,859	\$25,301
Net Income	-	\$22,715	\$7,496	\$7,546	\$7,595	\$7,642	\$7,686	\$7,729	\$68,409
Tax depreciation add-back	-	\$884	\$1,732	\$1,663	\$1,596	\$1,532	\$1,471	\$1,412	\$10,290
Liquidation value (after-tax)	-								\$0
After-tax cashflow - Annual	(\$78,183)	\$23,599	\$9,228	\$9,209	\$9,191	\$9,174	\$9,157	\$9,141	\$516
After-tax cashflow - Cumulative	(\$78,183)	(\$54,584)	(\$45,356)	(\$36,147)	(\$26,956)	(\$17,782)	(\$8,625)	\$516	
Internal rate of return (IRR%)	0.2%								
Payback Period (in years)	6.94								
Economic Value Added (EVA)									
Net income (NOPAT)	-	\$22,715	\$7,496	\$7,546	\$7,595	\$7,642	\$7,686	\$7,729	
Inventory	-								
Gross P.P. & E.	\$44,179	\$44,179	\$44,179	\$44,179	\$44,179	\$44,179	\$44,179	\$44,179	
Less: Accumulated Depreciation (book)	-	(\$1,767)	(\$3,534)	(\$5,302)	(\$7,069)	(\$8,836)	(\$10,603)	(\$12,370)	
Accounts payable	-								
Invested Capital	-	\$42,412	\$40,645	\$38,878	\$37,111	\$35,344	\$33,576	\$31,809	
EVA (using current year's cost of capital)	-	\$19,025	\$3,960	\$4,164	\$4,366	\$4,567	\$4,765	\$4,962	
Cumulative EVA	-	\$19,025	\$22,985	\$27,149	\$31,515	\$36,082	\$40,847	\$45,809	

Note: The EVA for any given year is equal to NOPAT minus (Cost of capital x Invested capital). If the invested capital is negative, it causes a positive EVA impact
Annual EVA = NOPAT - ((Cost of capital) x (annual Invested Capital))

Lakeland Holding Ltd.**Capital Expenditure Request - Detail**

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Request number	<u>0</u>	

Item No.	Description	Amount
1	Flat roof replacement Front	\$29,832
2	Flat roof replace Rear	\$14,347

Total CAD \$44,179

Lakeland Holding Ltd.**Related Expenses - Detail**

Date	July 5 2017	
Project Title	Parry Sound Office and roof repairs	Page
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Request number	0	

Item No.	Description	Amount
1	Office repair (Drywall, carpet, floor boards, ceiling tiles, electrical) contengency for some extras, fix brick work in front replace windows replace side doors. Does not include	\$23,975
2	making the office fully accessable.	\$30,000

Total \$53,975

Income Tax Rate 37%

Total after tax \$34,004

Lakeland Holding Ltd.**Quotation Comparison Summary**

Date	July 5 2017	
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Item No.	Description	Quote 1	Quote 2	Quote 3
1	Fidelus-Flat Roof Replacement (Office)	\$29,832		
2	Fidelus-Flat roof replacement (work Bay)	\$14,347		
3	Fidelus-office retrofit	\$23,975		
4	Graystone		would not quote job	
5	First General			would not quo

Total	\$68,154	\$0	\$0
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To: Lakeland Power
196 Taylor court
Bracebridge , Ontario
P1L 1J9

From: Andrew Howse

Date: May 24, 2017.

Re: Office retrofit

Budget and
Scope of Work,

- 1) Remove all ceiling tiles in the main area.
- 2) Store any tiles in good condition on the site.
- 3) Remove ceiling grid and store on site.
- 4) Remove the carpet tile and store on site
- 5) Remove and dispose of 1/4 " underlay under carpet.
- 6) Inspect sub floor and report to Lakeland. — MAY BE ADDITIONAL COST w/ RECEIPTS.
- 7) Remove HVAC diffusers and store on site.
- 8) Remove and store the existing heat detector system.
- 9) Remove 2x4 fluorescent lighting and store on site.
- 10) Lower duct system to access the tile in the underside of the roof joists.
- 11) Remove 12x12 tile and strapping attached to the joists and dispose.
- 12) Remove existing insulation and inspect the condition of the ceiling joists
- 13) Supply and install new "Roxall" insulation and vapour barrier. (R32)
- 14) Reinstall duct work to the rafters.
- 15) Reinstall drop ceiling grid
- 16) Supply and Install new ceiling tiles.
- 17) Reinstall 2x4 fluorescent lighting and light diffusers
- 18) Reinstall Heat detectors
- 19) Supply and install 1/4 inch underlay (Glue and screwed) on the office floor
- 20) Reinstall carpet tile.
- 21) Clean up

Budget Price for this work \$23,974.58 Plus HST.

Notes:

- 1) We have allowed for R32 insulation, Once we open up we may be able to increase this
- 2) All billing will be accompanied with Backup
- 3) We will plastic off the work area to create access for one work day a week for Lakeland Staff

**Business # 845934074RT0001
ECRA/ESA # 7009531
WSIB # 1825808**

Project confirmation,

Customer signature _____

Date _____

All cheques are made payable to Fidelus Solutions Inc.

Please contact me if you have any questions

(705) 644-3835

Thank you,

**Andrew Howse
per, Fidelus Solutions Inc.**

**Office: 1024 Cowan Park Rd. RR#2 Utterson, Ontario P0B 1M0
Muskoka Tel; (705) 769-8111 Cell; (705) 644-3835
Fax: (705) 769-2309 E-Mail - fidelus@rogers.com**



To: Lakeland Power
196 Taylor court
Bracebridge , Ontario
P1L 1J9

From: Andrew Howse

Date: Feb 2, 2016.

Re: Flat roof replacement at the Parry Sound Office **FRONT**.

Scope of Work,

- 1) Remove and dispose of existing perimeter flashings.
- 2) Remove old roof system and dispose.
- 3) Inspect the substrate of the roof for deterioration and report on condition, (if needed, structure repairs will be priced separately)
- 4) Supply and install new fiber insulation over substrate.
- 5) Supply and install new ½ sheeting over insulation (screwed down)
- 6) Remove roof drain, install roof sump area to improve drainage.
- 7) Supply and install new roof drain assembly and modify the mechanical connection.
- 8) Supply and install EPDM rubber membrane roof system on entire roof.
- 9) Supply and install new vent flashings, and re flash existing roof top units.
- 10) Supply and install new metal flashing on the perimeter.
- 11) Clean up

Price for this work \$ 29,832.46 Plus HST.

Notes:

- 1) If any repairs to the existing substrate or structure are found to be necessary, this will be priced separately.

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ECRA/ESA # 7009531
WSIB # 1825808**

Project confirmation,

Customer signature _____

Date _____

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Thank you,

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FIDELUS SOLUTIONS INC

Custom Builder • Electrical Contractor

To: Lakeland Power
196 Taylor court
Bracebridge , Ontario
P1L 1J9

From: Andrew Howse

Date: Nov 4, 2016.

Re: Flat roof replacement on the work bay of the Parry sound location **LEAR**

Scope of Work,

- 1) Remove and dispose of existing perimeter flashings.
- 2) Remove old roof system and dispose.
- 3) Inspect the substrate of the roof for deterioration and report on condition, (if needed, structure repairs will be priced separately)
- 4) Supply and install new fiber insulation over substrate.
- 5) Supply and install new ½ sheeting over insulation (screwed down)
- 6) Remove roof drain, install roof sump area to improve drainage.
- 7) Supply and install new roof drain assembly and modify the mechanical connection.
- 8) Supply and install EPDM rubber membrane roof system on entire roof.
- 9) Supply and install new vent flashings, and re flash existing roof top units.
- 10) Supply and install new metal flashing on the perimeter.
- 11) Clean up

Price for this work \$ 14,347.00 Plus HST.

Notes:

- 1) If any repairs to the existing substrate or structure are found to be necessary, this will be priced separately.

**Business # 845934074RT0001
ECRA/ESA # 7009531
WSIB # 1825808**

Project confirmation,

Customer signature _____

Date _____

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(705) 644-3835

Thank you,

**Andrew Howse
per; Fidelus Solutions Inc.**

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