TORONTO

STAFF REPORT
ACTION REQUIRED

Future Options for the Lakeshore Arena

Date:	October 22, 2012
To:	Executive Committee
From:	General Manager, Parks, Forestry and Recreation, and Acting Deputy City Manager and Chief Financial Officer
Wards:	Ward 6
Reference Number:	P:\2012\Internal Services\Cf\Ec12026cf (AFS#16355)

SUMMARY

This report presents the options for the future direction of the Lakeshore Arena (Arena) based on the work completed by the Board of the Lakeshore Arena Corporation (LAC) and outlines the recommendations and next steps.

The General Manager, Parks, Forestry and Recreation and the Acting Deputy City Manager and Chief Financial Officer are recommending that City Council authorize the appropriate City staff to undertake a competitive procurement process for the purchase, lease, operation or other third party management arrangement of the Lakeshore Arena, and to report back on the results of the competitive procurement process along with a financial comparison of the proposals to the current existing City Services Corporation operating model.

RECOMMENDATIONS

The General Manager, Parks, Forestry and Recreation and the Acting Deputy City Manager and Chief Financial Officer recommend that City Council:

1. Authorize the Director, Real Estate Services in consultation with the General Manager, Parks, Forestry and Recreation and the Director of Purchasing and Materials Management to undertake a competitive procurement process, that incorporates the key terms highlighted in Attachment 1 and any such other terms and conditions deemed appropriate by the Director, Real Estate Services, to identify a suitable entity (or consortium of entities) for the purchase, lease, operation or other third party management arrangement regarding the Lakeshore Arena.

2. Direct the Director, Real Estate Services and the General Manager, Parks, Forestry and Recreation to report back to City Council, through the appropriate Committee, with the results of the competitive procurement process together with a financial comparison of the proposals to the current existing City Services Corporation operating model, and to recommend, if appropriate, a preferred proponent if the competitive procurement process yields a proposal that is clearly preferential to continuing with the existing City Services Corporation structure and the other requirements of the competitive procurement process being met.

3. Should the outcome of the competitive procurement process result in a preferred proponent, the City Manager be requested to:

    a. make recommendations to City Council on an appropriate governance model for the Lakeshore Arena in the context of the proposed new service delivery model for the Arena, if appropriate; and,

    b. in consultation with the City Solicitor, make recommendations to City Council to revise or replace the shareholder declaration for the Lakeshore Arena Corporation consistent with the recommended governance model, if appropriate.

4. Authorize and direct the Director, Real Estate Services to engage a fairness monitor to oversee the competitive procurement process.

Implementation Points

Given the complexity of comparing proposals related to the sale, lease, operation or other third party arrangement of the LAC against the current existing structure, this competitive procurement process will have to be drafted in a very clear manner to ensure proper transparency and fairness, and unambiguous evaluation criteria for what might be widely varying proposals. Staff from Real Estate Services, Parks, Forestry and Recreation, Corporate Finance, Legal Services and Purchasing and Materials Management Division, in consultation with the Fairness Monitor to be hired, will work closely on the creation of this competitive procurement process, including determining the appropriate criteria and format, which could involve a Request for Expressions of Interest (REOI), a non-binding Request for Proposals (RFP) or a binding RFP, with a goal of issuing this competitive procurement process by the end of the second quarter of 2013.

Financial Impact

As at December 31, 2011, Lakeshore Arena Corporation had long-term debt of $41.7 million, consisting of external debt of $39.5 million and City debt of $2.2 million. Over the short term, cash flow from operations of $1.7 to $1.8 million is achievable. However, after paying the high debt service costs of approximately $1.8 million per year, the Corporation is expected to break even on a cash flow basis. The three floating loan facilities mature in October 2014 and will have to be re-financed at what will likely be significantly higher interest rates. Payments of principal and higher interest on this debt will place additional financial pressure on the operations at that time, and in the absence of any changes in the relationship, will likely require a capital injection and/or an ongoing subsidy from the City.

There is no direct financial impact arising from adoption of the recommendations in this report. Following the issuance and evaluation of the competitive bid process, staff will report back on a financial comparison of all the proposals, recommending a preferred proponent if the financial commitment is preferential to continuing with the existing City Services Corporation structure.

Parks, Forestry and Recreation will absorb the cost of the fairness monitor, up to the estimated amount of $30,000 inclusive of taxes, in their 2013 Operating Budget.

DECISION HISTORY

At its meeting of July 12, 13 and 14, 2011, Council approved that a city services corporation be established to assume the leasehold interest, ownership of the asset, project construction debt of the Lakeshore Lions Arena Inc. (LLAI), and to operate and manage the Arena. The purpose of the city services corporation was to stabilize the operation and put in place a skills-based Board membership with the necessary expertise to identify and maximize the potential of the Arena over the next 2-3 years, following which the City would develop options for a long-term strategy for the Arena, which could include divesting of its leasehold interest in the property or seek an operator to take over the leasehold interest.

The report authorizing the restructuring of the relationship with Lakeshore Lions Arena Inc. can be viewed at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX7.1

The legal transfer of the assets and liabilities of the Lakeshore Lions Arena Inc. to the city services corporation Lakeshore Arena Corporation was completed on September 8, 2011.

At its meeting of February 6 and 7, 2012, City Council directed the Deputy City Manager and Chief Financial Officer and the General Manager, Parks, Forestry and Recreation to report on a long-term strategy for the self-supporting viability of the Arena. That decision can be viewed at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM10.13

COMMENTS

Board Mandate

The Unanimous Shareholder declaration approved by City Council requires the Board of LAC to work cooperatively with the Shareholder to help it determine the long run future of the Arena and assist the City in making its decision for the future of the Arena. During the first year of operation after the transfer, the LAC Board has implemented policies, adjusted staffing levels and strengthened controls. The Board also engaged a third party appraisal firm to determine the leasehold value of the Arena.

The Board considered four options for the future of the Arena: (1) the sale of the property (either fee simple or leasehold interest basis); (2) a third party operator for Arena; (3) the LAC Board continues to operate Arena; or (4) transform the facility into a City-run Parks, Forestry and Recreation facility, with a view of identifying the most favourable option that will minimize the financial loss to the City.

The Board recommended that the City undertake an RFP process for the lease, operation or other management arrangement of the Lakeshore Arena, and to compare the results to the current operating model for the Arena. The Board is not recommending pursuing the sale option as part of the RFP process at this time. In the alternative, recognizing the City may want to test the market for the sale of the Arena, the Board proposes that should the City wish to explore the sale option, that it do so by way of a two-step process that first considers proposals for the purchase of the Arena, followed if necessary by a call for proposals for the lease, operation or other management arrangement of the Arena. The Board feels that the sale option may prejudice any submissions for the lease, operation or other management arrangement. The Board's resolution in this regard is attached as Attachment 2 to this report.

Nonetheless, in the interest of time and to have the ability to assess all options concurrently, City staff recommended that all options be considered within the proposed competitive procurement process, with the intention of reporting back on a financial comparison of the proposals arising from the competitive procurement process.

Arena History

The Lakeshore Arena is a 4-pad arena complex located at 400 Kipling Avenue. The project was conceived by the Lakeshore Lions Club, who had successfully operated a single-pad arena located on City lands adjacent to 400 Kipling Avenue since 1951, and which had been the practice facility for the Toronto Maple Leafs and Marlies. The City facilitated a land exchange with the Toronto District School Board, and provided capital loan guarantees totalling $35.5 million as its contribution to the Lion's project. The project opened on schedule for the 2009-2010 season. The total project cost was $43.4 million, which was significantly higher than the Lion's $29 million project cost estimate presented to Council in 2006. The project was entirely debt financed with a City guarantee of debt presently outstanding in the amount of $41.7 million.

After two seasons of operation by the LLAI, a number of factors including an increase in interest rates and delays in maximizing commercial opportunities made it apparent that the LLAI would not be able to meet its operating and debt service obligations over the longer-term. Consequently, to protect against default and having the City's loan guarantee for this project being called upon, the City assumed the leasehold interest, ownership of the asset, and project construction debt of the project, and created a city services corporation (the Lakeshore Arena Corporation) on July 19, 2011 to operate and manage the Arena. The objective was to put in place skills based board members with the necessary expertise to stabilize the operation and to maximize the potential of the Arena over the next 2-3 years, with a longer-term view of finding an operator to take over the leasehold interest with minimal to no financial loss to the City.

Arena Operating Performance

With respect to the Arena operating results under the LLAI, for the years ending June 30, 2010 and June 30, 2011, revenues were $3.2 million and $3.9 million respectively. The increase in revenue is mainly attributable to ice rental and snack bar revenues. Expenses, before amortization, depreciation and debt service for the years ending June 30, 2010 and June 30, 2011 were $1.8 million and $2.5 million. The increase in expenditures are mainly the result of higher snack bar costs (offset by an increase in revenue), and higher salaries and maintenance costs in 2011.

The earnings from operations of $1.4 to $1.5 million was in the order of that projected for the arena. However, the high debt service cost of approximately $1.6 million per year resulted in a cash flow shortfall of $150 thousand to $200 thousand per year, as shown in Attachment 3. The City assumed the accumulated deficiency of $1.9 million upon the transfer, and the debt outstanding on the facility as at December 31, 2011 is $41.7 million. Other than a $1 million working capital line of credit which is used on an as-required basis, the LAC continues to rely on its operating income for funding the debt.

The Lakeshore Arena Corporation, which reports on a calendar year basis (fiscal year ending December 31st), has not reported on a full year's operating result as of yet. However, the results for the period July 19, 2011 to December 31, 2011, indicate that earnings (before interest, depreciation and amortization) will show some minor improvement over prior years' results.

Over the medium term, the earnings from operations of $1.7 to $1.8 million are sustainable. However, the high debt service cost is projected to result in a breakeven cash flow. The long-term debt on the facility was $41.7 million as at December 31, 2011. The three floating rate loan facilities which mature in October 2014 will have to be refinanced at what will likely be significantly higher interest rates, which will place additional funding pressure on operations at that time, and in the absence of any changes in relationship, may require an ongoing subsidy from the City. The Board anticipates that the Arena can be operated in a self sustaining manner until October 2014, when the debt service costs will likely increase.

Arena Operating Performance 2009-2012 $M's

	Lakeshore Lions Arena Inc.			Lakeshore Arena Corporation
	2009/2010 Ending June 30th Actual	2010/2011 Forecast at time of Take Over	2010/2011 Ending June 30th Actual	2012 Forecast
Revenues	3.238	3.533	3.903	4.327
Expenses	(1.765)	(2.115)	(2.473)	(2.633)
EBITDA (Earnings before Interest, Taxes, Depreciation & Amortization)	**1.473**	**1.418**	**1.430**	**1.694**
Debt Repayment	(1.621)	(1.621)	(1.618)	(1.756)
Net Cash Flow	**(0.148)**	**(0.204)**	**(0.188)**	**(0.061)**

Lakeshore Arena Valuation

Colliers International Realty Advisors Inc. was retained by the Board to undertake an appraisal of the property in order to estimate its current market value.

Based on their expertise of the market, the highest and best use of the property as presently improved is the continuation of the existing use as an arena for the foreseeable future. Colliers have provided staff an estimate of range of the fair market value of the Arena. It is noted that, under the current arrangement, the land upon which the Arena is situated is leased by the City from the TDSB wherein the facility reverts to the TDSB upon expiry of the lease. The price a purchaser may be willing to pay for the Arena would depend if it was on a fee simple basis or on a leasehold assumption basis. A fee simple basis reflects an unencumbered purchase of the property, while the leasehold assumption reflects taking over the 50-year lease expiring October 2057. A purchaser would likely pay slightly more for the Arena on a fee simple basis. There is nothing to preclude dialogue with the TDSB on the sale of such land to the City or other proponent as part of this process.

The values contained in the appraisal report represent an estimate of the value an investor would pay for the property (or for the leasehold interest) and is unaffected by financing associated with the property. In other words, the debt on the facility would remain with the City and is not part of the purchase price consideration. The lender's consent is required for any change in ownership of the property or control of leasehold interest, and the lender would likely seek to have the floating rate loan facilities settled ($18.8 million at weighted interest rate of 2.2%), and settlement (an interest rate differential penalty will apply) or an assumption by the City of the fixed rate loan facility ($20.7 million at an interest rate of 5.23% maturing October 2017). The City has also loaned the LAC a further $2.2 million through the Better Building Partnership Office and for working capital.

Strategic Considerations:

The Lakeshore Arena is an iconic facility like no other in the City of Toronto. From opening, virtually all the available prime-time ice-time has been filled at amongst the highest commercial rates in the City. Most of the tenant space has also been filled with solid tenants such as Hockey Canada, Hockey Hall of Fame, the NHL Player's Alumni Association, and the Toronto Maple Leafs and Marlies. However, opportunities and challenges in respect of non-prime time uses and two large vacant tenant spaces remain which are not suitable for occupancy at this time. Completion of the tenant space will require capital investment of a minimum of $300,000.

Given the November 2012 direction to report back on Future options, the Board did not seek funding to complete the vacant space and seek tenants. This will be the responsibility of the future operator of the facility.

Some of the key strengths, weaknesses, opportunities and threats with respect to the arena are highlighted below.

Strengths Weaknesses Opportunities and Threats (SWOT) Analysis

<table>
<tr>
<td><u>Strengths:</u>
Iconic facility, cachet of Maple Leafs practice facility
Solid long-term tenants, long-term MC naming rights
Tenants have significant investment in leasehold improvements
State-of-the-art, energy efficient facility
Solid demand for prime-time ice, core ice user groups</td>
<td><u>Weaknesses:</u>
High debt service, inability to pay down principal
Lack of additional financing to finish spaces
Limited expertise in running for-profit facilities
Arena is built on leased land from TDSB.</td>
</tr>
<tr>
<td><u>Opportunities:</u>
Additional space revenue potential:
- 2nd floor (8,900 ft2), solar panels, others?
Attract Major Sports Events:
- World Juniors, etc.
Attract Major Events:
- Battle of the Blades, movies, etc.
New non-prime time uses
Additional advertising/naming rights</td>
<td><u>Threats:</u>
2014 – Sub-prime floating rate loans expire (~ $18m) – interest rate risk
2017 – Fixed Rate facility renewal – interest rate risk
2020 – Core tenant leases expire, and renewal not guaranteed</td>
</tr>
</table>

Future Options for Arena

The following options for the long-term operation of the arena have been identified:

1. Sale of the Arena and/or Property

The City could seek bids for the assumption of the remaining leasehold interest in the arena, or if the TDSB was agreeable, for the sale of the property on a fee simple basis. The consultant, Colliers International, has noted there is likely only a few potential buyers at this time, limited to those who have special industry expertise in running a multi-pad arena.

The Board is not recommending pursuing the sale option as part of the competitive procurement process at this time, as they feel that including the sale option concurrently in the competitive procurement process may prejudice any submissions for the lease, operation or other management arrangement for the facility. Nonetheless, in the interest of time and to have the ability to assess all options concurrently, City staff recommend that all options be considered within the proposed competitive procurement process, with the intention of reporting back on a financial comparison of all the proposals arising from the competitive procurement process, including a comparison with that of continuing with the current City Services Corporation operating model, and to recommend a preferred proponent if the competitive procurement process yields a proposal that is clearly preferential to continuing with the existing City Services Corporation structure and the other requirements of the competitive procurement process being met.

2. Third party operator of the Arena

The concept for a third-party private operator is that they could run the facility more efficiently through their marketing and operating expertise, find revenues opportunities and uses for non-prime time ice that the LAC Board have not considered, and provide capital to finish and tenant the vacant space.

There can be several arrangements in which a third-party could operate and manage the facility on behalf of the City. In one approach, they could simply manage it for a fee paid by the City to the operator, similar to a professional manager. The City would remain responsible for any operating deficiencies and capital requirements, while a bonus could be paid for performance that exceeds a standard that may be set by the City. This approach is not recommended in that it is believed that the LAC Board is quite capable of managing the Arena in this way.

In another type of arrangement, the third-party private operator could provide the City rent in exchange for control of the facility for a fixed term, typically ten to twenty years or more. The operator would be responsible for any operating deficiencies, and typically would be required to set aside an annual amount for capital maintenance. A profit-sharing component could also be part of the arrangement. The existing financing on the facility would not be a consideration of the operator, and the City would remain responsible for the debt obligations on the facility.

The amount of rent a respondent to this option would be prepared to pay would depend on their construct of a pro-forma and assumptions of revenues and expenses under their management. They may also be able to leverage their expertise and connections to maximize the potential of non-prime periods and find the best use for the vacant space. A respondent with such unique and proprietary ideas may ascribe higher earnings from the facility, and respond with a rent offer to the City that is greater than is contemplated from the LAC Board operating the facility.

For these reasons, staff feel it is worthy of exploration, and as such, concur with the LAC Board's recommendation to issue a competitive procurement process for an operator.

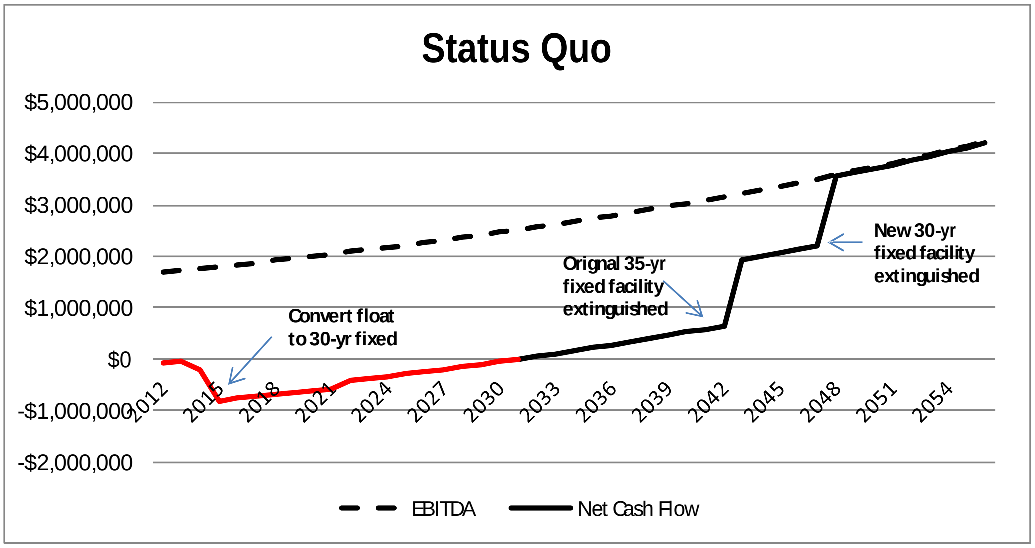
3. LAC continues to operate the Arena

This option considers the continued operation of the Arena by the current LAC Board as a city services corporation. As previously noted, the LAC Board is in the process of reviewing long term strategies to maximize the use and exposure of the facility as a premier skating and hockey destination, including identifying uses and interest for the vacant space on the second floor of the facility. It is estimated completing that space in a manner suitable for occupancy would cost in the order of $300,000.

Based the current budget of the Board, and on the actual financial results of their first year of operation, earnings from the facility in the order of $1.7 million to $1.8 million are estimated for 2013. With current debt servicing costs in the same order, the facility is expected to operate on a break-even basis through to the end of 2014.

However, debt servicing costs (currently at sub-prime interest rates) are expected to increase significantly once the floating rate loan terms expire in October 2014. At that time, the Board would be faced with the situation of re-financing the $18.8 million floating rate facilities at prevailing market rates which are anticipated to be higher than current rates. The financing impact of higher projected interest rates could be in the order of $500,000 to $800,000 annually. The cash-flows for the facility under this status quo option are shown below.

Projected Cash Flows for Arena Under Continued LAC Board Management



The above is based on the current budget and does not reflect additional potential income from utilizing the vacant space on the second floor and from finding additional non-prime time uses for the facility. The Board is confident some additional value will ultimately be found, and the results could be improved upon from that presented above.

4. The Arena becomes a City facility (except for tenant space) and is operated as a PF&R Arena.

The concept of this option is that the facility becomes a City-run arena, subject to all the City's policies in respect of ice allocation and ice rates. In other words, there would be limited commercial or market-priced use at the arena. Under this scenario, revenues would be clearly lower, and expenses higher.

In order to comply with the City's Ice Allocation Policy, available ice time would be distributed as 60 % to Community Youth, 25% to Competitive Youth, 0.5% to Competitive Junior Hockey, 14% to Community Adult and 0.5% to Commercial or Private Use. City Council's approved permit fees for prime time ice rate for Community Youth in an 'A+' facility is $152.29 per hour, which is significantly lower than the $403 per hour currently charged by the LAC.

It should be noted that PFR currently has an unmet demand for ice and has identified a number of arenas that will require debt serviced capital investments in the long term. Unmet demand for ice and avoidance of capital construction costs for a new arena in future years could be achieved if the LAC was operated as a PFR facility. This would also require the land to be purchased by the City from the TDSB at an additional cost.

This option would require an annual operating budget in the order of $2 million from the City, plus additional amounts to meet the existing debt obligation on the facility and any land acquisition costs. This option will not result in the self sustaining operation of the Arena and is not recommended.

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SIGNATURE

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Giuliana Carbone
Acting Deputy City Manager and
Chief Financial Officer

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Jim Hart
General Manager, Parks Forestry and
Recreation

ATTACHMENTS

Attachment 1 - Key Terms for the Competitive Procurement Process
Attachment 2 – Letter from Lakeshore Arena Corporation Board
Attachment 3 – Arena Operating Performance

Attachment 1 - Key Terms for the Competitive Procurement Process

The City is seeking interested parties for the purchase, lease, operation or other third party arrangement of the Arena with a view of maximizing the use and exposure of the facility as a premier skating and hockey destination.

The goal of the proposed competitive procurement process will be to seek a qualified purchaser, leasor or operator for the Arena, on financial terms that are more favourable than the current City corporation operations. The competitive procurement process will set out the City's minimum expectations with respect to the purchase, lease or operator options (e.g. maintaining the City's and TDSB's ice-time), and with respect to the lease or operator options, how the arena is to be managed and operated, as well as requiring the proponents to demonstrate how these expectations will be met throughout the term of the lease. The minimum expectations include:

Qualifications and Expertise:
The Proponent's proposal shall demonstrate Proponent's qualifications and expertise in operating a multi-pad arena.

Financial Capability
The City wishes to ensure that the proposed operation is a profitable and viable operation for the successful Proponent. The Proponent must demonstrate that is has the financial capability and backing to successfully carry out the proposed arrangements.

Property Taxes:
This property, excluding commercially tenanted spaces, is currently property tax exempt as a Municipal Capital Facilities. The City will use best efforts to maintain the facility's property tax exemption status. All taxes, including property taxes if payable, shall be the responsibility of the successful Proponent.

Leasehold Improvements:
In any option other than the purchase under a fee simple basis, all leasehold improvements as part of the Proponent's proposal will be subject to the prior approval of the City and be completed at the sole cost of the successful Proponent without any contribution by the City. All leasehold improvements will become the property of the City at the end of the Term.

Financial Offer:
The City expects a return sufficient to justify the lease or license or operating agreement to any Respondent. Additionally, any purchase proposal should be provided on both a fee simple basis (requires TDSB agreement to sell the land) and on a leasehold assumption basis.

In reviewing proposals, the City will assess the additional costs or savings that the City would incur if it proceeded with the Proponent's proposals.

All respondents must provide clear evidence of their financial ability to meet the obligations of their proposal, including a business case with sufficient detail to (a) demonstrate the achievability of the proposed plans, (b) allow the City to determine any additional costs or savings that the City would incur if it proceeded with the Proponent's proposals, and (c) allow the City to make a financial comparison of the proposals and the base case scenario.

Shared Use by the City:
The Proponents shall allow for the use of 500 hours of non-prime time ice to the TDSB, and 800 hours of prime time ice to the City at the City's community rate.

Existing Employees:
The Proponents shall state their intentions with respect to existing employees.

Attachment 2 – Letter from Lakeshore Arena Corporation Board

MasterCard CENTRE FOR HOCKEY EXCELLENCE

October 15, 2012

Ms. Giuliana Carbone
Acting Deputy City Manager and Chief Financial Officer; and,
Mr. Jim Hart, General Manager, Parks, Forestry and Recreation
City of Toronto
City Hall, 100 Queen Street West
Toronto, Ontario M5H 2N2

Dear Ms. Carbone and Mr. Hart:

Re: Future Options for Lakeshore Arena Corporation

The Unanimous Shareholder declaration approved by City Council requires the Board of Lakeshore Arena Corporation to work cooperatively with the Shareholder to help determine the future of the Arena. In order to assist the City in making its decision, during the first year of operation we have stabilized the operations and engaged a third party appraisal firm to determine the value of the City's leasehold interest in the Arena

We have considered four options for the future of the Arena: the sale of the property (either fee simple or leasehold interest basis); a third party operator for Arena; the continued operation by the Lakeshore Arena Corporation and transforming the facility into a City-run Parks, Forestry and Recreation facility, with a view of identifying the option that will minimize the loss to the City.

The Board recommends the City to undertake an RFP process for the lease, operation or other management arrangement of the Lakeshore Arena and compare the outcome to the current operating model for decision.

The Board recognizes that the City may want to test the market for the sale of City's leasehold interest in the facility. Should a sale be entertained, the sale should be pursued first to maximize the value of the proposals from the sale as well as operator options.

We look forward to continuing to work with the City in the future.

Members of the Board

Ann Ulusoy (Chair)	Josie Scioli	Mike St. Amant
Bruce Hetherington	Louis Forbes	Darryl Boynton

** This letter has been amended to remove confidential information.

Lakeshore Arena Corporation
400 Kipling Avenue, Etobicoke, Ontario, Canada M8V 3L1
Phone: (416) 251 5219 Fax: (416) 251 6242

Attachment 3 – Arena Operating Performance

	2010 Actual	2011 Forecast at time of Take Over	2011 Actual	2012 Budget
REVENUE				
ICE RENTAL	2,119,875	2,295,514	2,430,281	2,778,000
TENANCY RENTAL	590,704	803,984	767,318	905,261
SNACK BAR	56,101	98,745	261,167	300,000
ARENA - VEND MACHINE	12,086	12,809	13,400	11,456
INTEREST INCOME	1,542	6,233	2,968	-
ADVERTISING INCOME	43,600	59,757	72,837	80,000
LICENSING INCOME	232,500	252,249	192,729	250,000
RESTAURANT/CATERING				-
SOLAR PANELS				-
OTHER	181,569	3,668	162,247	2,400
TOTAL REVENUE	**3,237,977**	**3,532,959**	**3,902,947**	**4,327,117**
EXPENSES				
SALARIES & BENEFITS	608,080	697,733	800,422	939,284
SNACK BAR PURCHASES	34,532	79,208	138,186	140,000
PROFESSIONAL	912	(616)	486	5,000
AUDIT & LEGAL	61,132	59,467	216,466	40,736
INSURANCE	56,330	54,834	66,068	64,008
INTEREST & BANK CHARGES	9,511	12,881	13,416	7,200
BUILDING & EQUIPMENT MAINTENANCE	134,382	185,069	277,245	250,000
OFFICE & CLEANING	49,942	64,791	71,732	62,400
TELEPHONE	22,638	19,992	27,521	24,000
UTILITIES	781,546	910,322	842,904	1,088,000
OTHER	5,825	9,904	18,701	12,000
TOTAL EXPENSES	**1,764,830**	**2,115,106**	**2,473,147**	**2,632,628**
EBITDA *	**1,473,147**	**1,417,853**	**1,429,800**	**1,694,489**
Debt Repayment (Annualized):				
Facility #2 (P&I)	1,203,216	1,203,216	1,203,216	1,199,403
Facilities #1, #3, #4	418,200	418,200	414,444	420,147
City BBP Loan				100,000
City Working Capital Loan				36,369
Debt Repayment (annualized)	**1,621,416**	**1,621,416**	**1,617,660**	**1,755,919**
Net Cash Flow (before amortization and depreciation)	**(148,269)**	**(203,563)**	**(187,860)**	**(61,430)**

*Earnings before Interest, Taxes, Depreciation & Amortization