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RE: Lakeshore Arena Corporation 2012 Audited Financial Statements and Annual Report of the Board of Directors

Lakeshore Arena Corporation Board of Directors are excited to share the December 31, 2012 Audited Financial Statements, 2012 achievements and future plans pursuant to the requirements of the Unanimous Shareholder Declaration.

Lakeshore Arena Corporation was incorporated on July 19, 1011 and assumed control of operations of the MasterCard Centre for Hockey Excellence, a four pad Arena, on September 15, 2011. The Corporation has been operating with a full Board since the February 2012 appointment of the three external Board members, Bruce Hetherington, Louis Forbes and Darryl Boynton, by the City Council and 2012 was the first full year of operation under the management of the Board.

Lakeshore Arena Corporation's financial results for the year ending December 31, 2012 have been significantly better than expectations. The Corporation has closed the year with a net deficiency of \$0.578 million after interest and amortization, which was favourable compared to the budgeted net deficiency of \$1.9 million.

In 2012, the Corporation generated revenues of \$4.4 million and expenditures before interest and amortization of \$2.5 million resulting in earnings before interest and amortization (EBITDA) of \$1.904 million or 43% of the gross revenues. Compared to the last full year of operation under the former operators, Lakeshore Lions Arena Inc., the revenues have increased by \$0.5 million while the expenditures before interest and amortization remained at the same level.

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It is important to note that the Master Card Centre would have been a highly profitable operation if it was not fully debt financed. Total debt is \$41.3 million and annual interest payments are \$1.529 million. Debt free ownership of the facility would have returned \$0.951 million as a dividend payment to the shareholder.

In 2012, the Corporation was able to settle over \$0.5 million of commercial legacy debt and legal claims related to the former operator, Lakeshore Lions Arena Inc. The liabilities, most of which were expensed by the previous operator in the past, limited the cash flow of the operation in 2012. As of the end of the year, all accounts with the vendors and suppliers are now in good standing and all outstanding legal claims lawsuits against the Lakeshore Arena Corporation are settled. In spite of the cash outflow related to liabilities from previous owners that impacted the liquidity of the operation, the Corporation was able to reduce the debt by \$0.370 million, which includes a \$0.146 million cash flow sweep payment towards the principal of the interest only debt. In 2013, Board expects improved cash flow as the burden of past commercial and legal liabilities have now been settled.

The Executive Director Trish Power and the Arena staff worked hard to make sure the Arena remained the preferred hockey destination in Toronto. There were no fee increases for prime time and although the current rates are the highest in the GTA, the ice utilization for the prime time remained nearly full while non prime time ice utilization increased in 2012. The Arena operated all four pads throughout the year, including the slow summer season and hosted 14 Tournaments, 8 media events/commercial shoots, various holiday camps, and numerous NHL visiting teams.

In 2012, the Board of Lakeshore Arena Corporation worked with the City to help determine the future options of the Arena. In order to assist the City in making its decision, we have engaged a third party appraisal firm to determine the value of the City's leasehold interest in the Arena. During the time the report was considered by Council, the Board postponed pursuing revenue opportunities on the second floor, which remains unfinished. The Council received the report in early 2013 without a direction to consider a competitive process, which will allow the Board to pursue tenants for the second floor. In doing so, the Board works very closely with the shareholder, seeking the approval of any lease decisions from City's Real Estate Division.

The Board Lakeshore Arena is an iconic facility like no other in the City of Toronto. This past year, we have been able to capitalize on that and continued to make this a world class facility. We have strengthened our relationship with our existing tenants, permit holders, and general public which we will continue to focus on. We are committed to increase the daytime usage, bring in tenants that will finish and operate a restaurant and a sports development facility on the second floor, actively market the facility for tournaments and events, and continue to improve the customer service. We expect 2013 to be a very good year where the Board will continue with the momentum built since the Arena was purchased by the City. The work in 2013 will prepare the Corporation for the debt refinancing challenge in 2014, which will be the year where the floating rate debt will be due for renewal at possibly higher interest rates.

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The Board of Directors would like to thank the shareholder for its ongoing support and look forward to continuing to deliver exceptional value to the community and the City.



Ann Ulusoy, Chair

Members of the Board:

Ann Ulusoy, Chair
Mike St. Amant, Secretary-Treasurer
Louis Forbes

Bruce Hetherington, Vice Chair
Josie Scioli
Darryl Boynton