



Joseph Pennachetti,
City Manager
City of Toronto
100 Queen Street West, 11 East
Toronto, Ontario
M5H 2N2

May 5, 2014

RE: Lakeshore Arena Corporation 2013 Audited Financial Statements and Annual Report of the Board of Directors

Lakeshore Arena Corporation Board of Directors are excited to share the December 31, 2013 Audited Financial Statements, 2013 achievements and future plans pursuant to the requirements of the Unanimous Shareholder Declaration.

2013 is the second full year of operations for Lakeshore Arena Corporation, which was incorporated on July 19, 2011 and assumed control of operations of the MasterCard Centre for Hockey Excellence, on September 15, 2011.

2013 has been a very good year for Lakeshore Arena Corporation, which is reflected in the financial results for the year ending December 31, 2013. The Corporation has closed 2013 with a net deficiency of \$97,919 after interest and amortization, compared to a net deficiency of \$578,022 in the previous year.

In 2013, the Corporation generated revenues of \$5.1 million and expenditures before interest and amortization of \$2.8 million resulting in earnings before interest and amortization (EBITDA) of \$2.3 million or 46% of the gross revenues. The increase in gross revenues from \$4.4 million in 2012 to \$5.1 million in 2013 is mainly the result of hosting the Battle of the Blades and renting a significant portion of the second floor. In 2013, the Board considered proposals from three businesses in the high performance athlete development sector and "Journey to Excel" has started its operations in May 2013.

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

The Board's efforts for securing a restaurant tenant for the remainder of the second floor was not successful despite two Requests for Proposals and contacts with commercial real estate brokers due to the high cost of equipping a restaurant space. As an alternative, the Board considered building upon the in house restaurant and food services expertise through the successful snack bar and catering facility, however, the quotes obtained for equipping a full service restaurant on the second floor was in the range of \$0.9 million to \$1.6 million. Although a restaurant operation would be a valuable customer service as well as a reliable source of additional revenues, the priority remains servicing the debt.

Master Card Centre is fully debt financed and there has been no share capital contribution by the City of Toronto. Total long term debt was reduced from \$41.3 million in 2012 to \$40.9 million in 2013 and annual interest payments were \$1.505 million in 2013. Debt free ownership of the facility would have returned \$1.4 million as a dividend payment to the City or would have funded the completion of the second floor restaurant.

In 2013, the Arena was able to manage its working capital well and had no outstanding balance for the \$1 million working capital loan offered by City of Toronto. 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. The facility has not raised the maximum hourly rate for prime-time ice 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 increased in 2013. In addition to TDSB's 500 hours of non-prime time ice, City has access to 800 hours of prime time ice, which is permitted at City of Toronto rates to Faustina, a local minor hockey association. The Arena operated all four pads throughout the year, including the slow summer season and hosted tournaments, media events/commercial shoots, various holiday camps, and numerous NHL visiting teams.

The Board has the confidence of operating the Arena in a manner that did not require the financial support of the shareholder for close to three years now. Relationship with existing tenants, permit holders, and general public is very strong and prime time utilization rate is at capacity with some additional revenue potential in daytime use and restaurant operations. The focus in 2014 will be maintaining the momentum, working with the City on refinancing part of the debt and focussing on the state of good repair needs of the facility, which is now five years old.

2014 also marks the end of the first two year term of the external board members who have been extremely valuable by their professional expertise and business backgrounds in governing the Corporation. The three external Board members, Bruce Hetherington, Louis Forbes and Darryl Boynton, have agreed to continue for a second term, which will be considered as a part of the Annual General Meeting.

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.

A handwritten signature in black ink, appearing to read "Ann Ulusoy". The script is cursive and fluid.

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