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May 10, 2017

**RE: Lakeshore Arena Corporation 2016 Audited Financial Statements and Annual Report of the Board of Directors**

Lakeshore Arena Corporation Board of Directors are excited to present the December 31, 2016 Audited Financial Statements, 2016 achievements and future plans pursuant to the requirements of the Unanimous Shareholder Declaration.

Lakeshore Arena Corporation was incorporated on July 19, 2011 and assumed control of operations of the MasterCard Centre for Hockey Excellence, on September 15, 2011 to prevent the default of the former operator Lakeshore Lions Arena, which had a loan guarantee of \$35.5 million from the City.

The Arena, which operates as "Master Card Centre" for hockey excellence continues to be a high demand facility and the utilization rates are at an exceptional level for the industry. The Corporation has closed 2016 with a net deficiency of \$742,735 after interest and amortization, compared to a net deficiency of \$466,851 in the previous year. This is mainly due to the rink closures during the summer months for capital maintenance of the facility roof.

In 2015, City Council had approved the \$8.1 million capital contribution to the Arena subject to obtaining permanent financing for the balance of the short term interest only loan from the City. Lakeshore Arena Corporation is financing the City loan of \$11.9 million loan as well as the Versabank loan of \$19.3 million maturing on October 31, 2017 with an Infrastructure Ontario loan. As a result of the capital contribution, the Arena reported an accumulated surplus of \$3.982 million as of December 31, 2016.

In 2016, City of Toronto, through Parks, Forestry and Recreation Capital Budget, the building underwent capital maintenance to address the state of good repair backlog, mainly in the roof. The work, which was completed in an accelerated manner with minimum disruption to services, was completed by September 2016, in time for the Fall season. As with other City owned assets, City is responsible for the capital maintenance of the building. As a return on City's capital

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contribution, Lakeshore Arena Corporation has committed to return 50% of its net operating income to the City on an annual basis.

The facility is operated as a for profit facility and charges market rates. Its operating deficits have been the result of the fact that the facility was 100% debt financed. Typically, privately operated facilities carry a much lower level of debt, and an interest burden. Debt free ownership of the facility would have generated dividends of \$0.625 million in 2016 and \$7.0 million to the City since inception.

In 2016, the Arena generated revenues of \$4.8 million and expenditures before interest and amortization of \$3.2 million resulting in earnings before interest and amortization (EBITDA) of \$1.6 million or 33% of the gross revenues. The decrease in gross revenues from \$5 million in 2015 to \$4.8 million in 2016 is due to the rink closures during the capital maintenance. Total expenditures of \$5.6 million in 2016 have remained in line with the \$5.5 million in 2015. City of Toronto has made available a \$1 million working capital loan to the Arena, of which \$0.127 was withdrawn as of December 31, 2016.

In the spring of 2016, Lakeshore Arena Corporation Board welcomed two new Directors: Bob Hunter, MLSE and Jack Lawrence, replacing Darryl Boynton and Louis Forbes.

The restaurant space on the second floor remains unutilized in spite of efforts to find a tenant for due to the high cost of equipping a full service restaurant on the second floor. The Board is looking at other options to utilize the space.

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 (December 2016): Ann Ulusoy, Chair; Bruce Hetherington, Vice Chair; Mike St. Amant, Secretary-Treasurer ; Josie Scioli; Bob Hunter; Jack Lawrence.