

ATTACHMENT 1



Annual and Cover Report
Lakeshore Arena Corporation
For the Year ended December 31, 2022

June 15, 2023

2022 was a return to business as usual for Lakeshore Arena Corporation (LAC). LAC was able to achieve pre-pandemic ice rental revenue and related activity as the arena had 11 months of uninterrupted business from January 28, 2022, through December 31, 2022, following a brief, and final, closure of the facility due to the Covid-19 pandemic. Despite the three-week closure, the arena was able to meet all debt obligations for 2022 without any additional emergency financing from the City of Toronto. Ice rental revenue in 2022 was \$3.47 million (\$1.86M, 2021 - 87% increase). As of December 31, 2022, the Corporation had net debt of \$29,852,135 (30,112,892 – 2021). For the year then ended, the Corporation had an operating surplus of \$45,525 (\$61,247 deficit - 2021).

In January 2016, City Council approved a conversion of \$8.1M of the loan receivable from the Corporation into a capital contribution. As part of the transaction, the Corporation agreed to make an annual distribution to the City equal to 50% of net operating income before amortization of tangible capital assets. As of December 31, 2022, \$2,092,602 has been recorded as distributions to date, of which \$1,454,206 is outstanding and due to the City. The balance outstanding is non-interest bearing with no fixed repayment terms. The structure of this debt repayment remains one which is challenging to the corporation in terms of cash flow.

In April 2017, the Corporation obtained two credit facilities from Ontario Infrastructure and Lands Corporation (OILC). The debt outstanding as of December 31, 2022, was \$23,002,423 (\$23,794,257 – 2021). The credit facility is currently in good standing with the Lender and the Corporation is in compliance with the debt service coverage ratio requirements as required by the Lender.

The Corporation has a general, interest only loan, with the City of Toronto in the amount of \$4M that was renewed in September 2022 and matures in October 2025. The credit facility is 3% and interest only payments are due quarterly. All interest payments and all outstanding and accrued interest was paid in early 2023.

The Corporation has an operating line of credit with the City of Toronto in the amount of \$1M. As of December 31, 2022, the Corporation has drawn the full \$1M available. There are no specific terms of repayment and interest accrues at 3%. All interest payments and all outstanding and accrued interest was paid in early 2023.



The Auditor of the Corporation had added a note to the 2021 financial statements that indicated a material uncertainty exists that may cast doubt on the Corporation's ability to remain a going concern. The Auditor of LAC removed the note from the financial statements in 2022 related to the material uncertainty of the Corporation's ability to continue as a going concern based on LAC's return to regular operations. The Board of Directors recognizes the high debt load for the facility and while it is now better positioned to meet its ongoing financial obligations, a longer-term plan is required to ensure it can remain a sustainable operation.

To that end and with the City's support, the Board of Directors of the Corporation engaged a third-party consultant to develop a multi-year financial and business plan. These will be presented to the City's Corporate Finance Department and will be used by the Board of Directors to ensure a sustainable operation for the future. LAC remains an important facility in the provision of community and competitive hockey and skating programming and infrastructure. 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.

Howie Dayton, Chair

Members of the Board of Directors

Andrew Flynn – Treasurer

Patrick Matozzo

Nick Eaves – Tenant Representative (MLSE)

Andrew Kidd

Andrew Teichman