Samuel Berg et al

v

Canadian Hockey League et al

Certification of the Matter as a Class Action

February 28, 2017

SMITH FORENSICS INC.

Forensic Accounting and Neutral Services

SMITH FORENSICS INC.
Forensic Accounting and Neutral Services

PRIVILEGED AND CONFIDENTIAL

Sent By Email

February 28, 2017

Mr. Theodore Charney
Charney Lawyers
151 Bloor Street West
Suite 602
Toronto, Ontario
M5S 1S4

Dear Mr. Charney:

Re: Samuel Berg et al v Canadian Hockey League et al

Pursuant to your request, we have prepared our report relating to the certification of the above matter as a class action. We are aware of the ongoing litigation with respect to this matter and understand that this report may ultimately be used at a hearing.

This report is not intended for general circulation or publication, nor is it to be reproduced for any purpose other than as outlined above, without prior written consent, which consent will not be unreasonably withheld.

Yours very truly,
SMITH FORENSICS INC.

Ronald T. Smith, CPA, CA•IFA, CFF CIP
OHL CLASS ACTION-THEODORE P. CHARNEY-02/28/2017R

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Section A
Introduction

This report includes the following sections:

A. Introduction.
B. Reporting standard.
C. Report date and effective date of findings.
D. Basis and purpose of report.
E. Scope of review.
F. Scope limitations.
G. Terminology.
H. Approach.
I. Conclusions and major findings and comments – KPMG methodology.
J. Conclusions and major findings and comments – Financial impact on the 20 teams of paying the players a minimum wage and our other observations.
K. Report distribution restrictions.
L. Other matters.
M. Statement of qualifications of Ronald T. Smith.
N. Acknowledgment of expert's duty

Section B
Reporting standard

Please note that this report is prepared pursuant to the "Standard Practices for Investigative and Forensic Accounting Engagements", as published by the Chartered Accountants of Canada, now Chartered Professional Accountants of Canada.

Section C
Report date and effective date of findings

This reporting letter is dated February 28, 2017.

Findings are as of February 28, 2017.

Section D
Basis and purpose of report

We were retained to undertake an independent review of the December 22, 2016 report prepared by KPMG LLP, entitled: "Ontario Hockey League Summary of Financial Information" (the KPMG report).

We were asked specifically to:

1. Determine if the methodology used by KPMG was appropriate in determining the financial performance of the 20 Ontario Hockey League (OHL) teams and the OHL.
2. Determine if there was sufficient information and documentation to determine the financial impact on the 20 OHL teams of paying the players a minimum wage.
3. Provide any additional observations.

Section E
Scope of review

For this report, we primarily relied upon and/or reviewed the documentation listed in Appendix A to this report.

Section F
Scope limitations

Our scope was limited as a number of financial statements and income tax returns have not been produced, which were to be produced pursuant to the Decision of October 28, 2016 of Justice R.J. Hall.

Our scope was limited in part as we did not have the following documents that were referred to in the December 22, 2016 Ontario Hockey League report prepared by KPMG.

I. The OHL financial statements for the fiscal years ended June 30, 2011 to 2016.
II. OHL Scholarship Payments 2009 to 2016 Summary.
III. Extraordinary payments to teams by the OHL for the World Junior Tournaments in 2012 and 2015 and the Memorial Cup in 2014.

Section G
Terminology

The following terminology is used within this report:

1. Internally prepared financial statements

   Financial statements that are prepared internally by the reporting entity.

2. Externally prepared financial statements

   Financial statements that are typically prepared by an independent external accounting firm.

3. Audit, Review Engagement, Notice to Reader

   These are the three main types of reporting standards for accountants who prepare financial statements.

   <u>Audited Financial Statements</u> – Have the highest standards placed on accountants and the work performed is typically much more in-depth than any other reporting standard (see Appendix C for a typical wording of an “Independent Auditors’ Report”).

   <u>Review Engagement Financial Statements</u> – Are based primarily on enquiry, analytical procedures and discussions with representatives on the entity (see Appendix D for a typical wording of a “Review Engagement Report”).

   <u>Notice to Reader Financial Statements</u> – Have the most minimal standards placed on accountants and are typically prepared based on information provided by the client (see Appendix E for a typical wording of a “Notice to Reader”).

4. Notes to financial statements

   The notes to financial statements provide details that are not found on a balance sheet or income statement as well as various other statements or schedules to the financial statement. For audits and review engagements, the notes could include: the significant accounting policies, the details as to what items comprise a specific item, the basis of how the item was calculated and any additional information that the reader of the financial statements should be aware of when relying upon them (see Appendix F for notes from a “Review Engagement Financial Statements”).

5. Intangible assets

   Are assets that are not physical (tangible) in nature. They would include goodwill, trademarks and franchise costs. Tangible assets would include fixed assets – equipment, buildings and furniture and fixtures, cash and accounts receivables. Intangible assets can have a limited life and be amortized over that period of time or they can have an unlimited life and only be written-down when they are impaired.

6. Impairment testing of intangible assets

   Impairment testing is performed in order to determine if the value of the intangible asset is less than the amount it is carried at on the balance sheet. If the value is less than the amount on the balance sheet, there will be an amortization charge to the income statement to reflect the amount of the impairment. The impairment testing should occur annually or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

7. Normalized earnings

   In this instance, normalized earnings are defined as earnings that have been adjusted to remove the effects of revenue and expenses that are unusual or one-time influences. Normalized earnings help business owners, financial analysts and other stakeholders understand a company's true earnings from its normal operations.

Section H
Approach

Our approach to this assignment is set out below:

KPMG methodology

For this section of the report, our approach consisted primarily of the following:

i. Reviewed the KPMG report to determine the basis on which it was prepared.
ii. Reviewed the supporting documents that KPMG used to prepare their report, which for the most part consisted of financial statements and the income tax returns for one of the teams.
iii. Identified anomalies within the financial statements, income schedules and/or income tax returns.

Financial impact on the 20 OHL teams of paying the players a minimum wage and other observations

In addition to the procedures referred to above, our approach primarily consisted of the following:

i. Reviewed the completeness of the information that was contained in the financial statements and income tax returns that was available and/or relied upon by KPMG.
ii. Reviewed data related to the sale of OHL and the Western Hockey League (WHL) teams, which were primarily from financial statements.
iii. Reviewed information relating to impairment testing of intangible assets, from the financial statements of the teams.
iv. Reviewed income tax returns to identify the 50% add-backs of non-deductible meals and entertainment expenses (for income tax purposes).
v. Reviewed extracts of various affidavits to determine if there were any inconsistencies between them and the teams' documents that we reviewed.
vi. Reviewed the Canadian Hockey League (CHL) June 30, 2016 financial statements to determine the amount of the distributions to their leagues and the teams within the leagues.

Section I
Conclusions and major findings and comments

KPMG methodology

Based upon our review and/or analysis of the KPMG report and the documentation that has been produced in this matter (as noted in our scope section), we make the following conclusions, major findings and comments.

The KPMG report states at page 1, last paragraph, their retainer and the purpose of it, see below:

> KPMG Forensic Inc. ("KPMG") has been retained by Torys LLP on behalf of the Defendants, to provide a summary of the income statements of the OHL and the Teams on an individual and combined basis for the five-year period from 2012 to 2016 (the "Period").[1] Given the potential for annual variations in the results of the Teams, a five-year period was chosen to provide a more comprehensive view of the Teams, while taking into consideration the ability to obtain summary financial information. The purpose of this analysis is to provide a view of the Defendants' overall financial performance.

We are not sure what a "view" means, but based upon the work performed, it appears to be little more than using "snapshots" of the teams' income information and adding them up.

The KPMG report would not be classified as a "true" forensic accounting report, nor did the author portray it as such.

As the central issue is what the financial impact on the teams would be of paying players minimum wage, we would have expected the assignment to be (amongst other procedures) to determine what the normalized earnings were of the teams.

It appears that the skill-set of KPMG was greatly under-utilized due to the inherent limitations associated with the assignment that they were asked to complete.

Some of the typical procedures for this type of assignment that would have been employed by a forensic accountant would include:

1. Assess the degree of reliability that could be placed on the financial statements – were they internally or externally prepared, and, if externally prepared, were they audited, a review engagement or a notice to reader.
    - Externally prepared typically being more reliable than internally prepared.
    - Audited or review engagements being far more reliable than a notice to reader.

2. Calculate the normalized earnings of the teams, which may include:
    - Meet with management to gain an appreciation of their particular business.
    - Review the financial statements, budgets and forecasts of the teams.
    - Determine the general ledger accounts that were grouped together to form the larger items in the income statements, in order to obtain a better sense of the nature of expenses that are being incurred.
    - Examine the reasons for significant fluctuations in annual expenses.
    - Determine the expenses that could be classified as discretionary, such as donations and entertainment.
    - Determine if there were non-arm's length transactions and whether or not they were transacted at fair market values.
    - Determine if remuneration was paid that was not at fair market value.
    - Determine if any expenses such as management fees were paid at their economic value or if they were paid as a "distribution of profits".
    - Determine if non-cash items such as depreciation and amortization approximate the economic value of the deprecation of those assets.
    - Determine if the owners of the team realize any personal benefits that were paid for by the teams.

After reviewing the financial records which have been made available to us, we were unable to carry out the usual procedures that we would employ, as described above, because we do not have access to the teams and because there is not enough information. Some of the teams prepared their own financial statements internally, without proper notes and/or expense account details, while other teams provided notice to reader financial statements that lacked notes and/or expense account details, and two teams did not provide any financial statements, only summary income statements with no notes.

For some of the other teams where sufficient information was provided, various questions were raised regarding some significant amounts, which are noted in the sections below.

We have been able to identify a number of issues which, in our opinion, demonstrate that basically just taking the teams' reported revenues and expenses over a five-year period at face value does not provide a reasonable basis to determine what the impact would be on the teams if they had to pay the players minimum wage.

The issues identified, include:

1. There were non-cash expenses, specifically amortization and depreciation, that are at times very significant and may not represent the economic value for amortization and/or depreciation. See Tab 21 for the summary of the annual amounts of amortization and depreciation for the teams with significant overall amortization and depreciation during the period under review.
   - It should be noted that the amortization expenses claimed by the Saginaw Spirit, which appear to relate to intangible assets, should be added back to income for the purpose of this analysis (see Tab 7, point 7). The amortization totals approximately US$663,000.
2. There were management fees paid that may not represent full economic value to the teams (see Tab 22).
3. There were expenses that at times were very significant and some of these expenses possibly should have been capitalized and then amortized, inventoried or were "discretionary". Other expenses fluctuated significantly and others were unusual in nature (see Tab 23).
4. There are significant add-backs for income tax purposes for nine teams for the 50% non-deductible portion of "meals and entertainment", which may indicate that some expenses were discretionary in nature (see Tab 24). To the extent that we do not have complete income tax returns, our analysis would be impacted if those teams had significant add-backs.
5. There were transactions with related parties for which we do not know the economic basis of the transactions, with the following being an example:
   - The Barrie Colts appear to have charged its parent company approximately $3,577,000 in fees during the team's 2012 to 2015 fiscal years for "providing hockey product". We do not know the details of the services that were provided and how the operations of the parent corporation interrelate with those of the team, on either a business or financial basis.

   See Appendix G for schedule of teams with any type of related party transactions or likely related party transactions.
6. KPMG appears to have made several significant errors, including failing to take into consideration a prior period adjustment that increased the pre-tax income of the Ottawa 67's by approximately $67,000 and $346,200 in fiscal 2012 and 2013 respectively.

Our detailed findings and comments for each team are found at Tabs 1 to 20 of this report.

Section J
Conclusions and major findings and comments

Financial impact on the 20 teams of paying the players a minimum wage And our other observations

Based upon our review and/or analysis of the KPMG report and the documentation that has been produced in this matter (as noted in our scope section), we make the following conclusions, major findings and comments.

It is not possible to properly determine what the impact on the teams individually or as a whole would be if they had to pay the players minimum wage, the main reasons being:

1. There is not enough information to determine the normalized earnings for any of the teams.
2. There is not enough information to determine if the teams could reduce their expenses in certain areas.
3. There is not enough information to determine if the teams could increase their revenues through “booster clubs” and other fundraising ventures.

<u>Purchase of OHL and WHL Teams</u>

Teams were sold for substantial amounts, notwithstanding that the teams earned small profits or incurred small to large losses for the most part.

Based upon the information with which we were provided, there were seven sales of OHL or WHL teams during the period under review, five being Canadian and two being American.

The five Canadian teams (3 OHL and 2 WHL) were purchased in the buyer’s fiscal 2012 or 2015 fiscal years. The amounts that appear to have been paid for intangible assets, primarily consisting of goodwill, ranged from approximately $3.6 million to $10.3 million. We had pre-purchase information available for three of the five selling teams. The three teams mainly incurred losses prior to the year of sale.

One of the American OHL teams was purchased in the buyer’s 2016 fiscal year. The amount paid for intangible assets consisting of franchise fee, was approximately US$8.4 million. Based upon the limited available information, the selling team incurred a loss of approximately US($150,000) in its 2014 fiscal year. The second American OHL team was purchased in 2015. We do not have information regarding the financial terms of the sale to present any data (see Tab 20).

It does not appear that the financial value of the teams is primarily based upon their profit or losses, due to the substantial amounts for which they are sold and their poor “profit” performance.

See Tab 25 for details.

Impairment of Intangible Assets

The intangible assets typically included goodwill and franchise costs and were likely recorded on the purchaser's balance sheet when they purchased the assets of a WHL team.

Notwithstanding that certain teams had significant losses after the team was purchased, there was no impairment (write-down) to the value of their intangible assets (see Tab 26).

Average earnings of Teams

The following is from page 5 of the KPMG report:

- Over the Period, 11 teams had an average annual net loss and 9 teams had an average annual net income.
- The average net income/loss each year ranged from a net loss of approximately $114,000 to a net income of $175,000.
- Team 12 is the most profitable team and after excluding this Team from the analysis, the other Teams have an average annual income/loss ranged from a net loss of approximately $114,000 to a net income of $18,000.

Our Comments

We are not sure why KPMG chose to only eliminate the highest average earning team and not to eliminate the team with the greatest losses as well.

Team 12 had an average annual pre-tax income of approximately $2,888,000 (4 years of data). The next highest earner was Team 4 with average annual pre-tax profits of approximately $474,000 (5 years of data).

Team 8 had an average annual pre-tax loss of approximately $601,000 (4 years of data). Team 13 had the next highest average annual pre-tax loss of approximately $564,000 (5 years of data).

- We ignored the results of the Erie Otters that were included in the KPMG calculations for 2016, as it was for a period less than one year. The team had a loss of approximately US$1,115,000 in that period.

Dividend Paid to Shareholders

Five of the teams paid dividends to their shareholders during their 2012 to 2016 fiscal years (see Tab 27).

Extraordinary Revenue

The following is from page 7 of the KPMG report:

> As the funds are paid by the OHL to the Teams, we obtained from the OHL the Extraordinary Revenue paid to the Teams in each year. The following relate to our review of Extraordinary Revenue:
>
> - The totals are summarized in Section B of Schedule 1. Between 2012 and 2016, the OHL paid between $nil and $2.7 million each year to the Teams.
> - On average, the OHL paid $1.1 million annually to the Teams between 2012 and 2016.
> - The amounts paid to each Team in each year according to the information provided by the OHL are shown in Section B of Schedules 3 to 7. Without these funds paid to the Teams by the OHL, the Teams' pre-tax income would decrease in the years when payments are made and some teams that recorded a net income would be in a loss position.[3]

We are not sure why KPMG makes the comment in their last bullet point, "……Without these funds….. the Teams' pre-tax income would decrease." It is our understanding that these revenues are shared with the teams in the OHL and are not discretionary on the part of the OHL.

We do not believe that it is appropriate to categorize the revenue as "extraordinary" based upon the following definition of "extraordinary item" from the Terminology For Accountants, third edition 1983, The Canadian Institute of Chartered Accountants (now known as the Chartered Professional Accountants Canada).

> **extraordinary item**
> A gain, loss or provision for loss which results from an occurrence the underlying nature of which is not typical of the normal business activities of the enterprise, is not expected to occur regularly over a period of years, and is not considered as a recurring factor in any evaluation of the ordinary operations of the business.

The revenues paid to the OHL teams by the OHL are both a) part of the normal business activities of the teams and b) recurring.

Combined Income Statements

The following is from page 5 of the KPMG report:

4 Combined Income Statements

In Schedule 1, we provide the combined net income or loss before income tax for the Teams in the OHL for the five years in the Period (2012 to 2016), as summarized below:

Table 1
Summary of OHL Teams Income Statements

Line Item	2012	2013	2014	2015	2016	5 Year Total	Annual Average
Section A							
Revenues	45,233,935	55,743,005	57,305,981	56,527,634	44,602,596	259,413,150	51,882,630

Our Comments

The above is misleading and most likely unintentionally so, as it does not include revenue for various teams in various years as the information was unavailable. The chart therefore gives an initial impression that the overall revenue of the teams may be in decline. We restated (rounded) the above figures by assuming that the annual missing revenue data was equal to the average annual revenue of the other years for that particular team. We used the average revenue of the Plymouth Whalers for fiscal 2012 and 2013 to restate their revenue for 2014 to 2016 (see Tab 20-1, point 10 regarding the nature of the revenue and its significant decreases in 2013 and 2014).

	2012	2013	2014	2015	2016
Revenues	$56,161,200	$59,896,100	$61,924,100	$65,965,000	$66,501,800

Using the figures from our February 1, 2017 report regarding the WHL, their 2016 revenue would have been approximately $87,830,000 (as opposed to $77,220,000).

Fundraising

We are not sure of the extent to which each team has a separate "fundraising arm", as there is only one team that has a reference to "booster" related revenue, that was not immaterial, that being the Owen Sound Attack with revenue from "Booster club and concessions (net)" of approximately $182,000 in fiscal 2016.

The following are two examples of teams in the WHL with fundraising arms:

1. The Saskatoon Blades scholarship obligations are funded through a non-profit entity that holds raffles and other fundraising events. The following is from note 10 to the June 30, 2016 financials statements of the team.

> **10. Contingent liability:**
>
> In accordance with the requirements of the WHL, the Company signs a contract with each of its hockey players assuming liability for expenses for academic courses including applicable tuition, general fees and books for the player to attend a local university, college or technical school as a "full time" student. The liability is for one year of education for each year played for the Saskatoon Blades in the WHL. This potential liability is nullified if a player signs a professional contract or does not attend a post secondary institution within one year of leaving the WHL. At June 30, 2016, using management's best estimates of tuition rates and book prices, the maximum future liability for player performance to date is approximately $825,654 (2015 - $811,244). A non-profit entity, the Saskatoon Blades Educational Scholarship Fund Inc., was incorporated to hold raffles and other fundraising initiatives to pay for the on-going expenses of funding education for past and present hockey players of the Saskatoon Blades Hockey Club. At June 30, 2016, assets of $790,558 (2015 - $824,471) were held in this fund. This activity is not reflected in the financial statements of the Saskatoon Blades Hockey Club Ltd.

2. The Moose Jaw Warriors have a booster club that provides it with substantial support. The team shows the following revenue from the booster club for its fiscal years ended May 31:

Fiscal 2012	$212,274
Fiscal 2013	$398,225
Fiscal 2014	$205,310
Fiscal 2015	$320,600
Fiscal 2016	$290,223

The following is from note 10 to the May 31, 2016 financial statements of the team.

> 10. ECONOMIC DEPENDENCE
>
> The company receives significant funding from the Moose Jaw Warriors Booster Club. A directive requires that the club will be distributing the funds available in the next fiscal year.

Central Scholarship

As we were not provided the financial statements for the OHL, we are using the following from our February 1, 2017 report regarding the WHL:

The following is from the fiscal 2016 financial statements of the WHL.

10. Central scholarship registry administration:

In fiscal 2008, the League administered the Scholarship Central Registry Administration program. Under this program, the League makes payments to recognized colleges and universities on a player's behalf for education costs. Subsequently, the member clubs are invoiced by the League for payments made on behalf of the member club's players.

In addition to administering the program, the League has made a commitment to cover the education costs for all players who have signed the League's Standard Player Agreement in cases where a league member club is unable to fulfill their obligations under the agreement. The League estimates that the total value of the guarantees are approximately $20 million (2015 – $18.5 million). Due to a history of compliance with the agreements by the member clubs and the current financial position of the clubs, the League has not accrued any provision for this commitment in its financial statements.

It appears that the WHL is confident in the teams being able to fund their on-going obligations.

We do not know if the OHL financial statements contain a similar note.

Affidavits of Denise Burke

The following is from page 32 of the affidavit sworn by Denise Burke on November 14, 2015:

> **CONSEQUENCES OF THIS CLASS ACTION**
>
> 136. If the IceDogs were required to pay its players' minimum wage, the consequences of this additional expense item would be catastrophic. The only way that the team could continue to operate would be for the team to re-allocate funds spent on other player benefits (scholarship benefit, equipment, social events, training, facilities) to minimum wage payments. There is also the risk that the team would have to be shut down if these additional payments were required. As I have discussed, Bill and I do not wish to become wealthy from owning the IceDogs. However, if we lose enough money to place us on the verge of bankruptcy, we simply would not be able to afford keeping the team.

The following is from page 4 of the affidavit sworn by Denise Burke on September 14, 2016:

> 14. The reality, as stated in my First Affidavit, is that we have lost money almost every year that we have owned the IceDogs except for our championship year in 2011-2012 and the recent playoff runs of 2014-2015 and 2015-2016. During the first seven years of our ownership, Bill and I invested significant amounts of our money into operating the IceDogs, and not once in those first seven years turned a profit. Even with the nominal profits we have made over the last two years, we are not close to recovering the money we have invested into the team.

The financial statements reflect the following for the fiscal years ended May 31:

	2012	2013	2014	2015	2016
Net Income (Loss)	$318,691	$91,466	($86,193)	$540,897	$775,444

We have difficulty reconciling the above financial results of the team with the above statements from the affidavits of Denise Burke. As well, see Tab 9 for our comments on the operating results of the team and in particular regarding the level of certain expenses.

It appears that Mrs. Burke and her husband Bill had four and possibly five vehicles leased through the team (see Tab 9 for details).

It should be noted that the team started to play its home games in the 2014/2015 season (which was entirely in fiscal 2015) in a new arena with much greater seating capacity then its previous arena. The team also played more playoff games in fiscal 2015 and 2016 than they did in fiscal 2013 and 2014. It should also be noted that the team played 20 playoff games in fiscal 2012 and 17 in 2016.

Affidavit of David E. Branch

The following is from page 45 of the affidavit sworn by David E. Branch on December 23, 2015 and is in response to statements in an affidavit sworn by Sam Berg:

> - 45 -
>
> even. Around one-third of the teams in the League lose money, ranging from approximately $100,000 to $800,000 per year. About another third of the teams essentially break even. Only about one third of the teams make any profit. None of this, however, take into account the contingent liability for scholarships, which is, on average, approximately $1,528,500 per team. I have noted that there is a trend that players are using their scholarships in greater numbers every year, so I expect this contingent liability only to grow. Also, many of the teams rely on unpaid

Notwithstanding Mr. Branch's statement, the following are the actual liabilities for scholarships for various teams in their latest financial statements that we have been provided with (rounded):

I.	Sault Ste. Marie Greyhounds		$762,000
II.	Oshawa Generals		$156,000
III.	Windsor Spitfires		$356,000
IV.	Saginaw Spirit	US	$181,000
V.	Erie Otters	US	$1,080,000
VI.	Peterborough Petes		Unknown*

* The amount is unknown as the Peterborough Petes player scholarships are funded in part by the Petes Education Fund Inc. organization. We do not have any financial statements for this organization and do not know to what extent future scholarship funding obligations have been provided for.

It should be noted that other teams may also have provisions for funding future scholarship obligations as not all financial statements and/or income tax returns disclosed whether or not there were provisions for funding future scholarship obligations.

If Mr. Branch is stating that the average contingent liability is approximately $1,528,500 per team based upon all players using their potential scholarship, we believe that the liability is significantly overstated. The reason that it is overstated is that not all players use their scholarships and Mr. Branch states in the same affidavit that only about half the players use their scholarships.

> 28. Our scholarship program is one of the cornerstones of our focus on education. During the 2014-15 season, CHL teams paid $6.2 million in scholarships for 769 graduate players. In the OHL,.while only approximately 30% of players end up signing a contract to play in the NHL, almost half -- 49% -- use their scholarships.

Distributions by the CHL

During the fiscal year ended June 30, 2016, the CHL had gross revenue of approximately $24,438,700 and it appears to have distributed 48.2% of it or approximately $11,781,900 of the gross revenue to the leagues and their teams:

	WHL	OHL	QMJHL	TEAMS	LEAGUES	TOTAL
NHL Development	$3,431,670	$3,491,717	$3,059,130	$ -	$ -	$9,982,517
Marketing & Events	-	-	-	30,000	407,601	437,601
Surplus Distribution	-	-	-	-	1,361,757	1,361,757
Total	$3,431,670	$3,491,717	$3,059,130	$30,000	$407,601	$11,781,875

The remaining $12,656,800 of the gross revenue is accounted for as follows (rounded):

Sponsorship and rights fees	$8,553,300	
NHL development distributions	1,007,200	(special projects)
Marketing and events	1,078,100	
Administration	1,202,200	
CHL executive	243,200	
Import draft fees	244,900	
Hockey Canada	11,700	
Surplus retained by the CHL	316,200	
Total	$12,656,800	

Our detailed findings and comments for each team are found at Tabs 1 to 20 of this report.

Section K
Report distribution restrictions

See transmittal letter.

Section L
Other matters

Please be advised that:

i. The compensation for this report is based on an agreed fee plus disbursements at cost. The compensation is not dependent on the findings.

ii. This report is based on our findings as at February 28, 2017. We reserve the right to revise and reissue this report should additional information come to light that materially affects our findings.

Section M
Statement of qualifications

The statement of qualifications of Ronald T. Smith is found at Appendix B.

Section N
Acknowledgment of expert's duty

The Acknowledgment of Expert's Duty form is found at Appendix H.

TAB 1

BELLEVILLE BULLS/HAMILTON BULLDOGS

	2012	2013	2014	2015	2016
Revenues	$1,980,280	$2,546,089	$2,165,602	$2,451,434	$3,075,243
Expenses (Net of Other Income)	(2,117,793)	(2,430,820)	(2,378,504)	(2,765,066)	(3,753,986)
Pre-Tax Income	($137,513)	$115,269	($212,902)	($313,632)	($678,743)

Source: December 22, 2016 KPMG report.

Findings and Comments

1. It appears that the assets of the team were sold by Belleville Sports and Entertainment Corp. to Bulldog Hockey Inc. (the team) towards the end of its 2015 fiscal year end.
2. The financial statements for the fiscal years ended May 31, 2012 to 2015 appear to have been prepared internally.
3. The fiscal 2016 financial statements were prepared externally and are stamped "draft".
4. It should be noted that we were not provided with the notes to the 2015 financial statements or notes 8 and onwards to 2016 financial statements.
5. The fiscal 2012 to 2014 balance sheets of Belleville Sports and Entertainment Corp. show a "Franchise" (intangible asset) cost of $3,385,839.
6. It does not appear that management believed that there had been an impairment in the value of the franchise during 2012 to 2014 as the value of the asset has not been written down.
7. The balance sheet of the purchaser shows goodwill of $10,256,000 for fiscal 2015 and 2016. Goodwill represents the value of an entity that is not attributable to its tangible assets. An example of goodwill being, if a purchaser paid $1,000,000 for the net assets of a company and the only assets the company had were equipment and machinery with a value of $200,000 and it had no liabilities (therefore net tangible assets of $200,000), then the remaining purchase price balance of $800,000 would typically be recognized on the purchaser's balance sheet as an intangible asset, such as goodwill.
8. In 2015 the purchaser paid approximately $6,870,000 more for the intangible assets than the amount that the vendor showed on its balance sheet, notwithstanding that the team had an average annual loss of approximately $78,000 during fiscal 2012 to 2014.
9. It does not appear that management believed that there had been an impairment in the value of goodwill in fiscal 2016 as the value of the asset has not been written down, notwithstanding that the team had a loss in 2016 of approximately $679,000

TAB 1-1

BELLEVILLE BULLS/HAMILTON BULLDOGS

10. Salaries and benefits appear to be very high in fiscal 2016 compared to other years (team sold towards the end of fiscal 2015).

Fiscal 2012	$661,974
Fiscal 2013	$775,879
Fiscal 2014	$688,071
Fiscal 2015	$760,699
Fiscal 2016	$1,637,376

11. We were not provided with any financial statements of a related party, Hamilton Bulldogs Hockey Club LP. The financial statements of the Hamilton Bulldogs Hockey Club LP could potentially assist us in preparing a more accurate determination of financial performance of the team.
12. As well, there is a related party that is a charitable foundation which appears in the notes to the financial statements of the team, the Hamilton Bulldogs Foundation. We do not know whether or not the operations of this foundation have an impact on the finances of the team. Specifically, we do not know if the foundation raises money for scholarships or other team related endeavours.

TAB 2

SAULT STE. MARIE GREYHOUNDS

	2012	2013	2014	2015	2016
Revenues	$2,373,575	$2,503,090	$2,668,371	$3,194,447	$2,989,745
Expenses (Net of Other Income)	(2,135,783)	(2,234,621)	(2,422,813)	(3,083,664)	(2,701,364)
Pre-Tax Income	$237,792	$268,469	$245,558	$110,783	$288,381

Source: December 22, 2016 KPMG report.

Findings and Comments

1. The financial statements for the fiscal year ended June 30, 2012 is only a draft.
2. The financial statements of the team disclose the following expenses for "Tuition and education costs" for the fiscal years ended June 30, 2012 to 2016:

Fiscal 2012	$157,474
Fiscal 2013	$121,646
Fiscal 2014	$166,081
Fiscal 2015	$552,074
Fiscal 2016	$372,966

3. The tuition and education costs appear very high in fiscal 2015 and 2016. It may be due to the team accruing future liabilities in these years that should have been accrued in earlier years. This would mean that the profits in years prior to 2015 were overstated and the profits in fiscal 2015 and 2016 were understated. We are unable to determine how much of the accrual relates to years prior to 2012. Any amount relating to years prior to 2012 would serve to increase the profits in the 2012 to 2016 period.
4. Note 6 to the June 30, 2013 financial statements and note 7 to the June 30, 2014 to 2016 financial statements refers to "Related party transactions" but do not provide details as to the amount, if any, and who the related parties are.

TAB 3

BARRIE COLTS

	2012	2013	2014	2015	2016
Revenues	$1,086,679	$1,230,370	$1,093,296	$1,170,512	n/a (1)
Expenses (Net of Other Income)	(1,120,863)	(1,264,086)	(1,118,611)	(1,222,399)	-
Pre-Tax Income	($34,184)	($33,716)	($25,315)	($51,887)	-

Source: December 22, 2016 KPMG report.

The corresponding note in the KPMG report states, "[1] The teams' financial statements were unavailable to KPMG as at the time of this report.".

Findings and Comments

1. The financial statements for the fiscal year ended June 30, 2015 were a "Notice to Reader" whereas in fiscal 2012 to 2014 they had been a "Review Engagement".
2. The team receives revenue from two sources, "Hockey team" and the "OHL". See excerpt from the team's "Statement of Loss and Deficit":

Barrie Colts Junior Hockey Ltd.

STATEMENT OF LOSS AND DEFICIT

Year ended June 30 — Unaudited - See Notice to Reader

	2015 $	2014 $
Revenue		
Hockey team	**803,500**	839,000
OHL	**367,012**	254,296
Total revenue	**1,170,512**	1,093,296

TAB 3-1

BARRIE COLTS

3. The notes to the financial statements disclose that the team charged its parent company, The Horsepower Sports and Entertainment Group Inc. (HSE) fees in following amounts for “providing hockey product”:

Fiscal 2012	$860,000*
Fiscal 2013	$1,075,000*
Fiscal 2014	$839,000*
Fiscal 2015	$803,500**

As seen from the above, the team receives its “Hockey team” revenue from its parent company.

As the team has no ticket revenue, it therefore appears that the parent company receives the ticket revenue and then pays some percentage or all of it to the team by way of “providing hockey product”.

* The details of the fees are contained in the notes to the fiscal 2012 to 2014 financial statements.

** It appears that we do not have all of the notes to the fiscal 2015 financial statements but have assumed that the “Revenue – Hockey team” on the Statement of Loss and Deficit represent fees, similar to those of the previous three fiscal years.

We do not know the details of the services that were provided and how the operations of HSE interrelate with those of the team, on either a business or financial basis.

TAB 4

OSHAWA GENERALS

	2012	2013	2014	2015	2016
Revenues	$3,717,330	$4,350,583	$4,857,062	$6,348,377	$4,998,658
Expenses (Net of Other Income)	(3,683,187)	(4,253,542)	(4,503,488)	(4,940,214)	(4,521,040)
Pre-Tax Income	$34,143	$97,041	$353,574	$1,408,163	$477,618

Source: December 22, 2016 KPMG report.

Findings and Comments

1. The team is a subsidiary of Oshawa Junior "A" Hockey Club.
2. The financial statements reporting the results for the fiscal years ended May 31, 2012 to 2016 reflect the following:

	2012	2013	2014	2015	2016
Due from related companies	$1,708,560	$1,714,210	$1,714,460	$1,739,810	$10,000
Due to related companies	$219,508	$219,508	$419,508	$418,908	$59,848
Salaries expense	$996,687	$1,383,267	$1,299,792	$1,203,413	$1,068,978
Finance and administration	$452,000	$269,277	$311,481	$803,514	$403,358
Management fees	$0	$0	$45,000	$420,000	$100,000

3. None of the loans, either to or from related parties are interest bearing.
4. We do not know why the salaries were much greater in fiscal 2013 to 2015 compared to those of fiscal 2012 and 2016 and whether or not the team received economic value for the increase in salaries expense in fiscal 2013 to 2015.
5. The finance and administration expense fluctuated significantly over the years, which appears to be a result primarily of the fluctuations in management fees, as they included in these expenses.

   For fiscal 2014, finance and administration expense the "Statement of Income and Retained Earnings references this amount to Note 4, which deals with related party transactions and shows a management fee expense of $45,000 in 2014 and none for 2013.

   For fiscal 2016, finance and administration expense, the "Statement of Income and Retained Earnings references this amount to Note 5, which deals with related party transactions. It notes management fees of $420,000 and $100,000 in fiscal 2015 and 2016 respectively.

   We do not know if the team received economic value for these expenditures.

TAB 4-1

OSHAWA GENERALS

6. The team recorded $625,000 in “Other income – Purchase agreement settlement” in fiscal 2015. The amount represents the award from a settlement related to litigation against a former shareholder. We do not have any further details regarding this matter. It should be noted that KPMG included this income in their calculations. We do not know whether or not the amount should be included or excluded until we obtain the supporting documentation related to this matter.
7. The team paid a dividend to its shareholders in fiscal 2016 of $2,100,000.

TAB 5

WINDSOR SPITFIRES

	2012	2013	2014	2015	2016
Revenues	$4,887,152	$4,573,230	$4,548,853	$4,379,623	n/a (1)
Expenses (Net of Other Income)	(5,047,810)	(3,915,314)	(4,530,609)	(4,626,630)	-
Pre-Tax Income	($160,658)	$657,916	$18,244	($247,007)	-

Source: December 22, 2016 KPMG report.

Findings and Comments

1. We were provided with financial statements for the 11-month period ended April 30, 2013 (with comparative figures for the year ended May 31, 2012).
2. We were provided with financial statements for the fiscal year ended May 31, 2015 (with comparative figures).
3. It appears that we are missing the financial results for the month of May 2013.
4. The financial statements reflect the following for debt at the year end and bank expenses for fiscal 2011 to 2015

	2011	**2012**	**2013**	**2014**	**2015**
Interest bearing debt	$2,061,546	$2,070,477	$1,911,611	$1,722,895	$1,790,843
Bank charges and Interest		$129,684	$116,899	$152,283	$159, 293

The expenses in the statements of income for 2013 to 2015 appear to be high:

I. Based upon the interest rates and amount of debt disclosed in the notes to the financial statements for 2013.

II. Based upon the amount of interest actually paid in 2014 and 2015 on debt (other than bank indebtedness), as disclosed in the notes 6 and 8 to the 2015 financial statements.

The interest in 2013 should have approximated $81,800*.

The actual interest paid on debt in 2014 was approximately $73,200.

The actual interest paid on debt in 2015 was approximately $64,000 and we calculated interest on bank indebtedness approximated $7,700** for a total of $71,700.

It should be noted that the above figures for 2013 to 2015 do not include bank charges.

* Our calculations assume that the average outstanding debt during the year equalled the midpoint between the opening and closing balance in the year and that the year end bank overdraft of $26,502 was assumed to be at this balance throughout the year. An interest rate of 3.0% was assumed on the bank indebtedness for illustration purposes.

** Our calculations assume that the year end bank overdraft of $255,206 was at the this balance throughout the year. An interest rate of 3.0% was assumed on the bank indebtedness for illustration purposes.

TAB 5-1

WINDSOR SPITFIRES

5. The financial statements reflect the following for fiscal 2012 to 2015:

	2012	**2013**	**2014**	**2015**
Licensing revenue	$206,137	$198,807	$0	$0
Dressing room supplies	$183,977	$147,483	$166,395	$213,804
Professional fees	$73,257	$19,491	$12,020	$7,347

6. We are not aware of why there was no licensing revenue in fiscal 2014 and 2015.
7. On the surface, the amounts for “Dressing room supplies” appear to be high and it is possible that some of the expenditures should have been capitalized or added to inventory.
8. Note 13 to the fiscal 2013 financial statements discloses that In May 2011 the OHL fined the team $250,000 “for violations of the recruitment policies”. It also incurred high professional fees in that fiscal year, possibly due to the events related to the fine. The fine and professional fees related thereto, would not appear to be recurring items and should not form a deduction from income for the purpose of determining the impact on the team’s financial ability to fund the “minimum wage” amounts.
9. If the May 2011 date is correct, then it appears that the fine should have been recorded in a prior fiscal year and not have been included in the KPMG calculations
10. The financial statements reflect the following for fiscal 2012 to 2015:

	2012	2013	2014	2015
Player costs	$194,690	$143,771	$383,737	$290,767
Wages and benefits	$1,181,360	$1,144,444	$1,569,313	$1,649,448
Amortization	$249,296	$184,737	$170,838	$141,905

11. “Player costs” appear to fluctuate significantly throughout the period.
12. “Wages and benefits” increase significantly throughout the period and we do not know whether or not the team received economic value for the 2014 and 2015 expenditures.
13. We do not know if these levels of amortization represent the economic value of the amortization of the assets.
14. Management fees of $279,000 were incurred in fiscal 2012 to its parent company, 2093807 Ontario Ltd. We do not know what these fees relate to and whether or not the team received economic value for these fees.

    It should be noted that there were accrued management fees of $700,000 as at June 1, 2011.

TAB 6

BRAMPTON BATTALION/NORTH BAY BATTALION

	2012	2013	2014	2015	2016
Revenues	$1,198,568	$1,108,067	$3,332,112	$3,631,538	$3,029,911
Expenses (Net of Other Income)	(1,929,075)	(2,115,728)	(3,258,660)	(3,388,244)	(3,129,543)
Pre-Tax Income	($730,507)	($1,007,661)	$73,452	$243,294	($99,632)
Source: December 22, 2016 KPMG report.					

Findings and Comments

1. The financial statements for the fiscal years ended June 30, 2014 to 2016 were a “Notice to Reader” whereas in fiscal 2012 and 2013 they had been a “Review Engagement”.
2. There are virtually no notes to the notice to reader financial statements.
3. We do not know the basis on which the notice to reader financial statements were prepared.
4. The team recorded significant losses during the fiscal years ended May 31, 2012 and 2013:

Fiscal 2012	$730,507)
Fiscal 2013	($1,007,661)

5. It appears that the team moved to North Bay after its 2012/2013 season and overall earned a very modest profit during 2014 to 2016:

Fiscal 2014	$73,452
Fiscal 2015	$243,294
Fiscal 2016	($99,632)

6. KPMG included the results of fiscal 2012 and 2013 in their calculations. It may not be appropriate to include the results from these years as they may not to be indicative of the earnings at the new location.

TAB 7

SAGINAW SPIRIT
(In US Funds Unless Noted Otherwise)

	2012	2013	2014	2015	2016
Revenues	$2,782,712	$2,715,080	$3,050,282	$3,213,944	$3,486,451
Expenses (Net of Other Income)	(2,768,640)	(3,165,846)	(2,874,689)	(3,245,189)	(3,922,990)
Pre-Tax Income	$14,072	($450,766)	$175,593	($31,245)	($436,539)

Source: December 22, 2016 KPMG report. Amounts are in Canadian Dollars.

Findings and Comments

1. The financial statements for the fiscal years ended June 30, 2012 to 2016 are each comprised of a one-page “Balance Sheet” and a one-page “Income Statement”.
2. There are no notes to the financial statements.
3. We do not know the basis on which the income statements were prepared.
4. The income statements provide minimal detail as to the nature of the expenses that were included in the various expense categories of the team. The following is an example of the operating expenses from the 2013 income statement and shows the expenses for the month of June in the column on the left and the expenses for the year in the column on the right:

Operating Expenses

Marketing/Printing	620	150,774
Personnel costs	130,298	1,041,903
Overhead Expenses	15,948	273,913
Arena Expenses	24,383	415,392
Insurance	(9,446)	43,644
Game Night Expenses	216	104,211
Player Comp/ Fees	6,250	361,235
Hockey Operations	74	291,940
Adds/ Deducts	131	439,823
Playoff Expenses	0	28,515
Total Expenses	168,474	3,151,352

TAB 7-1

SAGINAW SPIRIT
(In US Funds Unless Noted Otherwise)

5. The financial statements for the fiscal years ended June 30, 2012 to 2016 reflect the following:

	2012	2013	2014	2015	2016
Profit/(losses)	$14,020	($448,704)	$159,340	($26,621)	($329,190)
Adds/Deducts	$47,880	$439,823	$82,519	$48,745	$78,401
Amortization of franchise costs	$132,630	$132,630	$132,630	$132,630	$132,630

6. The "Adds/Deducts" expense by its very name makes this a curious expense item. If this expense category is merely being used to balance the financial statements throughout the year and/or being used as a "suspense account", it may not necessarily relate to an income statement item, which is how it is now being treated. It could possibly relate to a balance sheet item, thereby understating the profits by not properly allocating it to the balance sheet. It is interesting to note that the significant loss in fiscal 2013 is caused almost entirely by the "Adds/Deducts" amount in that year.
7. The amortization amount in fiscal 2012 is assumed to equal the annual amount in each of 2013 to 2016. The amortization amount in fiscal 2013 to 2016 is based upon the change in the amount of the asset on the balance sheet for 2013 to 2016 as the expense is not shown separately in the income statement.

   These amounts should not form a deduction from income for the purpose of determining the impact on the team's financial ability to fund the "minimum wage" amounts. The reason being, that these assets are not items that need to be replaced, as would be the case if they were machinery and equipment.

8. The income tax returns disclose a substantial bad debts expense in 2012 and 2013:

	2012	2013	2014	2015
Bad debts	$351,964	$101,389	$38,943	$18,784

   The income tax returns of the team are on a calendar year basis, whereas the team's fiscal year end is June 30. The income statements do not show bad debts separately. We are unable to determine which operating expense the bad debts may be included with, as none of the operating expense categories would appear to be a reasonable category to group them with. As well, if the bad debts are recurring in nature, they would arguably not be a proper deduction from income for the purpose of determining the impact on the team's financial ability to fund the "minimum wage" amounts.

9. It should be noted that the closing retained earnings (actually a deficit) in fiscal 2014 and the opening retained earnings in fiscal 2015 do not agree. The balance sheet as at June 30, 2014 reflects retained earnings of ($1,519,422) and the June 30, 2015 balance sheet reflects an opening retained earnings of ($1,704,763), for a difference of $185,341 in additional losses. It appears that the 2014 financial statements were not the final ones that were prepared.

TAB 8

OTTAWA 67'S

	2012	2013	2014	2015	2016
Revenues	$1,408,420	$3,676,318	$2,305,873	$2,476,108	n/a (1)
Expenses (Net of Other Income)	(1,348,460)	(4,084,651)	(3,409,903)	(3,426,181)	-
Pre-Tax Income	$59,960	($408,333)	($1,104,030)	($950,073)	-

Source: December 22, 2016 KPMG report.

Findings and Comments

1. The financial statements for the fiscal years ended December 31, 2012 to 2015 are audited.
2. The "Statements of Operations" for fiscal 2013 to 2015 provide minimal detail as to the nature of the expenses that were included in the various expense categories of the team. The following is from the 2015 statement of operations:

Expenses:	
Hockey operations	1,940,736
Advertising and promotion	447,841
Selling, general and administrative	1,008,549
Depreciation of property and equipment	21,464
Interest and bank charges	7,591
	3,426,181

3. The financial statements of the team used by KPMG disclose the following for profits/(losses) for the fiscal period/years ended December 31, 2012 to 2016:

Fiscal 2012	$59,960
Fiscal 2013	$(408,333)
Fiscal 2014	$(1,104,030)
Fiscal 2015	$(950,073)

Due to an error that was discovered in fiscal 2014 that applied to previous years, it appears that KPMG should have used:

- A profit figure in 2012 of approximately $127,000 as opposed to the $59,960 profit figure as originally reported.
- A loss figure in 2013 of approximately ($62,100) as opposed to the ($408,433) loss figure as originally reported.

TAB 8-1

OTTAWA 67'S

4. KPMG included the results for fiscal 2012, which was its first fiscal period that was reported and was only an 81-day period.
5. We believe that it is inappropriate to include the 2012 results with those of the subsequent three years, if the objective is to show the team's ability to pay minimum wage to its players. The inclusion of the 81-day period likely understates the team's average losses.
6. There are significant fluctuations in the "Hockey operations" expenses from during fiscal 2013 to 2015:

Fiscal 2013	$1,732,913
Fiscal 2014	$1,334,421
Fiscal 2015	$1,940,736

7. Note 6 of the 2015 financial statements states:

> During the year, the Limited Partnership was charged $350,000 (2014 - $350,000) for corporate and administration service, and $450,000 (2014 - $450,000) for sales and marketing service by a partnership related by common control.

8. We do not know if these charges represent true economic value to the team.
9. The balance sheets for fiscal 2012 to 2015 reflect a restated amount of $10,387,245 for "Intangible Assets – Franchise Fee".
10. It appears that management believes and/or has tested and satisfied themselves that the value of the intangible assets has not been impaired, notwithstanding that there have been significant losses over the last two reported fiscal years. The following is from Note 2, of the fiscal 2015 financial statements:

> (c) Intangible asset:
>
> The Ottawa 67s Limited Partnership ("Ottawa 67s") franchise fee is recorded at cost and the life is determined to be indefinite.
>
> The carrying amount of an intangible asset whose life is determined to be indefinite is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value. An impairment loss is recognized when the asset's carrying amount exceeds its fair value. Impairment losses are not subsequently reversed.

TAB 8-2

OTTAWA 67'S

11. The team's external auditors did not qualify their opinion relating to the fiscal 2013 to 2015 financial statements of the team. The following is from the 2015 financial statements:

> *Opinion*
>
> In our opinion, the financial statements present fairly, in all material respects, the financial position of Ottawa 67s Limited Partnership as at December 31, 2015 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.
>
> KPMG LLP

TAB 9

NIAGARA ICEDOGS

	2012	2013	2014	2015	2016
Revenues	$3,339,330	$2,742,451	$2,767,674	$4,242,790	$4,579,345
Expenses (Net of Other Income)	(3,020,639)	(2,650,985)	(2,853,867)	(3,701,911)	(3,803,901)
Pre-Tax Income	$318,691	$91,466	($86,193)	$540,879	$775,444

Source: December 22, 2016 KPMG report.

Findings and Comments

1. The financial statements of the team were notice to reader for the fiscal years ended May 31, 2012 and 2013 and were review engagement for the fiscal years ended May 31, 2014 to 2016. The financial statements reflect the following:

	2012	**2013**	**2014**	**2015**	**2016**
Revenue	$3,339,300	$2,742,451	$2,767,674	$4,242,790	$4,579,345
Equipment and supplies	$138,829	$122,567	$147,918	$206,463	$211,431
Bank charges and interest	$58,668	$59,814	$74,627	$131,657	$127,331
Business development	$179,430	$118,808	$131,241	$228,793	$245,508
Meals and entertainment	$47,295	$50,101	$92,190	$95,915	$94,520
Vehicle expense	$125,099	$161,468	$160,366	$128,878	$167,042
Net Income (Loss)	$318,691	$91,466	($86,193)	$540,897	$775,444

2. The team moved to a new arena, the Meridian Centre for the beginning of its 2014/2015 season, which was played entirely during fiscal 2015.
3. The equipment and supplies expense appears to be high and it is possible that some of the expenditures should have been capitalized or added to inventory.
4. Bank charges and interest appear to be very high in fiscal 2015 and 2016. Based upon an assumed interest rate of 5% on the bank indebtedness, the interest expense should have approximated $62,300 and $58,400 in fiscal 2015 and 2016 respectively (bank services charges would be in addition to interest charges). The calculations assume that the average outstanding loan during the year equalled the midpoint between the opening and closing balance in each year.
5. We do not know what the nature of the business development expenses are and if the team received economic value for these expenditures.

TAB 9-1

NIAGARA ICEDOGS

6. The meals and entertainment and the vehicle expenses (both found in the general and administrative expense section) appear to be high and we do not know if the team received economic value for these expenditures.
7. The following is based on information from the team's 2016 income tax return and it relates to the non-deductibility portion of lease payments on certain vehicles, as their value if purchased, exceeded the maximum allowed by CRA:

Description on Schedule	Manufacturer's suggested price
2016 Honda Pilot - Bill	$49,346
2015 BMW X4 xDrive35i - Denise	$67,436
2015 BMW 650i xDrive - Bill	$116,708
2016 BMW 435i Cabriole - Denise	$94,474
2015 BMW X6M	$121,819

8. The team had much higher net income after they moved to the new arena. It is likely not appropriate to use the lower earnings in the three prior years to the move to determine the average future earnings of the team.
9. Each of the balance sheets reflect the cost of the hockey franchise intangible asset as being $4,750,000.
10. The team paid a dividend to its shareholders of $300,000 in fiscal 2016.
11. The financial statements show retained earnings of $704,862 as at May 31, 2016.

TAB 10

KITCHENER RANGERS

	2012	2013	2014	2015	2016
Revenues	$6,010,909	$6,493,194	$6,326,679	$6,560,514	$6,779,351
Expenses (Net of Other Income)	(5,459,284)	(6,471,029)	(6,209,795)	(6,464,195)	(6,615,853)
Pre-Tax Income	$551,625	$22,165	$116,884	$96,319	$163,498

Source: December 22, 2016 KPMG report.

Findings and Comments

1. The financial statements of the team were audited and reflect the following for the fiscal years ended May 31, 2012 to 2016:

	2012	**2013**	**2014**	**2015**	**2016**
Operating Costs	$2,695,634	$2,655,621	$2,472,357	$2,664,211	$2,813,237
Amortization	$302,965	$890,099	$884,027	$927,727	$862,811
Interest expense	$20,673	$150,254	$276,220	$313,907	$281,916
Community donations	$371,557	$394,800	$478,002	$365,968	$370,879
Revenue over expenditures	$551,625	$22,165	$116,884	$96,319	$163,498

2. The financial statements do not provide a breakdown of the expenses that comprise the operating costs.
3. The amortization charges are very significant and we do not know if these levels of amortization represent the economic value of the amortization of the assets.
4. The interest expense primarily relates to loans that the team entered into primarily to finance seat additions and renovations.
5. The team makes donations to the community and minor hockey.
6. The net income of the team has been significantly impacted by the high level of amortization and community donations.
7. The team is a not-for-profit organization.
8. The team has net assets (retained earnings) as at May 31, 2016 of approximately $4,238,000.

TAB 11

SARNIA STING

	2012	2013	2014	2015	2016
Revenues	n/a (1)	n/a (1)	n/a (1)	n/a (1)	$2,201,078
Expenses (Net of Other Income)	-	-	-	-	(2,698,361)
Pre-Tax Income	-	-	-	-	($497,283)

Source: December 22, 2016 KPMG report.

Findings and Comments

1. We were only provided with internally prepared "Profit & Loss" statements from an accounting software package for the fiscal period/year ended May 31, 2015 and 2016.
2. It appears that the team was sold in January 2015.
3. There are no notes to the profit & loss statements, other than stating that they were prepared on an accrual basis.
4. We do not know any of the other bases on which the income statements were prepared.
5. The team recorded the following losses during the fiscal period/year ended May 31, 2015 and 2016:

   Fiscal 2015 ($324,689) - January 25 to May 31

   Fiscal 2016 ($497,283)
6. Based upon the federal income tax return of the team it had intangible assets of $7,704,025 and $7,641,070 as at May 31, 2015 and 2016 respectively. This means that when the team was purchased, the buyers paid approximately $7,700,000 for goodwill and/or other intangible assets of the team.

TAB 12

LONDON KNIGHTS

	2012	2013	2014	2015	2016
Revenues	$6,717,762	$7,599,101	$6,981,590	$6,249,164	n/a (1)
Expenses (Net of Other Income)	(3,494,614)	(4,647,832)	(4,133,682)	(3,717,700)	-
Pre-Tax Income	$3,223,148	$2,951,269	$2,847,908	$2,531,464	-

Source: December 22, 2016 KPMG report.

Findings and Comments

1. We were provided "Notice to Reader" financial statements for the fiscal years ended May 31, 2012 to 2015.
2. There are virtually no notes to the financial statements.
3. We do not know the basis on which the financial statements were prepared.
4. The financial statements show "Intangibles" of $1,408,000 in each fiscal year.
5. The financial statements of the team disclose the following dividends paid in fiscal 2012 to 2016:

Fiscal 2012	$1,500,000
Fiscal 2013	$0
Fiscal 2014	$4,000,000
Fiscal 2015	$2,750,000

6. The 2015 financial statements show retained earnings of $1,630,432 as at May 31, 2015.

TAB 13

KINGSTON FRONTENACS

	2012	2013	2014	2015	2016
Revenues	$1,361,641	$1,793,281	$2,211,588	$2,338,329	$2,650,531
Expenses (Net of Other Income)	(2,047,981)	(2,501,026)	(2,912,280)	(2,696,197)	(3,017,142)
Pre-Tax Income	($686,340)	($707,745)	($700,692)	($357,868)	($366,611)

Source: December 22, 2016 KPMG report.

Findings and Comments

1. We were provided with "Notice To Reader" financial statements for Kingston Frontenac Hockey Limited (the team) for the fiscal years ended April 30, 2012 to 2014.
2. The financial statements for the team we were provided with for the years ended April 30, 2015 and 2016 appear to have been prepared internally.
3. There are no notes to any of the above financial statements.
4. We do not know the basis on which the financial statements were prepared.
5. We were also provided with a two-page summary of the revenue and expenses of the team for the fiscal years ended April 30, 2012 to 2016.
6. The two-page summary contains the data that KPMG used in their report.
7. The two-page summary appears to be comprised of the operations of the team and KFLP (see point 10 below).
8. The team's balance sheets for the fiscal years ended April 30, 2012 to 2016 show "Goodwill" of $2,795,574 and "Franchise cost" of $15,341.
9. It appears that management believes that the value of the intangible assets has not been impaired as there has not been a write-down of their value.
10. We were also provided with a "Notice to Reader" financial statements for Kingston Frontenac Limited Partnership (KFLP) for the fiscal period ended December 31, 2013.
11. The financial statements for KFLP that we were provided for the fiscal years ended December 31, 2014 and 2015 appear to have been prepared internally.
12. There are no notes to any of the KFLP financial statements.
13. We do not know the basis on which the KFLP financial statements were prepared.
14. We do not know the details of the business relationship between the team and KFLP.

TAB 14

ERIE OTTERS

(In US Funds Unless Noted Otherwise)

	2012	2013	2014	2015	2016
Revenues	n/a (1)	n/a (1)	n/a (1)	n/a (1)	$1,952,003
Expenses (Net of Other Income)	-	-	-	-	(3,066,901)
Pre-Tax Income	-	-	-	-	($1,114,898)

Source: December 22, 2016 KPMG report. Amounts are in Canadian Dollars.

Findings and Comments

1. We were provided with the financial statements for the fiscal year ended June 30, 2014 (prior to bankruptcy and sale of the team). The financial statements were a "Compilation Report" (similar to a notice to reader) and did not contain any notes.
2. We were provided with the audited financial statements for the fiscal period ended January 31, 2016 (after the sale of the team).
3. The team recorded the following losses:

Fiscal 2014	($150,042)	
Fiscal 2016	($836,595)	Period of July 17, 2015 to January 31, 2016

4. The fiscal 2016 expenses include start-up costs of $349,019, which would not be a recurring expense. This amount should not form a deduction from income for the purpose of determining the impact on the team's financial ability to fund the "minimum wage" amounts.
5. The vendor had intangible assets on its June 30, 2014 balance sheet totalling $3,916,298 for goodwill and franchise.
6. The purchaser had an intangible asset, "Franchise fee", in the amount of $8,369,087.
7. It appears that management believes and/or has tested and satisfied themselves that the value of the intangible assets has not been impaired, notwithstanding that there was a significant loss in fiscal 2016. The following is from Note 1, of the fiscal 2016 financial statements:

Franchise Fee

Pursuant to a business acquisition, the Company recorded a franchise fee, representing the excess of the purchase price over the fair value of the identifiable net assets acquired. The FASB ASC topic, *Intangibles – Goodwill and Other Intangible Assets*, prescribes a two-step process for impairment testing of intangibles, which is to be performed annually as well as when an event triggering impairment may have occurred. The first step tests for potential impairment, while the second step, if necessary, measures impairment. In determining if the potential exists that impairment has occurred, an entity can choose to either perform a qualitative assessment to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying amount or proceed directly to step one of the impairment test. Based on evaluation of relevant qualitative factors, the Company concluded that it was unlikely impairment occurred as of January 31, 2016, and no further evaluation was deemed necessary.

TAB 14-1

ERIE OTTERS
(In US Funds Unless Noted Otherwise)

8. The team's external auditors did not qualify their opinion relating to the fiscal 2016 financial statements of the team:

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JAW Hockey Enterprises LP as of January 31, 2016, and the results of its operations and its cash flows for the period from inception to January 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Schaffner, Knight, Minnaugh & Company P.C.

Erie, Pennsylvania
September 22, 2016

TAB 15

MISSISSAUGA STEELHEADS

	2012	2013	2014	2015	2016
Revenues	-	$1,294,979	$1,407,679	$1,632,973	$1,778,778
Expenses (Net of Other Income)	(23,591)	(1,418,739)	(1,419,132)	(1,917,253)	(2,264,159)
Pre-Tax Income	($23,591)	($123,760)	($11,453)	($284,280)	($485,381)

Source: December 22, 2016 KPMG report.

Findings and Comments

1. We were provided with comparative financial statements for the fiscal years ended May 31, 2013 to 2016.
2. The financial statements are "Notice To Reader".
3. There are no notes to these financial statements.
4. We do not know the basis on which the financial statements were prepared.
5. It appears that the team was purchased in fiscal 2012.
6. Each of the balance sheets reflects "Goodwill" in the amount of $3,565,000, therefore a write-down of the value of this asset has not been made.
7. The financial statements of the team disclose the following for the fiscal years ended May 31, 2012 to 2016:

	2012	2013	2014	2015	2016
Revenue	$0	$1,294,979	$1,407,679	$1,632,973	$1,778,778
Game day staff and expenses	$0	$53,269	$52,192	$457,522	$679,321
Team supplies and equipment	$0	$104,416	$107,131	$121,253	$158,097
Asset – Equipment (cost)	$45,000	$45,000	$45,960	$46,966	$46,966
Net loss	($23,591)	($123,760)	($11,453)	($284,280)	($485,381)

8. We do not know why there was such a significant increase in game day staff and expense after fiscal 2014.
9. The team supplies and equipment expense appears to be high and it is possible that some of the expenditures should have been capitalized or added to inventory.
10. It should be noted that there was no inventory on any of the balance sheets and the amount of equipment that appears on the balance sheet appears to be low.
11. KPMG included the results for fiscal 2012, which was the team's first fiscal period and during which it reported no revenue. We believe that it is inappropriate to include this amount along with the subsequent four years of results, if the objective is to show the team's ability to pay "minimum wage" to its players. The use of fiscal 2012 likely serves to understate the team's losses.

TAB 16

OWEN SOUND ATTACK

	2012	2013	2014	2015	2016
Revenues	$1,965,904	$2,257,291	$2,117,210	$2,371,398	$2,296,205
Expenses (Net of Other Income)	(1,550,171)	(1,698,469)	(1,787,981)	(2,050,477)	(2,165,455)
Pre-Tax Income	$415,733	$558,822	$329,229	$320,921	$130,750

Source: December 22, 2016 KPMG report.

Findings and Comments

1. We were provided "Notice to Reader" financial statements for the fiscal years ended June 30, 2012 to 2016.
2. It should be noted that we were not provided with pages 5 and 6 of the 2012 financial statements, being the "Statement of Operations" and "Notes to the Financial statements", respectively.
3. The balance sheets for each of these fiscal years show an amount of $2,000,000 for "Franchising Fee".
4. The team paid dividends of $400,400 and $500,000 to its shareholders in fiscal 2014 and 2016 respectively.
5. The 2016 financial statements show retained earnings of $2,214,884 as at June 30, 2016.

TAB 17

GUELPH STORM

	2012	2013	2014	2015	2016
Revenues	$2,369,873	$2,721,833	$3,827,111	$3,180,100	$2,965,391
Expenses (Net of Other Income)	(2,516,126)	(2,507,688)	(2,834,581)	(3,098,416)	(2,495,484)
Pre-Tax Income	($146,253)	$214,145	$992,530	$81,684	$469,907

Source: December 22, 2016 KPMG report.

Findings and Comments

1. We were not provided with any financial statements.
2. We were only provided with a one-page summary of the “Statement of operations” for the fiscal years ended May 31, 2011 to 2016 (2016 being “draft”).
3. There are no notes to the statement of operations.
4. We do not know the basis on which the statement of operations was prepared.
5. The statement of operations provides minimal detail as to what accounts were included in the various expenses. There were only five expense classifications that were shown:

Guelph Storm Ltd.
Statement of operations
For the Year Ended May 31
(unaudited)

	Draft 2016	2015	2014	2013	2012
Revenue	$2,660,407	$2,978,364	$3,515,591	$2,496,408	$2,159,942
Expenses					
Salaries and benefits	1,006,672	1,007,036	1,052,104	832,075	832,501
Advertising, promotion and box office costs	572,217	680,292	755,802	619,408	554,643
Player costs	336,634	742,242	208,459	503,528	553,720
Operating expenses	386,873	455,249	589,147	369,878	380,636
Administration	193,088	213,597	229,069	182,799	194,626
	2,495,484	3,098,416	2,834,581	2,507,688	2,516,126
Income (loss) from hockey operations	164,923	(120,052)	681,010	(11,280)	(356,184)

6. The player costs fluctuate significantly over the years.
7. The operating expenses appear to be high in fiscal 2014 and 2015.
8. The income tax returns reflect dividends paid to the shareholders as follows:

	2012	2013	2014	2015	2016
Dividends Paid	$150,000	$405,000	$585,000	$705,000	$0

9. The 2012 to 2016 income tax returns that were provided to us, only consisted of the first eight pages for each year. Had we been provided with the complete income tax returns, we would have had information relating to the balance sheets as none were provided to us.

TAB 18

SUDBURY WOLVES

	2012	2013	2014	2015	2016
Revenues	n/a (1)	$4,061,613	$3,607,486	n/a (1)	n/a (1)
Expenses (Net of Other Income)	-	(3,623,456)	(3,505,595)	-	-
Pre-Tax Income	-	$438,157	$101,891	-	-

Source: December 22, 2016 KPMG report.

Findings and Comments

1. We were only provided with financial statements for the fiscal year ended August 31, 2014 (with comparative figures for 2013).
2. The financial statements of the team disclose the following for amortization for the fiscal years ended August 31, 2013 and 2014:

Fiscal 2013	$133,613
Fiscal 2014	$163,001

We do not know if these levels of amortization represent the economic value of the amortization of the assets.

TAB 19

PETERBOROUGH PETES

	2012	2013	2014	2015	2016
Revenues	$1,456,570	$1,421,848	$1,886,602	$1,900,597	$1,819,906
Expenses (Net of Other Income)	(1,637,676)	(1,680,415)	(1,709,316)	(1,819,758)	(2,041,048)
Pre-Tax Income	($181,106)	($258,567)	$177,286	$80,839	($221,142)

Source: December 22, 2016 KPMG report.

Findings and Comments

1. Based upon note 2 (e) of the draft audited financial statements for fiscal 2016, the organization qualifies as a not-for-profit organization as defined in the Federal and Ontario Income Tax Acts.
2. The team has the following restriction on the distribution of its earnings. The note to is from the draft audited financial statements for the year ended June 30, 2016:

10. RESTRICTION ON DISTRIBUTION OF EARNINGS

The organization's by-laws expressly prohibit the distribution of any of the earnings to, or for the personal benefit of, the shareholders. Upon the dissolution of the organization any remaining net assets are to be distributed to charitable organizations or to organizations the objects of which are beneficial to the community or to the promotion of hockey.

3. The team had net assets (retained earnings) of approximately $1,024,300 as at June 30, 2016.
4. It appears that player scholarships are funded in part by Petes Education Fund Inc. We do not have any financial statements for this organization and do not know whether or not they have any net assets or what their history of generating funds has been.

TAB 20

PLYMOUTH WHALERS/FLINT FIREBIRDS
(In US Funds Unless Noted Otherwise)

	2012	2013	2014	2015	2016
Revenues	$2,577,230	$2,654,587	$2,150,910	$1,185,786	n/a (1)
Expenses (Net of Other Income)	(2,529,218)	(2,170,941)	(2,285,189)	(2,378,836)	-
Pre-Tax Income	$48,012	$483,646	($134,279)	($1,193,050)	-

Source: December 22, 2016 KPMG report. Amounts are in Canadian Dollars.

Findings and Comments

1. The team was sold in early 2015.
2. Prior to the sale, the team had $283,800 on each of its balance sheets for "Franchise rights".
3. We do not know who purchased the team, as there is no indication in the records of the new operating company of the team that they were the purchaser.
4. The financial statements for the former team owners are for the fiscal years ended June 30, 2012 to 2015 and appear to have been prepared internally.
5. There are no notes to the financial statements.
6. We do not know the basis on which the financial statements were prepared.
7. There are no financial statements for the current team owners, only an internally prepared "Statement of Operations" for the year ended December 31, 2015.
   - It should be noted that details of the balance sheet items are contained in the team's income tax return.
8. The balance sheet items do not include any intangible assets. Based upon the information we have for the other purchases during the period under review, it appears unlikely that the there would not be any intangible assets. It is therefore possible that a related company to the team purchased the assets.
9. There are no notes to the statement of operations.
10. We do not know the basis on which the statement of operations was prepared.

TAB 20-1

PLYMOUTH WHALERS/FLINT FIREBIRDS
(In US Funds Unless Noted Otherwise)

11. The statement of operations provides little detail:

IMS Hockey Management LLC
(Flint Firebirds Hockey Club)
Statemetn of Operations
For the year ended Dec 31, 2015

	2015
Revenue	$ 1,718,730
Expenses	
Cost of Goods Sold	987,383
Salaries and Wages	491,665
Taxes and Licenses	10,647
Depreciation	20,295
Advertsing	238,319
Other Expenses	418,354
	2,166,663
Income (Loss)	(447,933)

12. It should be noted that the income tax return notes that the period being reported is from March 17, 2015 to December 31, 2015.
13. The financial statements of the team disclose the following for profits/(losses) for the fiscal years ended May 31, 2012 to 2016:

Fiscal 2012	$778*	
Fiscal 2013	$481,431*	
Fiscal 2014	($121,849)*	
Fiscal 2015	($1,016,462)*	Year ended June 30, 2015
Fiscal 2015	($447,993)**	Period ended December 31, 2015

* Former team owners.
** Current team owner.

14. There was a prior period adjustment in fiscal 2013 of $428,443 that has not been considered in the calculations of KPMG and that may or may not be appropriate. If any of this amount relates to fiscal 2012, the income of the team would increase in that year.

TAB 20-2

PLYMOUTH WHALERS/FLINT FIREBIRDS
(In US Funds Unless Noted Otherwise)

15. The financial statements of the former team owners, disclose the following "Management fee" revenue for the fiscal years ended June 30, 2011 to 2015:

Fiscal 2012	$1,000,008
Fiscal 2013	$1,000,008
Fiscal 2014	$666,672
Fiscal 2015	$0

We do not know what the management fee revenue represents.

16. The financial statements of the former team owners, disclose the following "Advertising" revenue for the fiscal years ended June 30, 2011 to 2015:

Fiscal 2012	$400,000
Fiscal 2013	$400,000
Fiscal 2014	$150,000
Fiscal 2015	$112,500

We do not know what the advertising revenue represents and it appears that these may be related party transactions.

TAB 21

AMORTIZATION/DEPRECIATION
(In Canadian Funds Unless Noted Otherwise)

	Fiscal Year				
	2012	2013	2014	2015	2016
Tangible Assets					
Windsor Spitfires (Tab 5)	$249,296	$184,737	$170,838	$141,905	N/A
Kitchener Rangers (Tab 10)	$302,965	$890,099	$884,027	$927,727	$862,811
Sudbury Wolves (Tab 18)	N/A	$133,613	$163,001	N/A	N/A
Intangible Assets					
Saginaw Spirit - US$ (Tab 7)	$132,630	$132,630	$132,630	$132,630	$132,630

N/A = Not available.

TAB 22

MANAGEMENT FEES

	Fiscal Year				
	2012	2013	2014	2015	2016
Oshawa Generals (Tab 4)	$0	$0	$45,000	$420,000	$100,000
Windsor Spitfires (Tab 5)	$279,000	$0	$0	$0	N/A

N/A = Not available.

TAB 23

UNUSUAL FLUCTUATIONS IN EXPENSES/REVENUE OR UNUSUALLY HIGH EXPENSES

(in Canadian Funds unless noted otherwise)

	Fiscal Year				
	2012	2013	2014	2015	2016
Belleville Bulls/Hamilton Bulldogs (Tab 1)					
Salaries and benefits	$661,974	$775,879	$688,071	$760,699	$1,637,376
Sault Ste. Marie Greyhounds (Tab 2)					
Tuition and education costs	$157,474	$121,646	$166,081	$552,074	$372,966
Barrie Colts (Tab 3)					
"Hockey Product" revenue	$860,000	$1,075,000	$839,000	$803,500	N/A
Oshawa Generals (Tab 4)					
Salaries	$996,687	$1,383,267	$1,279,792	$1,203,413	$1,068,978
Finance and administration	$452,000	$269,277	$311,481	$803,514	$403,358
Purchase agreement Settlement	$0	$0	$0	$625,000	$0
Windsor Spitfires (Tab 5)					
Bank charges and interest	$129,684	$116,899	$152,283	$159,293	N/A
Licensing revenue	$206,137	$198,807	$0	$0	N/A
Dressing room supplies	$183,977	$147,483	$166,395	$213,804	N/A
Player costs	$194,690	$143,771	$383,737	$290,767	N/A
Wages and Benefits	$1,181,360	$1,144,444	$1,569,313	$1,649,448	N/A
Saginaw Spirit (Tab 7)					
Adds/Deducts – US$	$47,880	$439,823	$82,519	$48,745	$78,401
Bad Debts – US$	$351,964	$101,389	$38,943	$18,784	N/A
Ottawa 67's (Tab 8)					
Hockey Operations	N/A	$1,732,913	$1,334,421	$1,940,736	N/A
Niagara IceDogs (Tab 9)					
Equipment and supplies	$138,829	$122,567	$147,918	$206,463	$211,431
Bank charges and interest	$58,668	$59,814	$74,627	$131,657	$127,331
Business development	$179,430	$118,808	$131,241	$228,793	$245,508
Meals and entertainment	$47,295	$50,101	$92,190	$95,915	$94,520
Vehicle expense	$125,099	$161,468	$160,366	$128,878	$167,042

TAB 23-1

UNUSUAL FLUCTUATIONS IN EXPENSES/REVENUE OR UNUSUALLY HIGH EXPENSES
(in Canadian Funds unless noted otherwise)

	Fiscal Year				
	2012	2013	2014	2015	2016
Kitchener Rangers (Tab 10)					
Community donations	$371,557	$394,800	$478,002	$365,968	$370,879
Mississauga Steelheads (Tab 15)					
Game day staff and expenses	$0	$53,269	$52,192	$457,522	$679,321
Team supplies and equipment	$0	$104,416	$107,131	$121,253	$158,097
Guelph Storm (Tab 17)					
Player costs	$553,720	$503,528	$208,459	$742,242	$336,634
Plymouth Whalers/Flint Firebirds (Tab 20)					
Management fee revenue – US$	$1,000,008	$1,000,008	$666,672	$0	N/A
Advertising revenue – US$	$400,000	$400,000	$150,000	$112,500	N/A

N/A = Not available.

TAB 24

NON-DEDUCTIBLE MEALS AND ENTERTAINMENT EXPENSES

(in Canadian Funds unless noted otherwise)

We reviewed the tax returns for the adjustments to taxable income, specifically "add-backs" for 50% of the non-deductible meals and entertainment expenses. The following are the more significant "add-backs" for the teams that we had the relevant details. Note that the expense for the year would have been double these figures and are noted at the bottom of this page.

	Fiscal Year				
	2012	2013	2014	2015	2016
Barrie Colts (Tab 3)	$32,559	$30,523	$23,840	$25,270	N/A
Oshawa Generals (Tab 4)	$48,670	$52,021	$63,359	$64,017	$54,224
Windsor Spitfires (Tab 5)	$91,772	$82,761	$63,240	$65,512	N/A
Brampton/North Bay Battalion (Tab 6)	$23,523	$27,561	$31,029	$32,508	$35,402
Saginaw Spirit – US$ (Tab 7)	$28,483	$23,027	$21,861	$25,581	N/A
Ottawa 67's (Tab 8)	$31,613	$10,770	$45,900	$44,490	N/A
Niagara IceDogs (Tab 9)	$47,982	$46,912	$68,987	$97,123	$100,596
London Knights (Tab 12)	$27,362	$32,579	$28,070	$33,478	N/A
Kingston Frontenacs (Tab 13)	$15,433	$60,155	$31,822	$28,456	$0

	100% of The Amount Expended (Rounded) Fiscal Year				
	2012	2013	2014	2015	2016
Barrie Colts (Tab 3)	$65,100	$61,000	$47,700	$50,500	N/A
Oshawa Generals (Tab 4)	$97,300	$104,000	$126,700	$128,000	$108,400
Windsor Spitfires (Tab 5)	$183,500	$165,500	$126,500	$131,000	N/A
Brampton/North Bay Battalion (Tab 6)	$47,000	$55,100	$62,100	$65,000	$70,800
Saginaw Spirit – US$ (Tab 7)	$57,000	$46,100	$43,700	$51,200	N/A
Ottawa 67's (Tab 8)	$63,200	$21,500	$91,800	$89,000	N/A
Niagara IceDogs (Tab 9)	$96,000	$93,800	$138,000	$194,200	$201,200
London Knights (Tab 12)	$54,700	$65,100	$56,100	$67,000	N/A
Kingston Frontenacs (Tab 13)	$30,900	$120,300	$63,600	$56,900	$0

As we do not have complete income tax returns for all of the teams, it is possible that other teams may have significant add-backs as well.

N/A = Not available.

TAB 25

PURCHASE OF TEAMS

(In Canadian Funds Unless Noted Otherwise)

	Fiscal Year				
	2012*	2013	2014	2015*	2016*
Hamilton Bulldogs** (Tab 1)					
Goodwill Purchased				$10,256,000	
Pre-Tax Income/(Loss) – Of Selling Team	*($137,513)*	*$115,268*	*($212,902)*		
Sarnia Sting (Tab 11)					
Intangible Capital Assets Purchased***				$7,704,025	
Pre-Tax Income/(Loss) – Of Selling Team)		*Information not available*			
Erie Otters**** (Tab 14)					
Goodwill Purchased (rounded)					$10,432,000
Pre-Tax Income/(Loss) – Of Selling Team			*US($150,042)*		
Mississauga Steelheads (Tab 15)					
Goodwill Purchased	$3,565,000				
Prince George Cougars					
Goodwill Purchased				$6,381,133	
Pre-Tax Income/(Loss) –Of Selling Team	*($620,186)*	*($746,899)*	*($766,329)*		
Regina Pats					
Goodwill Purchased				$6,795,000	
Pre-Tax Income/(Loss) – Of Selling Team	*($169,802)*	*($466,433)*	*$31,059*		
Flint Firebirds ***** (Tab 20)					

* Balance sheet amount and fiscal year of the purchaser.

** The team was previously named the Belleville Bulls and the team had a franchise cost on its balance sheet of $3,385,839 in the fiscal year prior to the sale of the team.

*** There is no breakdown of the intangible assets that were purchased. Based upon the other purchases we would expect that the vast majority would relate to goodwill and/or franchise fee.

**** The selling team had goodwill and franchise on its balance sheet totalling US$3,916,298 in its 2014 fiscal year. We do not have any financial statements after that fiscal year.

***** The team was previously named the Plymouth Whalers and was sold in 2015 however we have insufficient information to comment on the purchase.

TAB 26

INTANGIBLE ASSETS

(In Canadian Funds Unless Noted Otherwise)

	Fiscal Year				
	2012	2013	2014	2015	2016
Belleville Bulls/Hamilton Bulldogs (Tab 1)					
Franchise	$3,385,839	$3,385,839	$3,385,839		
Goodwill				$10,256,000	$10,256,000
Pre-Tax Income/(Loss)	*($137,513)*	*$115,268*	*($212,902)*	*($313,632)*	*($678,743)*
Ottawa 67's (Tab 8)					
Franchise	$10,387,245	$10,387,245	$10,387,245	$10,387,245	N/A
Pre-Tax Income(/Loss)	*$127,027*	*($62,097)*	*($1,104,030)*	*($950,073)*	*N/A*
Niagara IceDogs (Tab 9)					
Hockey club	$4,750,000	$4,750,000	$4,750,000	$4,750,000	$4,750,000
Pre-Tax Income/(Loss)	*$318,691*	*$91,466*	*($86,193)*	*$540,879*	*$775,444*
Sarnia Sting (Tab 11)					
Intangible capital assets	N/A	N/A	N/A	$7,704,025	$7,641,070
Pre-Tax Income/(Loss)	*N/A*	*N/A*	*N/A*	*($324,689)*	*($497,283)*
London Knights (Tab 12)					
Intangibles	$1,408,000	$1,408,000	$1,408,000	$1,408,000	N/A
Pre-Tax Income/(Loss)	*$3,223,148*	*$2,951,269*	*$2,847,908*	*$2,531,464*	*N/A*
Kingston Frontenacs (Tab 13)					
Goodwill	$2,795,574	$2,795,574	$2,795,574	$2,795,574	$2,795,574
Franchise Cost	15,341	15,341	15,341	15,341	15,341
Total	$2,810,915	$2,810,915	$2,810,915	$2,810,915	$2,810,915
Pre-Tax Income/(Loss)	*($686,340)*	*($707,745)*	*($700,692)*	*($357,868)*	*($366,611)*
Erie Otters (Tab 14)					
Goodwill and Franchise Fee – US$	N/A	N/A	$3,916,298	N/A	
Franchise Fee – US$					$8,369,087
Pre-Tax Income/(Loss) – US$	*N/A*	*N/A*	*$(150,042)*	*N/A*	*$(831,393)*
Mississauga Steelheads (Tab 15)					
Goodwill	$3,565,000	$3,565,000	$3,565,000	$3,565,000	$3,565,000
Pre-Tax Income/(Loss)	*($23,591)*	*($123,760)*	*($11,453)*	*($284,280)*	*($485,381)*
Owen Sound Attack (Tab 16)					
Franchising Fee	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000
Pre-Tax Income/(Loss)	*$415,733*	*$558,822*	*$329,229*	*$320,921*	*$130,750*
Plymouth Whalers/Flint Firebirds (Tab 20)					
Franchise rights – US$	$283,800	$283,800	$283,800	$283,800	N/A
Pre-Tax Income/(Loss) – US$	*$47,833*	*$481,431*	*($121,849)*	*($1,016,482)*	*N/A*

N/A = Not available.

TAB 27

DIVIDENDS PAID

	Fiscal Year				
	2012	2013	2014	2015	2016
Oshawa Generals (Tab 4)	$0	$0	$0	$0	$2,100,000
Niagara IceDogs (Tab 9)	$0	$0	$0	$0	$300,000
London Knights (Tab 12)	$1,500,000	$0	$4,000,000	$2,750,000	N/A
Owen Sound Attack (Tab 16)	$0	$0	$400,400	$0	$500,000
Guelph Storm (Tab 17)	$150,000	$405,000	$585,000	$705,000	$0

N/A = Not available.

APPENDIX A

APPENDIX A

SCOPE OF REVIEW

For this report, we have primarily relied upon and/or reviewed the following information:

1. December 22, 2016 report entitled “Western Hockey League Summary of Financial Information” prepared by KPMG Forensic Inc.
2. December 22, 2016 report entitled “Ontario Hockey League Summary of Financial Information” prepared by KPMG Forensic Inc.
3. Memorandum of Decision of the Honourable Mr. Justice R.J. Hall dated October 28, 2016.
4. Excerpts from the affidavits of:
    - David E. Branch, President of the CHL, sworn December 23, 2015.
    - Denise Burke (Niagara Ice Dogs) sworn November 14, 2015 and September 14, 2016.
    - Scott Abbott (North Bay Battalion) sworn November 12, 2015 and September 21, 2016.
    - Craig Goslin (Saginaw Spirit) sworn November 9, 2015.
5. June 14, 2016 expert report of Kevin P. Mongeon.
6. December 21, 2016 expert report of Norm O’Reilly.
7. Information contained in our report of February 1, 2017 regarding the WHL.
8. Financial Statements of OHL teams, see Appendix A-1, A-2 and A-3.
9. Tax Returns of OHL teams, see Appendix A-1 and A-2.
10. Financial Statements of Canadian Hockey League for the years ended June 30, 2012 to June 30, 2016.
11. OHL Scholarship Liability Report as of November 24, 2016.
12. CHL “Scholarships 2009 – 2016” summary.
13. “The Asset Purchase Agreement” dated as of May 29, 2015 for the Erie Otters.
14. Information from the Bank of Canada website for foreign exchange rates.
15. Information from various websites regarding historical information of various teams.

APPENDIX A-1

Team "Financial Statements" and Tax Returns

Team Name	"Balance Sheet" Period	"Income Statement" Period	Tax Return Period
Belleville Bulls	May 31, 2012 to May 31, 2015	Years ended May 31, 2012 to May 31, 2015	Years ended May 31, 2012 to May 31, 2014
Hamilton Bulldogs	June 30, 2016 (Draft with comparative June 30, 2015)	Years ended June 30, 2016 (Draft with comparative for 4-month period ending June 30, 2015)	
Sault Ste. Marie Greyhounds	June 30, 2012 to June 30, 2016 (Draft in 2012)	Years ended June 30, 2012 to June 30, 2016	Years ended June 30, 2012 to June 30, 2016
Barrie Colts	June 30, 2012 to June 30, 2015	Years ended June 30, 2012 to June 30, 2015	Years ended June 30, 2012 to June 30, 2015
Oshawa Generals	May 31, 2012 to May 31, 2014; May 31, 2016 (comparative May 31, 2015)	Years ended May 31, 2012 to May 31, 2014; year ended May 31, 2016 (comparative for year ended May 31, 2015)	Years ended May 31, 2012 to May 31, 2016
Windsor Spitfires	April 30, 2013 (comparative May 31, 2012); May 31, 2015 (comparative May 31, 2014)	11-month period ended April 30, 2013 (comparative for year ended May 31, 2012); year ended May 31, 2015 (comparative for year ended May 31, 2014)	Years ended May 31, 2012 to May 31, 2015
Brampton Battalion	June 30, 2012 and June 30, 2013	Years ended June 30, 2012 and June 30, 2013	Year ended June 30, 2012
North Bay Battalion	June 30, 2014 to June 30, 2016	Years ended June 30, 2014 to June 30, 2016	Years ended June 30, 2013 to June 30, 2015
Saginaw Spirit	June 30, 2012 to June 30, 2016	Years ended June 30, 2012 to June 30, 2016	Years ended December 31, 2012 to December 31, 2015 (U.S. Returns)
Ottawa 67's	December 31, 2012 to December 31, 2015	Period of October 12, 2012 to December 31, 2012; years ended December 31, 2013 to December 31, 2015	Period from October 12, 2012 to December 31, 2012; years ended December 31, 2012 to December 31, 2015
Niagara IceDogs	May 31, 2012 to May 31, 2016	Years ended May 31, 2012 to May 31, 2016	Years ended May 31, 2012 to May 31, 2016
Kitchener Rangers	May 31, 2012 to May 31, 2016	Years ended May 31, 2012 to May 31, 2016	Years ended May 31, 2012 to May 31, 2016
Sarnia Sting		Period from January 25 to May 31, 2015; year ended May 31, 2016	Period from January 26 to May 31, 2015; year ended May 31, 2016

APPENDIX A-2

Team "Financial Statements" and Tax Returns

Team Name	"Balance Sheet" Period	"Income Statement" Period	Tax Return Period
London Knights	May 31, 2012 to May 31, 2015	Years ended May 31, 2012 to May 31, 2015	Years ended May 31, 2012 to May 31, 2015
Kingston Frontenacs	April 30, 2012 to April 30, 2016 for KFHL and December 31, 2013 to December 31, 2015 for KFLP	Years ended April 30, 2012 to April 30, 2016 and summary schedule for years ended April 30, 2012 to April 30, 2016 for KFHL; period of April 18, 2013 to December 31, 2013 and years ended December 31, 2014 (comparative for year ended December 31, 2013) and December 31, 2015 for KFLP	Years ended April 30, 2012 to April 30, 2015 for KFHL; period from April 18, 2013 to December 31, 2013 and years ended December 31, 2014 and December 31, 2015 for KFLP
Erie Otters	June 30, 2014; January 31, 2016	Year ended June 30, 2014; period from July 17, 2015 to January 31, 2016	Period from May 26, 2015 to January 31, 2016 (Canadian Return)
Mississauga Steelheads	May 31, 2013 (comparative May 31, 2012) to May 31, 2016	Years ended May 31, 2013 (comparative for year ended May 31, 2012) to May 31, 2016	Years ended May 31, 2013 to May 31, 2016
Owen Sound Attack	June 30, 2012 to June 30, 2016	Years ended June 30, 2013 (comparative for year ended June 30, 2012) to June 30, 2016	Years ended June 30, 2012 to June 30, 2016
Guelph Storm		Schedule with years ended May 31, 2011 to May 31, 2016 (Draft noted for 2016)	Years ended May 31, 2013 to May 31, 2016
Sudbury Wolves	August 31, 2014 (comparative August 31, 2013)	Year ended August 31, 2014 (comparative for year ended August 31, 2013)	
Peterborough Petes	June 30, 2012 to June 30, 2016 (Draft in 2016)	Years ended June 30, 2012 to June 30, 2016 (Draft in 2016)	Years ended June 30, 2012 to June 30, 2015
Plymouth Whalers	June 30, 2012 to June 30, 2015 (combined with Youth Hockey)	Years ended June 30, 2012 to June 30, 2015.	
Flint Firebirds		"Year" ended December 31, 2015	Period of March 17, 2015 to December 31, 2015 (U.S. Return)

Note: Financial statement documentation ranged from one-page summaries to audited statements complete with notes.
Tax return documentation ranged from the "jacket" of the return only, to complete returns with all relevant schedules.

APPENDIX A-3

AUDIT, REVIEW OR OTHER COMPILATION OF FINANCIAL STATEMENTS

Team Name	Audited	Review Engagement	Notice to Reader or Internally Prepared
Belleville Bulls			2012 to 2015
Hamilton Bulldogs		2016 (Draft)	
Sault Ste. Marie Greyhounds		2012 to 2016 (Draft in 2012)	
Barrie Colts		2012 to 2014	2015
Oshawa Generals		2012 to 2014, 2016	
Windsor Spitfires		2013, 2015	
Brampton Battalion		2012 and 2013	
North Bay Battalion			2014 to 2016
Saginaw Spirit			2012 to 2016
Ottawa 67's	2012 to 2015		
Niagara IceDogs		2014 to 2016	2012 and 2013
Kitchener Rangers	2012 to 2016		
Sarnia Sting			2015 and 2016
London Knights			2012 to 2015
Kingston Frontenacs			2012 to 2016
Erie Otters	2016		2014
Mississauga Steelheads			2013 to 2016
Owen Sound Attack			2012 to 2016
Guelph Storm			2011 to 2016 (Draft in 2016)
Sudbury Wolves		2014	
Peterborough Petes	2012 to 2016 (Draft in 2016)		
Plymouth Whalers			2012 to 2015
Flint Firebirds			2015

Note: The period may include years where comparative figures were obtained from the subsequent fiscal year’s financial statements.

APPENDIX B

CURRICULUM VITAE OF RONALD T. SMITH

ACADEMIC / PROFESSIONAL:	Chartered Accountant (1977)
	Chartered Professional Accountant (2012)
	Certified as a specialist in investigative and forensic accounting by the Canadian Institute of Chartered Accountants (2000)
	Certified in Financial Forensics by the AICPA (American Institute of CPAs) (2016)
	Bachelor of Commerce, Major in Accountancy (1974)
	Chartered Insurance Professional (1999)
	Arbitration and Mediation Member of the ADR Institute of Ontario, Inc. (2000)
	Advanced Mediation Training - ADR Associates, sponsored by The Advocates' Society, Toronto (1997)
	Harvard Mediation Workshop, sponsored by The Advocates' Society, Toronto (1996)
	Faculty member of the Diploma in Investigative and Forensic Accounting Program, Rotman School of Management, University of Toronto (2001 to 2003)
	Collaborative Practice: Level I Training (2010) and Level II Training (2012)
CAREER:	Founded his own forensic accounting practice in November 1987, currently operating as Smith Forensics Inc. The firm specializes exclusively in litigation support and dispute resolution services. The firm assists clients in the quantification of economic losses and provides forensic accounting and neutral services.
	From October 1979 to November 1987 specialized in litigation support with a national firm of chartered accountants and was the director of the Toronto office's Litigation Support Services Group from July 1985 to November 1987.
	Auditor from 1973 to October 1979.
ASSIGNMENTS-CIVIL:	Insurance Claims: Business Interruption Personal Injury (tort and no-fault) Products Liability Indemnity Bonds Property Losses
	Breach of Contract Cases Negligence Actions Partner/Shareholder Disputes Matrimonial Matters Environmental Damages Construction Delay Claims

ASSIGNMENTS-CRIMINAL:	Securities Violations Tax Evasion Homicide/Arson (financial motive) Employee Theft Fraud
EXPERT WITNESS:	Appeared as an expert witness in the Federal Court (Canada), Ontario Court, General Division, Supreme Court of British Columbia, Ontario Insurance Commission and private arbitrations with respect to accounting matters.
MEDIATION/ARBITRATION:	Mediated a commercial dispute. Arbitrated a commercial dispute.
BOOKS:	"Accounting For Damages: A Framework For Litigation Support", Second Edition (Carswell-Thomson Canada Limited - 1993). "Accounting For Damages: A Framework For Litigation Support" (CCH Canadian Limited - 1987). Contributing author to "Damages For Breach of Contract" (Pitch/Snyder - The Carswell Company Limited - 1990).
ARTICLES:	"Insurance Claims Versus Subrogated Claims" (Canadian Insurance Accountants Association, Education & Technical Committee Information Circular 1994-2). "Evaluating Offers to Settle and Judgments" (The Advocates' Society Journal, April 1985). "Assessing Damages: An Accountant's Perspective" (The Advocates' Society Journal, December 1984). "The Litigation Accountant as Part of the Litigation Support Team" (The Advocates' Society Journal, May 1984). Article in the April 1996 and Summer 2001 publications of "The Balance Sheet" (publication of the Alliance for Excellence in Investigative and Forensic Accounting of the CICA and its predecessor organization).

INTERVIEWS:

DISCOVERY CHANNEL - September 30, 1997
"Exhibit A
Secrets of Forensic Science" - television production.

CA MAGAZINE - January/February 1997
"BRANCH PLANS - Six high-growth areas of specialization".

CA MAGAZINE - May 1992
"MATTERS OF INTEREST - The CICA reaches beyond the core with interest groups".

CANADIAN BUSINESS Magazine - January 1985
"Final tally: how litigation support gets companies a better day in court".

PRESENTATIONS:

Co-presenter of presentation entitled "Wrongful Death: Quantification of Damages and Related Issues that You were Afraid to Ask" at the Alliance for Excellence in Investigative and Forensic Accounting Conference (2010).

Presenter at *in*SIGHT INFORMATION conference entitled "Litigating Catastrophic Disability and Damages" (2006).

Co-presenter of presentation entitled "Damages Quantification" at The 7th Alliance for Excellence in Investigative and Forensic Accounting Conference (2005).

Co-presenter of presentation entitled "Personal Injury Update" at The 6th Alliance for Excellence in Investigative and Forensic Accounting Conference (2004).

Conducted workshop on the quantification of economic losses at The 2nd Alliance for Excellence in Investigative and Forensic Accounting Conference (2000).

Panel member of open forum discussion entitled, "Pitfalls to Avoid in Performing IFA Assignments" at The 1st Alliance for Excellence in Investigative and Forensic Accounting Conference (1999).

Numerous presentations regarding the subject of quantification of economic losses to law firms and organizations including:

Insurance Institute of Ontario
Fraudulent and Suspicious Claims.

The Law Society of Upper Canada
Specialty series in litigation.

Canadian Bar Association of Ontario
Insurance Law Section.

Waterloo Law Association.

Lincoln County Law Association.

OTHER PROFESSIONAL ACTIVITIES:

Member of the board of the Alliance for Excellence in Investigative and Forensic Accounting (formerly the Investigative and Forensic Accounting Interest Group) of The Canadian Institute of Chartered Accountants from 1992 to 2001. Editor of its newsletter from 1992 to 1996.

Developed the course entitled "Practice Issues" for the Diploma in Investigative and Forensic Accounting Program, Rotman School of Management, University of Toronto (2001).

Member of The Canadian Institute of Chartered Accountants Advisory Group on Money Laundering Legislation (1999-2002).

Participant representing The Canadian Institute of Chartered Accountants in Ottawa at the Forum on Organized Crime - sponsored by the Minister of Justice and the Solicitor General of Canada (1996).

Requested by the Ontario Human Rights Commission to comment on their proposed "Undue Hardship Guidelines" (1988).

PROFESSIONAL MEMBERSHIPS:

The Chartered Professional Accountants of Canada (formerly the Canadian Institute of Chartered Accountants) and Chartered Professional Accountants of Ontario (formerly the Institute of Chartered Accountants of Ontario).

The Canadian Condominium Institute.

The Insurance Institute of Canada and the Insurance Institute of Ontario.

ADR Institute of Canada, Inc. and the ADR Institute of Ontario, Inc.

Collaborative Practice Toronto.

MATTERS OF NOTE:

Steve Moore et al v Todd Bertuzzi et al

Slaght v Phillips et al
Decision regarding Rule 53.09 (1) of the Ontario Rules of Civil Procedure.

Maher Arar et al v Her Majesty the Queen in Right of Canada et al.

Ryan Morrison et al v Cory Greig et al
Plaintiff awarded $12.4 million in gross damages.

Plester v Wawanesa Mutual Insurance Company
Plaintiff awarded significant punitive damages.

APPENDIX C

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Ottawa ON K2P 2P8
Canada

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Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Partners of Ottawa 67s Limited Partnership

We have audited the accompanying financial statements of Ottawa 67s Limited Partnership, which comprise the balance sheet as at December 31, 2015, the statements of operations, partners' capital and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ottawa 67s Limited Partnership as at December 31, 2015 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2016

Ottawa, Canada

APPENDIX D

CHARTERED
PROFESSIONAL
ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

REVIEW ENGAGEMENT REPORT

To the Shareholder of
Niagara IceDogs Hockey Club Inc.:

We have reviewed the balance sheet of Niagara IceDogs Hockey Club Inc. as at May 31, 2016 and the statements of income and retained earnings and of cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

September 28, 2016

APPENDIX E

ANDREW MINGAY
Professional Corporation

Chartered Professional Accountant

NOTICE TO READER

On the basis of information provided by management, I have compiled the balance sheet of **Barrie Colts Junior Hockey Ltd.** as at June 30, 2015 and the statement of loss and deficit for the year then ended.

I have not performed an audit or a review engagement in respect of this financial statements and, accordingly, I express no assurance thereon.

Readers are cautioned that this statement may not be appropriate for their purposes.

Markham, Canada,
October 15, 2015

Andrew Mingay
Professional Corporation

Chartered Professional Accountant, Authorized to practice public accounting
by The Chartered Professional Accountants of Ontario

APPENDIX F

Ottawa 67s Limited Partnership (the "Limited Partnership") was formed on October 12, 2012 by Lansdowne Master Limited Partnership and Ottawa 67s GP Inc. (the "Partners") for the purpose of ownership and operation of an Ontario Hockey League franchise.

1. Continuity of operations:

The Limited Partnership's capital of $9,010,997 includes capital contributions from Lansdowne Master Limited Partnership which were provided by a partner, Ottawa Sports and Entertainment Group ("OSEG"). Continued financial support from OSEG is required until the Limited Partnership achieves stable operations and profitability in order for the Limited Partnership to be able to continue as a going concern and realize its assets and pay its liabilities as they fall due.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements were prepared in accordance with Canadian accounting standards for private enterprises.

These financial statements do not include all the assets, liabilities, revenue and expenses of the Partners. No provision has been made for income taxes which may be payable by each of the Partners on the Limited Partnership's net earnings. The statement of operations does not include charges for interest on invested capital.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative investments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Limited Partnership has not elected to carry any such financial instruments at fair value. Transaction costs incurred on the acquisition of the financial instrument measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. If there are indicators of impairment, the Limited Partnership determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flow, the carrying value of the financial asset is reduced to the highest of the present value of the expended cash flows, the amount that could be realized from selling the financial asset or the amount the Limited Partnership expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(c) Intangible asset:

The Ottawa 67s Limited Partnership ("Ottawa 67s") franchise fee is recorded at cost and the life is determined to be indefinite.

The carrying amount of an intangible asset whose life is determined to be indefinite is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value. An impairment loss is recognized when the asset's carrying amount exceeds its fair value. Impairment losses are not subsequently reversed.

(d) Property and equipment:

Property and equipment are measured at cost. Depreciation is calculated according to the following methods and annual rates:

Asset	Method	Rate and Periods
Vehicles	Straight-line	33%
Equipment used in operations	Straight-line	20%
Computer equipment	Straight-line	33%

(e) Impairment of long-lived assets:

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

2. Significant accounting policies (continued):

(f) Revenue recognition:

Revenue from the sale of Ottawa 67s hockey game tickets, advertising and sponsorships and other game and event-related activities are recognized at the time the game is played or the related event occurs. Amounts billed or received in accordance with customer contracts that do not yet satisfy revenue recognition criteria are recorded as unearned revenue. Grant revenues and other revenues are recognized as they are received.

The Limited Partnership enters into various barter agreements resulting from the exchange of advertising and sponsorship services and hockey game tickets for merchandise or services. Non-monetary transactions are measured at the more reliably measurable of the fair value of the asset given up and the fair value of the asset received unless the transaction lacks commercial substance or the transaction is an exchange of a product held for sale in the ordinary course of business, in which case the transaction is measured at the carrying amount of the asset given up.

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amounts of property and equipment and carrying amounts of intangible assets. Actual results could differ from those estimates.

3. Accounts receivable:

	2015	2014
Trade	$ 156,638	$ 100,646
Harmonized sales tax recoverable	4,936	–
	$ 161,574	$ 100,646

4. Accounts payable and accrued liabilities:

	2015	2014
Trade	$ 267,372	$ 413,093
Harmonized sales tax payable	–	4,493
	$ 267,372	$ 417,586

5. Property and equipment:

	Cost	Accumulated depreciation	2015 Net book value	2014 Net book value
Vehicles	$ 4,709	$ 4,709	$ –	$ 1,406
Computer equipment	22,807	19,194	3,613	7,349
Equipment used in operations	65,635	38,644	26,991	40,118
	$ 93,151	$ 62,547	$ 30,604	$ 48,873

Cost and accumulated depreciation at December 31, 2014 was $89,956 and $41,083, respectively.

6. Related party transactions:

Amounts due to or from related parties are unsecured, non-interest bearing and have no fixed terms of payment. The related parties include a Partner, a company and a partnership which are subject to the same significant influence as the Limited Partnership, and partnerships under common control.

(a) Due from related parties:

	2015	2014
Lansdowne Master Limited Partnership	$ 561,616	$ 561,460
Ottawa REDBLACKS Limited Partnership	1,869,413	1,125,558
Ottawa Sports and Entertainment Group	121,441	650
Ottawa Fury FC Limited	–	72,418
	$ 2,552,470	$ 1,760,086

(b) Due to related party:

	2015	2014
Lansdowne Stadium Limited Partnership	$ 3,198,249	$ 995,525

During the year, the Limited Partnership was charged $100,108 (2014 - $Nil) for rent of the stadium by a partnership related by common control.

During the year, the Limited Partnership was charged $350,000 (2014 - $350,000) for corporate and administration service, and $450,000 (2014 - $450,000) for sales and marketing service by a partnership related by common control.

6. Related party transactions (continued):

Transactions with related parties have occurred in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration as established and agreed to by the related parties.

7. Bank indebtedness:

The bank indebtedness, which is available to a maximum of $400,000, bears interest at prime plus 1.25%, is payable on demand and is secured by a general security agreement over the assets of the Partnership. As at December 31, 2015, there was no outstanding balance under this facility.

8. Change in non-cash operating working capital:

	2015	2014
Decrease (increase) in accounts receivable	$ (60,928)	$ 273,447
Decrease in prepaid expenses	26,306	304,264
Increase (decrease) in accounts payable and accrued liabilities	(150,214)	142,496
Increase (decrease) in unearned revenue	(238,840)	230,694
	$ (423,676)	$ 950,901

9. Non-monetary transactions:

Included in advertising and sponsorship revenue is $382,007 (2014 - $376,304) of non-monetary advertising and sponsorship. Included in hockey ticket revenue is $58,848 (2014 - $34,090) of non-monetary hockey ticket revenue.

Included in unearned revenue is $206,183 (2014 - $221,659) of non-monetary sponsorship and $35,258 (2014 - $50,739) of non-monetary hockey tickets revenue.

Included in hockey operations expense is $82,610 (2014 - $126,577), included in advertising and promotions expense is $151,117 (2014 - $295,179) and included in selling, general and administrative expense is $4,440 (2014 - $24,735) of non-monetary expenses.

10. Partners' capital:

The interests of the Limited Partner consist of 100 units. The Limited Partner will be entitled to one vote for each unit held in respect of all matters to be voted upon by the Limited Partner.

The interest of the General Partner consists of one general partner unit. The General Partner is not entitled to any voting rights.

11. Commitments:

The Limited Partnership, as a member club of the Ontario Hockey League (“OHL”), is committed to funding a portion of the budgetary requirements of the OHL. Subsequent to the end of each season, any surplus of the OHL is refunded to the member clubs, and any deficit is funded by the member clubs. It is not possible at this time to reasonably estimate the amount of the asset or the liability that may arise as a result of an OHL surplus or deficit and accordingly, no provision has been recorded in this respect as at December 31, 2015. Any asset or liability is recorded in the year the amount can be reasonably estimated.

12. Litigation:

A class action lawsuit was initiated in 2014 against the Canadian Hockey League (“CHL”), the member leagues of the CHL (WHL, OHL, QMJHL) and all member teams of these leagues including the Ottawa 67s. The lawsuit relates to the determination of the employment status of players within the leagues and alleges damages in relation to such status. An estimate of the potential dollar amount of damages in relation to this suit and the probability of any specific outcome is not determinable at this time.

13. Financial instruments - risks and uncertainties:

(a) Liquidity risk:

Liquidity risk is the risk that the Limited Partnership will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Limited Partnership manages its liquidity risk by monitoring its operating requirements.

The Limited Partnership prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from the prior year as discussed in note 1.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Limited Partnership deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

APPENDIX G

TEAMS WITH ANY TYPE OF RELATED PARTY TRANSACTIONS OR LIKELY RELATED PARTY TRANSACTIONS

Based upon our review of the financial documents noted in the report, for the following teams we conclude they had related party transactions or likely had related party transactions.

		Related Party Transactions	
		Conclusive	Likely
i.	Belleville Bulls/Hamilton Bulldogs	Yes	
ii.	Saulte Ste. Marie Greyhounds	Yes	
iii.	Barrie Colts	Yes	
iv.	Oshawa Generals	Yes	
v.	Windsor Spitfires	Yes	
vi.	Ottawa 67's	Yes	
vii.	Kingston Frontenacs	Yes	
viii.	Sudbury Wolves	Yes	
ix.	Plymouth Whalers/Flint Firebirds		Yes

APPENDIX H

Court File No. CV-14-514423

ONTARIO

SUPERIOR COURT OF JUSTICE

BETWEEN:

SAMUEL BERG

Plaintiff

and

CANADIAN HOCKEY LEAGUE, ONTARIO MAJOR JUNIOR HOCKEY LEAGUE, ONTARIO HOCKEY LEAGUE, WESTERN HOCKEY LEAGUE, QUEBEC MAJOR JUNIOR HOCKEY LEAGUE INC., WINDSOR SPITFIRES INC., LONDON KNIGHTS HOCKEY INC., BARRIE COLTS JUNIOR HOCKEY LTD., BELLEVILLE SPORTS AND ENTERTAINMENT CORP., ERIE HOCKEY CLUB LIMITED, GUELPH STORM LIMITED, KINGSTON FRONTENAC HOCKEY LTD., 2325224 ONTARIO INC., NIAGARA ICEDOGS HOCKEY CLUB INC., BRAMPTON BATTALION HOCKEY CLUB LTD., GENERALS HOCKEY INC., OTTAWA 67'S LIMITED PARTNERSHIP, THE OWEN SOUND ATTACK INC., PETERBOROUGH PETES LIMITED., COMPUWARE SPORTS CORPORATION, SAGINAW HOCKEY CLUB, L.L.C., 649643 ONTARIO INC c.o.b. as SARNIA STING, SOO GREYHOUNDS INC., McCRIMMON HOLDINGS, LTD. AND 32155 MANITOBA LTD., A PARTNERSHIP c.o.b. as BRANDON WHEAT KINGS., 1056648 ONTARIO INC., REXALL SPORTS CORP., EHT, INC., KAMLOOPS BLAZERS HOCKEY CLUB, INC., KELOWNA ROCKETS HOCKEY ENTERPRISES LTD., HURRICANES HOCKEY LIMITED PARTNERSHIP, PRINCE ALBERT RAIDERS HOCKEY CLUB INC., BRODSKY WEST HOLDINGS LTD., REBELS SPORTS LTD., QUEEN CITY SPORTS & ENTERTAINMENT GROUP LTD., SASKATOON BLADES HOCKEY CLUB LTD., VANCOUVER JUNIOR HOCKEY LIMITED PARTNERSHIP, 8487693 CANADA INC., CLUB DE HOCKEY JUNIOR MAJEUR DE BAIE-COMEAU INC., CLUB DE HOCKEY DRUMMOND INC., CAPE BRETON MAJOR JUNIOR HOCKEY CLUB LIMITED, LES OLYMPIQUES DE GATINEAU INC., HALIFAX MOOSEHEADS HOCKEY CLUB INC., CLUB HOCKEY LES REMPARTS DE QUEBEC INC., LE CLUB DE HOCKEY JUNIOR ARMADA INC., MONCTON WILDCATS HOCKEY CLUB LIMITED, LE CLUB DE HOCKEY L'OCEANIC DE RIMOUSKI INC., LES HUSKIES DE ROUYN-NORANDA INC., 8515182 CANADA INC. c.o.b. as CHARLOTTETOWN ISLANDERS, LES TIGRES DE VICTORIAVILLE (1991) INC., SAINT JOHN MAJOR JUNIOR HOCKEY CLUB LIMITED, CLUB DE HOCKEY SHAWINIGAN INC., and CLUB DE HOCKEY JUNIOR MAJEUR VAL D'OR INC.

Defendants

Proceeding under the *Class Proceedings Act, 1992,* S.O. 1992, C.6

ACKNOWLEDGMENT OF EXPERT'S DUTY

1. My name is Ronald Smith. I live in the city of Toronto, in the province of Ontario.

2. I have been engaged by, or on behalf of, the plaintiff to provide evidence in relation to the above-noted court proceeding.

3. I acknowledge that it is my duty to provide evidence in relation to this proceeding as follows:

   (a) to provide opinion evidence that is fair, objective and non-partisan;

   (b) to provide opinion evidence that is related only to matters that are within my area of expertise; and

   (c) to provide such additional assistance as the court may reasonably require, to determine a matter in issue.

4. I acknowledge that the duty referred to above prevails over any obligation which I may owe to any party by whom or on whose behalf I am engaged.

Date: February 28, 2017

Ronald Smith