



GREAT CANADIAN GAMING CORPORATION

ANNUAL INFORMATION FORM

for the
FISCAL PERIOD ENDED DECEMBER 31, 2009

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DEFINITIONS AND INTERPRETATION

Definitions

In this Annual Information Form (“AIF”):

“AGCO” means Alcohol and Gaming Commission of Ontario;

“Annual Financial Statements” means the Company’s audited consolidated financial statements for the years ended December 31, 2009 and 2008;

“AROC” means Amended and Restated Casino Operating Contract among Great Canadian Gaming Corporation, Nova Scotia Gaming Corporation, 6364942 Canada Inc. and 6364951 Canada Inc.;

“BCLC” means British Columbia Lottery Corporation;

“BCSA” means British Columbia Standardbred Association;

“BOSA” means Bingo Operational Services Agreement;

“Boulevard” means Boulevard Casino in Coquitlam, British Columbia, operated by GCCI;

“Bridge Credit Facility” means the Company’s financing transaction of \$450 in short-term credit facilities which closed on Sept 29, 2006 and was replaced on February 14, 2007;

“CAGR” means Compound Annual Growth Rate;

“Canada Line” means the automated rail-based rapid transit service connecting Vancouver with Richmond and the Vancouver Airport with construction governed by Canada Line Rapid Transit Inc., a subsidiary of TransLink;

“Casino Nova Scotia Halifax” means Casino Nova Scotia in Halifax, Nova Scotia, operated by MEG;

“Casino Nova Scotia Sydney” means Casino Nova Scotia in Sydney, Nova Scotia, operated by MEG;

“CGC” means Community Gaming Centre;

“CGCOSA” means Community Gaming Centre Operational Services Agreement;

“Chances Gaming Entertainment in Dawson Creek” means Chances Gaming Entertainment in Dawson Creek, British Columbia, operated by GCEC;

“Company”, “us”, “we” or “our” means Great Canadian Gaming Corporation and/or its subsidiaries as the context requires;

“COPE” means Canadian Office and Professional Employees Union;

“COSA” means Casino Operational Services Agreement;

“CPMA” means Canadian Pari-Mutuel Agency;

“Credit and Guarantee Agreement” means the agreement dated February 4, 2007 among the Company, certain of its subsidiaries as guarantors and various Canadian and US lenders, which provide the Company’s Term Loan B and Revolving Credit Facility;

“FDC” means the Facility Development Commission, a compensation component available to the Company by the BCLC pursuant to the COSAs and CGCOSAs;

“FDL” means Flamboro Downs Limited, an indirect wholly owned subsidiary of the Company;

“FDL Site Holder Agreement” means Prescribed Lottery Scheme Site Holder Facilities Agreement for FDL;

“Flamboro Downs” means the standardbred racetrack and gaming facility in Flamborough, Ontario, operated by FDL;

“Fraser Downs Racetrack and Casino” means Fraser Downs standardbred racetrack and casino in Surrey, British Columbia, operated by Orangeville;

“GAAP” means generally accepted accounting principles applicable in Canada;

“GCCCI” means Great Canadian Casinos Inc., a wholly owned subsidiary of the Company;

“GCEC” means Great Canadian Entertainment Centres Ltd., a wholly owned subsidiary of the Company;

“GDL” means Georgian Downs Limited, an indirect wholly owned subsidiary of the Company;

“GDL Site Holder Agreement” means Prescribed Lottery Scheme Site Holder Facilities Agreement and Supplemental Agreement for GDL;

“GPEB” means Gaming Policy and Enforcement Branch, a gaming regulatory division of the Ministry of Housing and Social Development of British Columbia;

“Georgian Downs” means the standardbred racetrack and gaming facility in Innisfil, Ontario, operated by GDL;

“Haney Bingo Plex” means the bingo gaming facility operated by GCEC in Maple Ridge, British Columbia;

“Hastings Racecourse and Slot Facility” means the thoroughbred racetrack and slot facility in Vancouver, British Columbia, operated by HEI;

“HBPA” means Horsemen’s Benevolent and Protective Association of British Columbia;

“HEI” means Hastings Entertainment Inc., an indirect wholly owned subsidiary of the Company;

“HKSE” means the Hong Kong Stock Exchange;

“Indenture” means the agreement governing the Company’s Subordinated Notes;

“Jack O’Clubs” means Jack O’ Clubs Gaming Hall Ltd., a formerly wholly-owned subsidiary of the Company;

“LIBOR” means London Interbank Offered Rate;

“MD&A” means Management’s Discussion and Analysis for the year ended December 31, 2009;

“MEG” means Metropolitan Entertainment Group, a Nova Scotia limited partnership, an indirect wholly-owned subsidiary of the Company;

“Moody’s” means Moody’s Investors Service;

“Nanaimo Casino” means the casino in Nanaimo, British Columbia, operated by GCCl;

“NASDAQ” means National Association of Securities Dealers Automated Quotation;

“NSGC” means Nova Scotia Gaming Corporation;

“NYSE” means New York Stock Exchange;

“OHHA” means Ontario Harness Horse Association;

“OLG” means Ontario Lottery and Gaming Corporation;

“Operational Services Agreements” means collectively, the CGCOSA, COSAs, BOSA, AROC and Site Holder Agreements;

“Orangeville” means Orangeville Raceway Limited, a wholly-owned subsidiary of the Company;

“ORC” means Ontario Racing Commission;

“OTCBB” means Over the Counter Bulletin Board, which is an electronic quotation system in the United States;

“Poker Rake” means the revenue earned from operating a poker game and other poker tournament fees earned;

“PSAC” means Public Service Alliance of Canada;

“Racebook” means a Teletheatre operated by the Company or TBC;

“River Rock” means River Rock Casino Resort in Richmond, British Columbia, operated by GCCl;

“River Rock Casino” means the casino operated by GCCl as part of River Rock;

“Revolving Credit Facility” means \$200 million Senior Secured Revolving Credit Facility forming part of a debt re-financing by the Company completed on February 14, 2007;

“Senior A Notes” and “Senior B Notes”, means Series A Senior Secured Notes and the Series B Senior Secured Notes in the aggregate principal amount of \$300 million issued by the Company on September 29, 2004 and July 21, 2005, respectively;

“SEIU” means Service Employees International Union;

“Site Holder Agreements” means the FDL Site Holder Agreement and the GDL Site Holder Agreement, and “Site Holder Agreement” means one of them;

“Subordinated Notes” means the US\$170 million Senior Subordinated Notes forming part of a debt re-financing completed by the Company on February 14, 2007;

“Supplemental Agreement” means Capital Supplemental Agreement, Slot Machine Supplemental Agreement and the Term Supplemental Agreement entered into between the Company, GDL and the OLG;

“TBC” means TBC Teletheatre B.C., a partnership between HEI, Orangeville, the BCSA and the HBPA that operates Racebooks in the Province of British Columbia;

“Teletheatre” means an off-track betting facility for pari-mutuel wagering on live horse races displayed by television broadcasts;

“Term Loan B” means US\$170 million Senior Secured Term Loan B forming part of a debt re-financing completed on February 14, 2007;

“TSX” means Toronto Stock Exchange;

“TSX-V” means TSX Venture Exchange;

“UNITE HERE!” means the union organization, formerly known as the Hotel, Restaurant & Culinary Employees & Bartenders Union;

“US\$” means the lawful currency of the United States of America;

“View Royal Casino” means the casino located in View Royal, British Columbia, operated by GCCI;

“VLT” means video lottery terminal;

“Win” means the amount wagered on gaming activities, less the payout or prizes to winning customers; and

“WSGC” means Washington State Gambling Commission.

Currency and Presentation

All references to currency are in millions of Canadian dollars, except for per share or per option information, unless otherwise indicated.

All information in this AIF is presented as at and for the year ended December 31, 2009, unless otherwise indicated.

Forward-Looking Information

This AIF contains certain “forward-looking information” or statements within the meaning of applicable securities legislation. Forward-looking information is based on the Company’s current expectations, estimates, projections and assumptions that were made by the Company in light of its historical trends and other factors. All information or statements, other than statements of historical fact, are forward-looking information including statements that address expectations, estimates or projections about the future, the Company’s strategy for growth, expected future expenditures, costs, operating and financial results and expected impact of future commitments. Such forward-looking information is not a guarantee of future performance and may involve a number of risks and uncertainties. Although forward-looking information is based on information and assumptions that the Company believes are current, reasonable and complete, they are subject to a number of factors that could cause actual results to vary materially from those expressed or implied by such forward-looking information.

Such factors may include, but are not limited to: terms of operational service agreements with lottery corporations; changes to gaming laws that may impact our operational service agreements; pending, proposed or unanticipated regulatory or policy changes; impact of global liquidity and credit availability; adverse tourism trends and further decreases in levels of travel, leisure and consumer spending; competition from established competitors and new entrants in the gaming business; dependence on key personnel; the risk that systems, procedures and controls may not be adequate to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; First Nations claims with respect to some Crown land on which we conduct our operations; future or current legal proceedings; construction disruptions; financial covenants associated with credit facilities and long-term debt; credit, liquidity and market risks associated with our financial instruments; interest and exchange rate fluctuations; non-realization of cost reductions and synergies; demand for new products and services; fluctuations in operating results; and economic uncertainty and financial market volatility.

The Company cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in the “Risk Factors” section of this AIF and in the Company’s continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time and on SEDAR at www.sedar.com

The forward-looking information in documents incorporated by reference speak only as of the date of those documents. Readers are cautioned not to place undue reliance on the forward-looking information, as there can be no assurance that the plans, intentions, or expectations upon which they are based will occur. The Company undertakes no obligation to revise forward-looking information to reflect subsequent events or circumstances except as required by law. The forward-looking information contained herein is made as of the date hereof and is expressly qualified in its entirety by cautionary statements in this AIF.

Non-GAAP Measures

The following non-GAAP definitions are used in this AIF because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under Canadian GAAP, do not have standardized meanings prescribed by GAAP, and should not be construed to be alternatives to revenues and net earnings determined in accordance with GAAP or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly, our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, stock-based compensation, restructuring and other costs, foreign exchange gain (loss), and non-controlling interests. EBITDA is derived from the consolidated statements of earnings, and can be computed as revenues less human resources expenses and property, marketing and administration expenses. We believe EBITDA is a useful measure because it provides information to both management and investors with respect to the operating and financial performance of the Company.

Gross revenues as defined by the Company means revenues on the consolidated statements of earnings plus the portion of the Win and other revenues retained by the BCLC and the NSGC, gaming taxes paid to Washington State; accruals for payouts of progressive games; payments to horseracing pools; and promotional allowances. Gross revenues include slot commissions in Ontario, which represent 10% of the Win from slot machines operated by the OLG.

The following non-GAAP measures have common definitions in the gaming industry. Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games, and is commonly computed as the aggregate amount of money counted in the table games' drop boxes. Generally, the table drop is an indicator of our gaming business, however over the short-term, the table drop is subject to shifts in customer behaviour around buying, retaining and cashing-in of casino chips. Table hold is calculated as the table drop plus or minus the net change in casino chip inventory. Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behaviour around buying, retaining and cashing-in of casino chips. Poker rake is the commission we earn from poker games at our casinos, and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played. Slot coin-in is the aggregate amount of money customers have wagered on slots and other electronic gaming machines. Slot win is the slot coin-in less amounts cashed out and prizes won by customers. Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period. Slot win percentage is the ratio of slot win divided by slot coin-in.

CORPORATE STRUCTURE

Name, Address and Incorporation

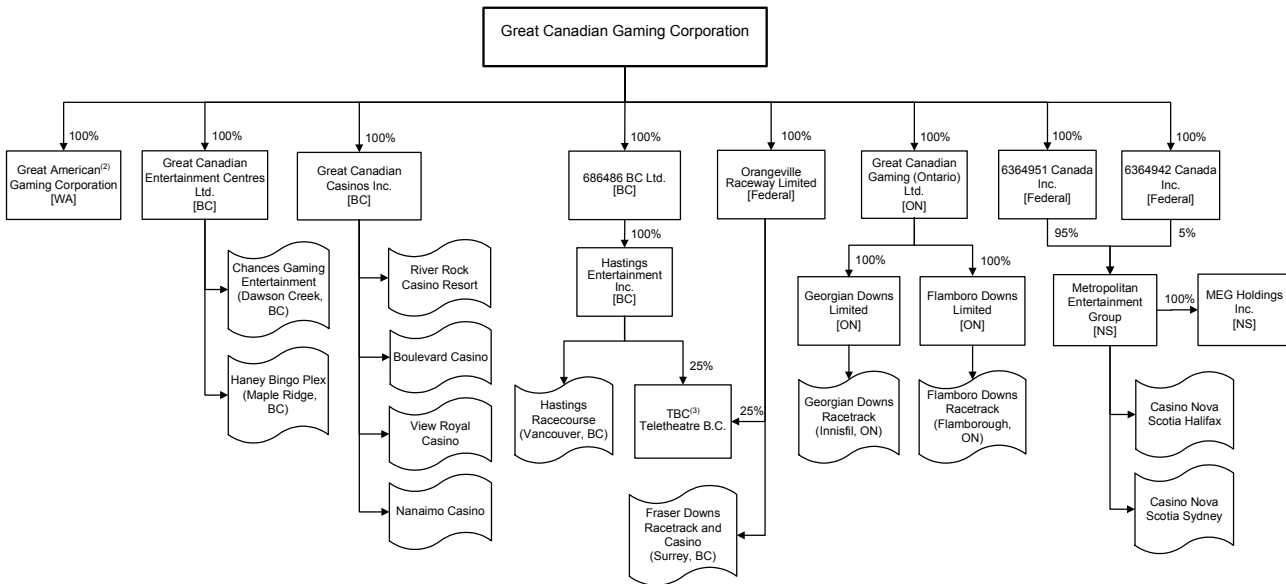
The Company was incorporated under the name Jetta Resources Ltd. on June 13, 1990 under the *Company Act* (British Columbia). We changed our name to Great Canadian Gaming Corporation on March 12, 1997. Our head office is located at 350 – 13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4. Our registered and records office is located at 1500 - 1055 West Georgia Street, Vancouver, BC, V6E 4N7. The Company's common shares are listed on the TSX under TSX symbol: "GC." A description of the Company's capital structure is included in the "Description of Capital Structure" section of this AIF.

Intercorporate Relationships

The following two charts set out our material subsidiaries and operations.



GREAT CANADIAN GAMING CORPORATION
Corporate Structure⁽¹⁾



Notes:

[] = Jurisdiction of Incorporation

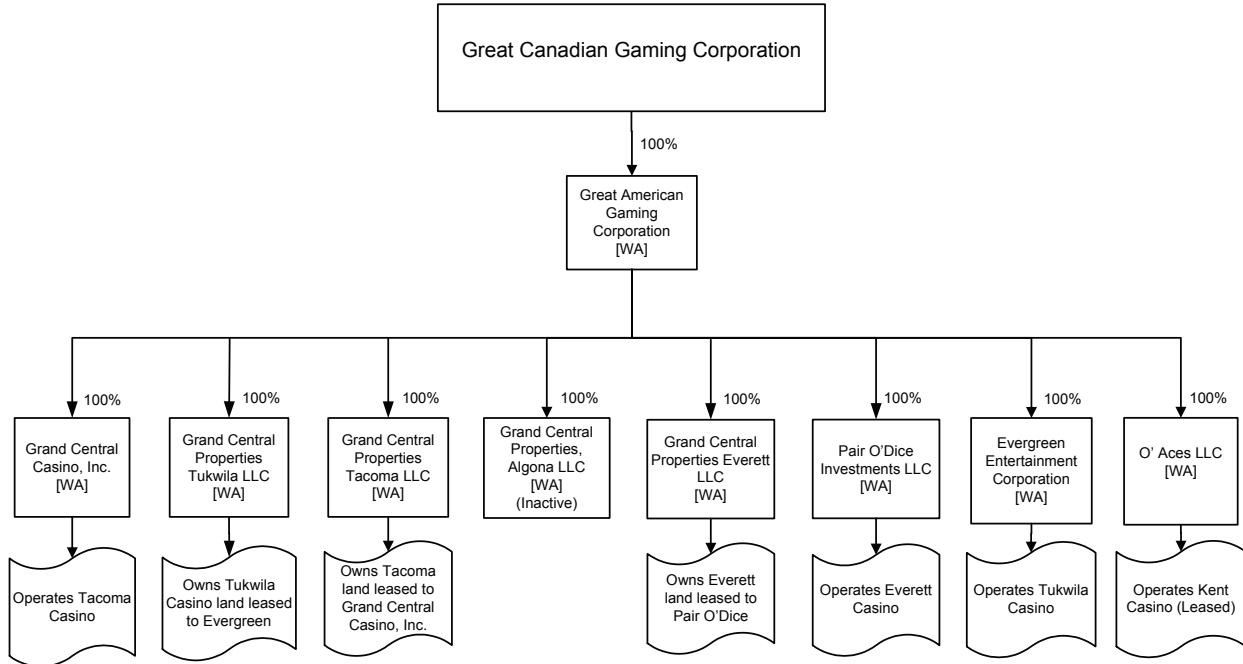
(1) As at December 31, 2009

(2) Please see separate page for further breakdown of US interests

(3) The remaining 50% is held by Two Horseman's Associations, the BCSA and the HBPA



GREAT CANADIAN GAMING CORPORATION
 Corporate Structure
 US Interests⁽¹⁾



Notes:

(1) As at December 31, 2009

[] = Jurisdiction of Incorporation

Tacoma Casino is also known as Lakewood Casino

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Set out below are certain significant events in the development of our business over the last three financial years.

2007:

- on February 14, 2007, we replaced our Bridge Credit Facility with long-term credit facilities comprising of:
 - \$200 Revolving Credit Facility
 - US\$170 equivalent secured Term Loan B
 - US\$170 equivalent in Subordinated Notes
- on February 14, 2007, we also completed a US\$340 swap facility (syndicated thereafter) comprising:
 - US\$170 Term Loan B currency and interest rate swap in Canadian dollars at an interest rate of 6.1%
 - US\$170 in Subordinated Notes currency and interest rate swap in Canadian dollars and at an interest rate of 6.6%
- on June 7, 2007, Standard & Poor's raised the rating on both our Revolving Credit Facility and Term Loan B from BB to BBB-;
- on July 3, 2007, we repaid a promissory note of \$41.7 related to the purchase of FDL;
- on July 10, 2007, we entered into Supplemental Agreements with the OLG. These agreements allowed for the expansion of Georgian Downs, increasing that property's slot capacity to 1,000 slot machines and an extension of the GDL Site Holder Agreement to November 2021 with a further extension at the OLG's discretion to November 2026;
- on July 15, 2007, we commenced construction on the Canada Line Parking Garage adjacent to River Rock;
- on July 19, 2007, we initiated a normal course issuer bid for up to 6.4 million of our common shares. During the remainder of 2007, we purchased a total of 2.3 million common shares for \$31.3;
- on September 27, 2007, we announced our long-term intention to redevelop the View Royal Casino. Planned improvements included an expansion of hospitality and entertainment offerings, increased parking capacity, the addition of a poker room and Racebook. The expansion would ultimately add a total of 37,000 square feet (24,000 additional square feet of gaming floor space) to the View Royal Casino. To facilitate this expansion, we acquired approximately 1.5 acres of commercial property immediately adjacent to the View Royal Casino;
- on October 2, 2007, we announced an agreement with the BCLC, pursuant to which:
 - we received approval to proceed, in two phases, with the introduction of slot machines at Hastings Racecourse and Slot Facility. The first phase used existing floor space and allow for the placement of 150 slot machines, while the second phase added new amenities and allowed for the placement of an additional 450 slot machines;
 - we received approval to enhance the gaming operations at Fraser Downs Racetrack and Casino by adding 90 slot machines and 12 live table games. We also received an increase in our service fees at this property, bringing its compensation to a level consistent with that of other British Columbia casinos; and

- we agreed to cease operations at the Casino on Broadway during the fourth quarter of 2007;
- on November 10, 2007, we commenced slot operations in our temporary facility at Hastings Racecourse and Slot Facility with 150 slot machines;
- on November 18, 2007, we ceased operations at the Casino on Broadway;
- on November 22, 2007, we commenced the enhanced gaming operations at Fraser Downs Racetrack and Casino;
- on November 27, 2007, we agreed to acquire the assets of the Ridge Meadows Bingo Association; and
- on December 15, 2007, we commenced the second phase of redevelopment at Hastings Racecourse and Slot Facility.

2008:

- on January 31, 2008, we acquired the assets of Ridge Meadows Bingo Association for a purchase price of \$1 on closing and potential consideration of up to \$1.3 over 10 years;
- on February 20, 2008, we announced the expansion of amenities at River Rock, including the intended construction of a new five storey 191 room hotel, 320 additional parking spaces, a skybridge connecting River Rock and Canada Line Bridgeport station and the addition of over 21,000 square feet of commercial space;
- on March 3, 2008, we commenced construction on the Georgian Downs expansion;
- on March 19, 2008, Standard & Poor's raised the rating on our Subordinated Notes from B+ to BB;
- on May 15, 2008, we commenced construction of a parking garage in View Royal, British Columbia;
- on August 14, 2008, we opened the permanent gaming floor at Hastings Racecourse and Slot Facility, increasing the number of slot machines to 600;
- on August 22, 2008, we entered into agreements for the Canada Line parking garage and certain related land transfers;
- on September 16, 2008, we announced our intention to commence a normal course issuer bid for up to 6.2 million of our common shares. During 2008, we purchased a total of 2.7 million common shares for \$29.2 under the Company's normal course issuer bids (of which 2.2 million common shares were purchased for \$26.0 under the normal course issuer bid that expired on July 22, 2008 and 0.5 million common shares were purchased for \$3.2 under the normal course issuer bid that commenced on September 19, 2008);
- on September 30, 2008, we completed the first phase of the Canada Line parking garage, providing an additional 600 parking stalls;
- on October 1, 2008, we completed a portion of the View Royal Casino parking garage, providing an additional 186 parking stalls;
- on November 13, 2008, we announced our decision to defer certain major capital project timelines and modify the scope of existing projects at River Rock and View Royal Casino;

- on November 28, 2008, we completed the purchase of 1.5 acres of land adjacent to View Royal Casino for surface parking;
- on November 29, 2008, we completed the purchase of 7.2 acres of land in Maple Ridge for future development;
- on December 8, 2008, we purchased 1.1 acres of land adjacent to River Rock for use as additional surface parking; and
- on December 31, 2008, we completed construction of the View Royal Casino parking garage providing a total of 560 parking stalls.

2009:

- Over the course of 2009, the Company implemented various expense reduction initiatives across its property portfolio, including an adjustment of operating hours at several facilities. These expense reduction initiatives combined to reduce operating expenses by \$40.4 million for the twelve months of 2009, when compared to the twelve months of 2008;
- on May 8, 2009, Standard & Poor's lowered the credit rating on our Subordinated Notes from BB to BB-;
- in August 2009, we completed construction of a 1,520 stall parking garage adjacent to River Rock to accommodate the Canada Line and provide additional hotel and casino parking spaces;
- on August 17, 2009, the Canada Line Bridgeport station adjacent to River Rock commenced operation;
- on August 18, 2009, we completed the View Royal expansion adding an additional 120 new slot machines;
- on August 26, 2009, the OLG added 350 slot machines at Georgian Downs;
- on November 19, 2009, we completed upgrades to River Rock Casino Resort, including upgraded amenities, space for additional gaming capacity, and an elevated walkway connecting the casino to the Canada Line Bridgeport station; and
- on December 10, 2009, we announced our intention to commence a normal course issuer bid for up to 5.8 million of our common shares. During 2009, the Company did not purchase any shares under either the 2008 or 2009 normal course issuer bids.

BUSINESS OF THE COMPANY

Overview

Great Canadian Gaming Corporation is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia, Ontario and Nova Scotia, Canada and Washington State, United States of America. We operate ten casinos, a thoroughbred racetrack that offers slot machines, three standardbred racetracks (two offer slot machines and one offers both slot machines and table games), a community gaming centre, a hotel & conference centre, two show theatres, a bingo hall and various associated food and beverage and entertainment facilities. In Canada, we operate our casinos in managed markets with high barriers to entry and under long-term agreements as partners with provincial lottery corporations. Under our Operational Services Agreements in British Columbia and Nova Scotia, we are reimbursed for the majority of our capital projects. As of December 31, 2009, the Company had approximately 4,500 employees.

We have a long history in the gaming and entertainment industry beginning in 1982 when we operated temporary two and three-day casinos for charitable events and special occasions in various locations throughout British Columbia. In 1989, we opened our first permanent casino in Vancouver, British Columbia. Since then, we have grown by opening new locations in British Columbia and by acquiring facilities in the Provinces of Ontario and Nova Scotia, and the State of Washington. The majority of this growth has occurred since April 2004. Our Chairman, CEO, and founder Ross J. McLeod has over 30 years of experience in the hospitality industry and over 25 years of direct experience in the gaming industry.

Property Operations Summary

The following chart summarizes the key attributes of each of our facilities, and in respect of our Canadian facilities, the expiry date of the operating agreements that we have entered into with the respective Provincial Crown Corporations responsible for the conduct and management of gaming activities those provinces:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operating Agreements Expiry Date ⁽¹⁾
British Columbia River Rock Casino Resort, Richmond, B.C.	2009	202 room hotel, 950 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook ⁽²⁾ , marina	914	97	June 23, 2014/ June 23, 2024
Boulevard Casino, Coquitlam, B.C.	2005	1,100 seat show theatre, 4 dining options, Racebook ⁽²⁾	1,000	58	November 16, 2015/ November 16, 2025
View Royal Casino, Victoria, B.C.	2009	1 dining option	580	14	February 28, 2011 February 28, 2021 ⁽⁵⁾
Nanaimo Casino, Nanaimo, B.C.	1997	1 dining option	394	8	February 28, 2011 February 28, 2021 ⁽⁵⁾
Chances Gaming Entertainment, Dawson Creek, B.C.	2006	Bingo, 1 dining option, Racebook ⁽²⁾	150	-	June 30, 2016 June 30, 2026
Hastings Racecourse (Thoroughbred Racing), Vancouver, B.C.	2008	3 dining options, concession, Racebook ⁽²⁾	596	-	October 28, 2012/ October 28, 2027

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operating Agreements Expiry Date ⁽¹⁾
British Columbia (continued)					
Fraser Downs Racetrack and Casino ⁽³⁾ (Standardbred Racing), Surrey, B.C.	2005	4 dining options, Racebook ⁽²⁾	461	11	March 31, 2014/ March 31, 2024
TBC Teletheatre B.C. ⁽²⁾	various	21 Racebooks ⁽²⁾	-	-	-
Haney Bingo Plex Maple Ridge, B.C.	1985	500 seat bingo hall, concession	-	-	May 1, 2011/ May 1, 2016
Ontario					
Georgian Downs (Standardbred Racing), Innisfil, Ontario	2009	4 dining options, concession	800 ⁽⁴⁾	-	November 30, 2021/ November 30, 2026
Flamboro Downs (Standardbred Racing), Flamborough, Ontario	2001	4 dining options, entertainment lounge, conference facility	800 ⁽⁴⁾	-	October 10, 2010/ October 10, 2015
Nova Scotia					
Casino Nova Scotia Halifax, Halifax, Nova Scotia	2006	2 dining options, entertainment lounge, conference facility	655	32	July 1, 2015/ July 1, 2025 ⁽⁶⁾
Casino Nova Scotia Sydney, Sydney, Nova Scotia	2006	1 dining option, lounge	300	10	July 1, 2015/ July 1, 2025 ⁽⁶⁾
Washington State					
Washington State Operations ⁽⁷⁾	1997 - 2008	4 restaurants, show lounge, conference facility	-	59	NA
			6,650	289	

⁽¹⁾ Subject to renewal terms, at the option of Company, for ten years in BC and NS. Subject to renewal terms, at the option of the OLG, for five years in ON.

⁽²⁾ We own or hold an interest in 21 Racebooks in British Columbia. We own and operate three Racebooks; one at each of Hastings Racecourse, Fraser Downs Racetrack and Casino, and Sandown Racetrack. The remaining 18 Racebooks, including those at River Rock Casino Resort, Boulevard Casino, and Chances Gaming Entertainment are operated by TBC Teletheatre B.C. We own a 50% interest in TBC Teletheatre B.C. and the remaining 50% interest is held by two horsemen's associations, the British Columbia Standardbred Association and the Horsemen's Benevolent and Protective Association.

⁽³⁾ Our Orangeville subsidiary operates Fraser Downs Racetrack and Casino as well as a Racebook in North Saanich, British Columbia

⁽⁴⁾ Slot machines at Georgian Downs and Flamboro Downs are owned and operated by OLG.

⁽⁵⁾ On December 31, 2009, BCLC accepted our Notice of Exercise of Extension Options for each View Royal and Nanaimo Operational Service Agreements

⁽⁶⁾ The Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

⁽⁷⁾ We operate card rooms (maximum 15 tables per room at each of our four Washington State locations in Tukwila, Lakewood (Tacoma), Kent and Everett.

British Columbia

We were founded in, and a significant portion of our operations are located in, British Columbia, Canada. In British Columbia, we operate four casinos, one thoroughbred racetrack that offers slot machines, and a standardbred racetrack that offers both table games and slot machines, a community gaming centre, two multi-purpose show theatres, several licensed restaurants, a hotel, a conference centre and a marina. We also have interests in 21 Racebooks. We operate casinos primarily catering to regional customers and offer multiple entertainment venues for different customer demographics. Our British Columbia properties generated \$277.5 revenue for the year ended December 31, 2009, representing 73% of our total revenues for that period. For the year ended December 31, 2008, our British Columbia properties generated \$295.3 revenue, representing 73% of our total revenue for that period.

Description of Gaming Properties in British Columbia

River Rock. The River Rock Casino Resort comprises a 90,000 square foot casino (which includes separate high limit and poker rooms), a 202-room hotel and a 950-seat multi-purpose show theatre. As at December 31, 2009, the casino housed 914 slot machines and 97 gaming tables (including 14 poker tables). This property also features a variety of food and beverage venues, a Racebook, a pool, a spa, a conference centre and is licensed to serve liquor throughout the casino. Parking is provided through approximately 2,700 stalls in multi-level parking garages plus 300 surface parking stalls. There is approximately 15,000 square feet of commercial space adjacent to the property. The casino operates 24 hours per day.

River Rock is centrally located in the vicinity of the Vancouver International Airport, the residential communities of South Vancouver and Richmond, and is adjacent to the Canada Line Bridgeport station. The Canada Line commenced operations in August 2009, and connects Vancouver with both central Richmond and the Vancouver International Airport.

During 2009, we completed several enhancements to the property. These enhancements were designed to capitalize on the increased traffic generated by the Canada Line, an extension of Vancouver's mass transit system, which commenced operation on August 17, 2009. The enhancements included space for additional gaming capacity, a renovation of the property's grand atrium, the installation of an elevated walkway between the casino and the Canada Line station, and upgrades to both the property's amenities and VIP offerings. All of these enhancements were complete and operational by November 19, 2009.

During 2009, we have also developed additional parking spaces and 21,000 square feet of space, of which 6,000 square feet is used as additional gaming space and 15,000 square feet is used as commercial space, which reached completion in August of 2009. These facilities form part of the Canada Line Bridgeport station, and connect to River Rock via an elevated walkway.

In 2006, we entered into a letter of intent with the South Coast British Columbia Transportation Authority ("TransLink") and Canada Line to build and operate a 1,200 stall multi-level parking garage at Bridgeport station, across from River Rock in Richmond, British Columbia. On August 22, 2008, we entered into definitive agreements for this transaction. The first 600 stalls of this parking garage were completed in September of 2008. The remaining 600 stalls were completed in August of 2009, and the agreed parking services for Canada Line passengers commenced on August 17, 2009.

The new parking garage has addressed River Rock's existing weekend and evening parking shortage, and will provide additional capacity for future patron demand. As at December 31, 2009, BCLC has approved \$20.1 of this parking facility's incurred capital expenditures for accelerated FDC reimbursement.

Boulevard. The Boulevard Casino comprises an 85,000 square foot casino (which includes separate high limit and poker rooms) and a 1,100 seat multi-purpose show theatre. As at December 31, 2009, the casino housed 1,000 slot machines and 58 gaming tables. This facility also features a variety of food and beverage venues, a Racebook, and is licensed to serve liquor throughout the casino. Parking is provided through both a 1,600 stall, multi-level parking garage and additional surface parking. The casino operates 24 hours per day.

The Boulevard Casino is situated near a major east/west highway running through Metro Vancouver.

View Royal Casino. The View Royal Casino comprises a 37,000 square foot facility. As at December 31, 2009, the casino housed 580 slot machines and 14 gaming tables. This property offers a food and beverage outlet and a licensed area for serving liquor. Parking is provided through both a 560 stall, multi-level parking garage and approximately 225 surface stalls. The casino operates from 16 to 18 hours per day.

View Royal Casino is located on Vancouver Island in a suburb of Victoria, BC. On August 18, 2009, we completed enhancements to the property, increasing its capacity by 120 slot machines. These enhancements represented the second part of a redevelopment that also included construction of a parking garage. As at December 31, 2009, BCLC has approved approximately \$18.0 in capital expenditures for accelerated FDC reimbursement. The total cost of this redevelopment was \$25.2 to December 31, 2009.

Nanaimo Casino. The Nanaimo Casino comprises a 24,000 square foot facility. As at December 31, 2009, the casino housed 394 slot machines and 8 gaming tables. Food and beverage service is provided through a restaurant located within the property. Surface parking is available adjacent to the property. The casino operates from 13 to 16 hours per day.

Nanaimo Casino is connected to a shopping mall located in downtown Nanaimo adjacent to the City's convention centre, which opened in June 2008.

Chances Gaming Entertainment in Dawson Creek. Chances Gaming Entertainment in Dawson Creek is a 16,000 square foot CGC. As at December 31, 2009, the centre housed 150 slot machines and conventional and electronic bingo operations. This property also features licensed food and beverage venues and a Racebook. Surface parking is available adjacent to the property. The CGC operates from 13 to 15 hours per day.

Haney Bingo Plex. Haney Bingo Plex is a 16,000 square foot facility. As at December 31, 2009, the property housed a 500-seat bingo gaming hall and electronic bingo operations. The property also features a food and beverage outlet. Surface parking is available adjacent to the property. The bingo hall operates from 13 to 16 hours per day.

Haney Bingo Plex is located in downtown Maple Ridge, 45 kilometres east of Vancouver. In January 2008, the Company purchased the assets and undertakings of Ridge Meadows Bingo Association for cash consideration of \$1. The acquired assets included the Haney Bingo Plex. The agreement also provides for potential additional future consideration of up to \$1.3 over ten years if BCLC and the District of Maple Ridge approve the upgrade of this facility into a CGC and once slot machines are operating for profit.

Fraser Downs Racetrack and Casino. Fraser Downs Racetrack and Casino offers live standardbred racing ten months of the year (107 live race days in 2009) on a 5/8 mile track. As at December 31, 2009, the property housed 461 slot machines and 11 gaming tables. The property has an 80,000 square foot grandstand facility and a 25,000 square foot casino, and is located on a 55 acre site. The racetrack also features on-site stabling, a variety of licensed food and beverage venues, and an on-site Racebook. Surface parking is available at the facility. The casino operates from 19 to 24 hours per day.

Hastings Racecourse and Slot Facility. Hastings Racecourse and Slot Facility features live thoroughbred racing eight months of the year (74 live race days in 2009) on a 5/8 mile track. As at December 31, 2009, the property housed 596 slot machines within a 34,000 square foot casino facility that is located on a 48 acre site. The racecourse also features on-site stabling, a variety of licensed food and beverage venues, and year round simulcast of national and international horseracing at an on-site Racebook. Surface parking is available on the adjacent grounds of the Pacific National Exhibition. The casino operates from 16 to 18 hours per day.

Hastings Racecourse and Slot Facility is located adjacent to the grounds of the Pacific National Exhibition on the boundary of Vancouver and the neighbouring City of Burnaby. It is in proximity to a number of major thoroughfares connecting Vancouver, Burnaby, North Vancouver and West Vancouver.

On November 10, 2007, the Company commenced operation of 150 temporary machines at the property. On August 14, 2008, the Company completed the installation of 600 slot machines at the property, and thus the gaming component of its redevelopment. The complete redevelopment includes an estimated \$40 in capital improvements during the initial five-year term of Hastings' Operating Agreement with the

City of Vancouver, of which \$31.7 has been spent to the end of December 31, 2009. Renewal of this Operating Agreement is dependent upon the Company performing several upgrades to the property's infrastructure related to parking and backstretch areas.

A collective agreement between HEI and UNITE HERE!-Local 40, governs wages and working conditions of employees engaged in the food and beverage dispensing at Hastings Racecourse. The duration of the current collective agreement is from April 1, 2008 through December 31, 2010. A collective agreement between HEI and COPE-Local 378, governs the wages and working conditions of employees at Hastings Racecourse. The duration of the current collective agreement is from August 1, 2008 through July 31, 2011.

TBC. We own a 50% interest in TBC, which operates 21 Racebooks across British Columbia, including the Racebook at River Rock, Boulevard and Chances Gaming Entertainment in Dawson Creek. TBC does not have an interest in the Racebook at Hastings Racecourse and Slot Facility, which is owned and operated by HEI, or the Racebook at Fraser Downs Racetrack and Casino, which is owned and operated by Orangeville.

Operating Agreements with BCLC. Our British Columbia-based gaming operations are conducted pursuant to separate Casino Operational Services Agreements entered into with the BCLC for each of our facilities. Under these agreements we provide premises to host casino operations managed and conducted by the BCLC and provide certain gaming equipment and supplies and other operational services such as supplying security and surveillance and gaming personnel to operate the casinos. We own all gaming tables at our facilities, other than roulette equipment, which is owned by the BCLC. The BCLC is responsible for the selection, with our input, of all games and types of slot machines played at our facilities, and the purchase, operation, and maintenance of these machines.

Our CGC is operated under a CGCOSA. Under this Agreement we provide premises to host bingo and slot machine operations managed and conducted by the BCLC and provide operational services such as supplying security and surveillance and gaming personnel. BCLC is responsible for the selection, with our input, of all types of slot machines played at this facility, and the purchase, operation, and maintenance of the slot machines.

Our Haney Bingo Plex is operated under a BOSA. Under this Agreement we provide premises to host bingo operations managed and conducted by the BCLC.

The following table, as at December 31, 2009, sets out each of our British Columbia facilities, the percentage of commission payments we receive for providing gaming services to the BCLC:

<u>Facility</u>	<u>% of Slot Machine Win</u> ⁽¹⁾	<u>% of Poker Rake</u>	<u>% of Craps Table Win</u>	<u>% of Other Gaming Table Win</u>
River Rock	25	75	75/40 ⁽²⁾	40 ⁽³⁾
Boulevard	25	75	75/40 ⁽²⁾	40 ⁽³⁾
View Royal Casino	25	—	—	40 ⁽³⁾
Nanaimo Casino	25	—	—	40 ⁽³⁾
Chances Gaming Entertainment in Dawson Creek ⁽⁴⁾	25	—	—	—
Haney Bingo Plex ⁽⁴⁾	—	—	—	—
Fraser Downs Racetrack and Casino	25	—	—	40 ⁽³⁾
Hastings Racecourse and Slot Facility	25	—	—	—

(1) Less 25% of the BCLC's cost to lease slot machines and electronic gaming tables.

(2) 75% of the quarterly win up to \$270,000 and 40% thereafter.

(3) 40%, less 1% to reimburse the BCLC for gaming equipment and related supplies.

- (4) Chances Gaming Entertainment in Dawson Creek and Haney Bingo Plex earn a percentage of the bingo win in the amount of 60% of the first \$20,000 of weekly bingo win, 40% of the next \$60,000 of weekly bingo win and 25% of the weekly bingo win thereafter.
- (5) On December 31, 2009, BCLC accepted our Notice of Exercise of Extension Options for each of the View Royal and Nanaimo Operational Service Agreements.

FDC is earned by the Company as a fixed percentage of the Win, subject to the Company incurring sufficient Approved Amounts (a defined term in the COSAs and CGCOSA which generally consists of BCLC approved capital or operating expenditures related to the development or improvement of gaming properties), and is paid weekly to the Company. Approved Amounts are reduced by the FDC receipts.

FDC is recorded as revenue on the consolidated statements of earnings when earned, limited to the extent that sufficient Approved Amounts exist. The FDC is 3% of the Win from gaming activities.

As of July 1, 2006, the BCLC established an additional accelerated FDC amount equal to 2% of the Win from redeveloped casino property projects approved by the BCLC. The accelerated FDC is payable weekly beginning on the later of April 1, 2007 and the opening of a redeveloped property. The accelerated FDC is a one-time initiative that is limited to the initial redevelopment of a property and continues to be received until the approved eligible costs of the redevelopment are recovered.

Competitive Conditions in British Columbia

Over the past few years, there have been a number of changes in the gaming environment and competitive marketplace in British Columbia. The BCLC has encouraged the consolidation and development of modern facilities through various initiatives. There are 15 casinos in the province, six of which are located in the Metro Vancouver area. There are also two racetracks located in Metro Vancouver, one which contains tables and slot machines and one which contains slot machines only. Within Metro Vancouver, we own and operate two casinos and the two racetracks.

Our direct competitors in the Metro Vancouver area are currently Paragon Gaming LLC. ("Paragon") and New World Gaming PLC ("New World Gaming").

In September 2006, the Vancouver based Edgewater Casino ("Edgewater") announced that it was sold to a division of Paragon, a U.S. based gaming company. Prior to being sold to Paragon, the casino operated under creditor protection since May 2006. Based on public information, Edgewater's facility has over 500 slot machines and 65 gaming tables.

New World Gaming acquired Gateway Casinos Income Fund and Gateway Casinos Inc. (collectively "Gateway Casinos") in November 2007. Based on public information, Gateway Casinos' Langley Cascades facility hosts over 530 slot machines and 43 gaming tables. Gateway Casinos' Starlight Casino in New Westminster, which opened in December 2007, has over 850 slot machines and 44 table games and replaced the former Royal City Star riverboat casino operating in New Westminster. The Starlight Casino is a 100,000 square foot facility that features various related food and beverage venues on its property.

Gateway Casinos' Grand Villa Casino in Burnaby opened on November 5, 2008 and, based on public information, hosts over 1,100 slot machines, 50 table games and food and beverage outlets replacing the previous casino across the street. The hotel and conference facilities opened during 2009.

Public information indicates that Gateway Casinos failed to make required payments of principal and interest on its first and second lien credit facilities due on December 31, 2009 and January 4, 2010, respectively.

In March 2007, a CGC opened in Duncan, BC, which is 49 kilometers south of our gaming facility in Nanaimo and 55 kilometers north of our gaming facility in View Royal. This CGC houses approximately 100 slot machines. In September 2007, a CGC opened in Port Alberni, which is 84 kilometers west of our

gaming facility in Nanaimo. This CGC houses approximately 75 slot machines. In September 2007, a CGC opened in Fort St. John, which is 76 kilometers north of our CGC in Dawson Creek. This CGC houses approximately 140 slot machines. In February 2008, a CGC opened in Courtenay, which is 109 kilometres north of our gaming facility in Nanaimo and 215 kilometres north of our gaming facility in View Royal. This CGC houses approximately 100 slot machines. In October 2008, a community gaming centre opened in Langley, which is 5 kilometres east of our gaming facility and racetrack at Fraser Downs Racetrack and Casino. This CGC currently houses approximately 50 slot machines. In June 2009, a community gaming centre opened in Abbotsford, which is approximately 40 kilometres east of Fraser Downs Racetrack and casino and approximately 45 kilometres east of our Boulevard gaming facility in Coquitlam. This CGC currently houses approximately 150 slot machines. Both of these CGCs do not offer table games, which are offered by our full-service casinos.

Online gaming, conducted by either the provincial lottery corporations or independent operators, is available to patrons within all of the Company's markets. Although online gaming does offer types of games that resemble those available within our properties, we believe the experience provided within our facilities is significantly different from the one available online. However, as both the sophistication and availability of online gaming improves, it is possible that these offerings will develop into a form of competition.

Ontario

In Ontario, we own two racetracks, Flamboro Downs and Georgian Downs, each of which houses slot machines operated by the OLG, the provincial Crown corporation responsible for the management and conduct of gaming in Ontario. Our Ontario properties generated \$35.3 in revenues for the year ended December 31, 2009, representing 9% of our total revenues (2008 - \$36.7 and 9%) for that period.

Description of Gaming Facilities in Ontario

Flamboro Downs. Flamboro Downs features live standardbred racing 12 months of the year (225 live race days in 2009) on a 1/2 mile track. The slot facility at the racetrack houses 800 slot machines as of December 31, 2009 and operates 24 hours per day. The racetrack also features a variety of licensed food and beverage venues and year round simulcast of national and international horseracing at an on-site Racebook. Surface parking is available adjacent to the property.

Flamboro Downs has a 70,000 square foot grandstand and a 30,000 square foot slot facility which is located on a 230 acre site. Flamborough is located approximately 82 kilometres west of Toronto and 16 kilometres east of Hamilton.

A collective agreement between Flamboro Downs and SEIU-Local 2, governs the wages and working conditions of food and beverage, pari-mutuel workers and certain other hourly workers. The collective agreement in force was effective January 1, 2007. The parties have ratified an agreement to extend the duration of the current collective agreement from December 31, 2009 until December 31, 2010.

Georgian Downs. Georgian Downs features live standardbred racing 10 months of the year (106 live race days in 2009) on a 5/8 mile track. The slot facility at the racetrack houses 800 slot machines as of December 31, 2009 and operates 24 hours per day. The racetrack also features a variety of licensed food and beverage venues and year round simulcast of national and international horseracing at an on-site Racebook. Surface parking is available adjacent to the property.

Georgian Downs has an approximate 35,000 square foot grandstand facility and a 65,000 square foot slot facility located on a 146 acre site (70 acres of which is vacant land we acquired in October 2006 that is adjacent to the property). Innisfil is located approximately 80 kilometres north of Toronto near an off-ramp off a major highway.

We commenced redevelopment of the slot facility in March 2008 and completed the first phase, which included an additional 343 slot machines, in August 2009. The final phase, which allows for a further 200 slot machines, is expected to reach completion by June 30, 2010.

A collective agreement between Georgian Downs and PSAC-Local 00500, governs the wages and working conditions of food and beverage, pari-mutuel workers and certain other hourly workers. The duration of the current collective agreement is from September 18, 2006 to September 17, 2010.

The Company will spend an estimated \$33.6 on this redevelopment, an amount that includes the cost of a mandatory infrastructure upgrade. OLG will bear the costs for upgrades to the slot floor, food and beverage offerings, and various back-of-house operations.

In addition, through the Supplemental Agreements, OLG has extended the term and guaranteed the Company's 10% slot machine revenue share at Georgian Downs through to November 30, 2021. The Supplemental Agreements include a provision for extension until November 30, 2026, at OLG's discretion. The Company continues to investigate opportunities for further development at Georgian Downs.

Site Holder Agreements with the OLG. Our Ontario-based gaming operations are conducted pursuant to Site Holder Agreements (and a Supplemental Agreement for Georgian Downs) entered into with the OLG for each of our racetrack/slot facilities. Under these agreements, we are a landlord to the OLG and provide premises at our facilities in order for the OLG to conduct and manage gaming operations. We provide no direct gaming related services but we earn a commission based on the level of slot revenues.

We are also responsible for conducting our horseracing operations so as to provide an entertaining recreational product to maximize interest in horseracing and to enhance the success of the gaming activities carried out by the OLG. To that end, under the terms of our Site Holder Agreements, we receive 20% of the slot win from the OLG and are required to share 50% of that with the OHHA.

At both of our Ontario facilities, we effectively receive 10% of the slot machine win for providing premises to the OLG. A description of our expiry terms for each Site Holder Agreement is in the "Property Operations Summary" section of this AIF.

There is no program in Ontario similar to FDC as in British Columbia. In Ontario, Flamboro Downs is required to set aside 5% and Georgian Downs is required to set aside 1% of the net slot revenues for common area maintenance capital expenditures. See "Operating Agreements with Provincial Crown Corporations."

Competitive Conditions in Ontario

In early 2005, the Ontario government announced that no new casino sites would be approved, and that there would be an increased focus on responsible gaming, in addition to a commitment ensuring the competitiveness of Ontario's gaming industry.

There are four resort casinos, 17 racetracks with slot machines, six charity casinos, and one racetrack possessing an inactive slot license in Ontario. The Company's direct competitors within a two-hour drive of the Greater Toronto Area are Casino Niagara (slot machines and table games), Niagara Fallsview Casino Resort (slot machines and table games), Casino Rama (slot machines and table games), Woodbine Racetrack (horseracing, Teletheatres and slot machines), Brantford Charity Casino (slot machines and table games), Great Blue Heron Charity Casino (slot machines and table games), Mohawk Racetrack (horseracing, Teletheatres and slot machines), Grand River Raceway (horseracing, Teletheatres and slot machines) and Ajax Downs (slot machines, Teletheatres, and horseracing).

The gaming industry in Ontario is highly regulated and controlled, effectively creating a barrier to entry. Gaming in Ontario exists principally in three forms:

1. Commercial destination casinos, such as Casino Niagara, Niagara Fallsview Casino Resort, Casino Rama and Caesars Windsor. The OLG owns and maintains authority over these casinos, but their operations are subcontracted out to approved gaming suppliers;
2. Charity casinos, such as the Great Blue Heron Charity Casino and the Thousand Islands Charity Casino. The OLG owns and operates these casinos; and
3. Racinos, such as Georgian Downs, Flamboro Downs and Woodbine Racetrack. Racinos have slot operations owned and operated by the OLG that are within horse racetracks owned by the private sector or non profit organizations. The OLG conducts and manages slots at all racinos.

Nova Scotia

We operate the only two full service casinos in the Province of Nova Scotia. Our Nova Scotia properties generated \$43.2 in revenues for the year ended December 31, 2009, representing 11% of our total revenues (2008 - \$46.3 and 12%).

Description of Gaming Facilities in Nova Scotia

Casino Nova Scotia Halifax. Located in Halifax, Nova Scotia, Casino Nova Scotia Halifax houses an 110,000 square foot casino and conference facility, which includes separate high limit and poker rooms. As at December 31, 2009, the casino housed 655 slot machines and 32 gaming tables (including 8 poker tables). The property also features a variety of licensed food and beverage venues and conference facilities. Parking is provided through a 550 stall multi-level parking garage. The casino operates from 18 to 24 hours per day. Casino Nova Scotia Halifax is located on the waterfront in downtown Halifax, near both major hotels and tourist attractions.

A collective agreement between CNS-Halifax and SEIU-Local 902, governs the wages and working conditions of employees in the "main unit" consisting of all full-time and regular part-time employees of Casino Nova Scotia Halifax. The duration of the current collective agreement is from February 1, 2008 through January 31, 2012. A collective agreement between CNS-Halifax and SEIU-Local 902, governs the wages and working conditions of a second bargaining unit consisting of all full-time and regular part-time security employees of Casino Nova Scotia Halifax. The duration of the current collective agreement is from January 9, 2009 through January 31, 2012.

Casino Nova Scotia Sydney. Located in Sydney, Nova Scotia, Casino Nova Scotia Sydney houses a 30,000 square foot casino. As at December 31, 2009, the casino housed 300 slot machines and 10 gaming tables (including 4 poker tables). This property also features a variety of licensed food and beverage venues. Surface parking is available adjacent to the property. The casino operates from 16 to 24 hours per day.

Casino Nova Scotia Sydney is located in downtown Sydney and is connected to a multi-purpose arena. The Company completed a redevelopment of the property in November 2006.

Operational Services Agreement with the NSGC. Our Nova Scotia-based gaming operations are conducted pursuant to an AROC entered into with the NSGC that covers both of our facilities. Under the AROC, we have been appointed to operate the casinos in Halifax and Sydney, Nova Scotia, and to supply services to the NSGC. In fulfilling our duties under the agreement, we supply gaming equipment and supplies, provide security and surveillance for the facilities and supply gaming personnel. The NSGC has the right to review our Nova Scotia operations, approve annual budgets and, on termination of the AROC, to repurchase all equipment, land and building purchased by us and used in these operations.

Each of our Nova Scotia facilities earn an approximate 52.7% of Total Revenue, which is defined as all gaming revenue (less player winnings) and non-gaming revenue. This percentage may be reviewed if

certain changes to operations prescribed or directed by the NSGC affect revenues by a casino earned or expenses incurred by us. We have an agreement to pay to the NSGC \$1 annually, adjusted for inflation, as a contribution toward the prevention and treatment of problem gambling in Nova Scotia. The current term of the AROC expiry is July 1, 2015 with a renewal term until July 1, 2025.

After payment of our operating fee, the balance of revenues earned by Casino Nova Scotia Halifax and Casino Nova Scotia Sydney are paid to the NSGC, except 5% of total revenues which are deposited into a capital reserve account ("Capital Reserve Account"). The funds deposited into the Capital Reserve Account are to be utilized to undertake capital expenditures, refurbishing, maintaining, upgrading and enhancing the casino facilities. From April 1, 2009, at least \$5 (adjusted for inflation) must be set aside annually for these purposes. We are required under the AROC to annually consult with the NSGC and prepare a detailed capital replacement and maintenance plan for maintenance, refurbishment, upgrading, enhancing and replacing of the casinos and casino assets. The expenditures we incur in implementing the plan are reimbursed to us from the NSGC's Capital Reserve Account.

Competitive Conditions in Nova Scotia

While table games and slot machines are only permitted at Casino Nova Scotia Halifax and Casino Nova Scotia Sydney, there is competition from VLTs, which are permitted in licensed liquor establishments, curling clubs, and on First Nations' reserves.

Our competition in Atlantic Canada is currently limited to the Membertou Entertainment Complex, small VLT facilities throughout Nova Scotia, the Charlottetown Driving Park and an imminent casino development in the Province of New Brunswick. The Membertou Entertainment Complex is 3 kilometres south-west of the Casino Nova Scotia Sydney. The Charlottetown Driving Park is a standardbred racetrack with 225 slot machines and six poker tables, located on Prince Edward Island. In May, 2008, the Province of New Brunswick awarded Sonco Gaming (a division of Sonco Group Inc.) the right to develop and operate a full service casino, hotel and convention centre in Moncton, New Brunswick. The proposed facility will consist of 600 slot machines, 28 table games, a 128 room hotel and a multi purpose entertainment venue/convention facility. The new facility is approximately 260 kilometres from Casino Nova Scotia Halifax, and is scheduled to open in the Spring of 2010.

Washington State

Description of Gaming Facilities in Washington State

We operate four card rooms in Washington State located in Tukwila, Lakewood (Tacoma), Kent and Everett. The casino in Everett completed renovations in November 2008.

Our Washington State operations generated \$26.2 in revenues for the year ended December 31, 2009, representing 7% of our revenues (2008 - \$25.4 and 6%). The four Washington State facilities contain a total of 59 gaming tables and ancillary food and beverage offerings such as night clubs and banquet facilities. Surface parking is available at each facility. Our card rooms generally operate 20 hours per day on weekdays and 24 hours per day on weekends.

Our Washington State subsidiaries are issued annual gaming licenses by the WSGC. The gaming licenses permit us to operate a maximum of 15 card tables at each of our facilities in Washington State. The established practice in Washington State is that, in the absence of violations or wrongdoings by the licensee, gaming licenses are renewed automatically by the WSGC. Revenues from our gaming operations in Washington State are net of county gaming taxes at various rates ranging from 10% to 11% for card games and 5% on pull-tabs.

Competitive Conditions in Washington State

The gaming industry in Washington State is highly competitive and does not feature the same significant barriers to entry for commercial casinos as British Columbia, Ontario, and Nova Scotia.

Card rooms, such as those operated by the Company, face significant competition from commercial casinos in Washington State, which are numerous and widely spread among mostly single and several multi-location operators. Tribal casinos, with their ability to offer electronic gaming devices such as slot machines, and their exemption from a statewide smoking ban, enjoy a significant advantage over card room operators.

Additionally, tribal casinos are not subject to the same taxation level as non-tribal casinos, which place us at a competitive disadvantage in supporting marketing and overhead expense. According to the WSGC, gaming revenue in Washington State grew at an 8.3% CAGR between 2005 and 2009. Card room revenue declined at a 4.5% CAGR between 2005 and 2009.

The Washington State gaming market has experienced a shift from the lottery, charitable bingo, and commercial house-banked card room segments to tribal gaming facilities because such facilities can offer a broader array of games, such as slot machines, electronic gaming devices and table games with higher betting limits. The Company believes its house-banked card rooms in Washington State appeal to local customers that are not regularly attracted to the tribal gaming facilities.

Property Ownership Summary

The following table summarizes ownership information regarding each of our principal facilities:

Facility and Location	Approximate Square Footage of Facility ⁽¹⁾	Ownership Interest	Expiry Date of Lease
Head Office Richmond, BC	19,000	Leased	2014
River Rock Casino Resort Richmond, BC	166,000 (excludes theatre and hotel) (90,000 gaming)	Leased (portion of land is owned)	2041
Boulevard Casino Coquitlam, BC	125,000 (excludes theatre) (85,000 gaming)	Owned	n/a
View Royal Casino View Royal, BC	37,000	Owned	n/a
Nanaimo Casino Nanaimo, BC	24,000	Owned	n/a
Chances Gaming Entertainment Dawson Creek, BC	16,000	Owned	n/a
Haney Bingo Plex Maple Ridge, BC	16,000	Leased	2010
Fraser Downs Racetrack and Casino Surrey, BC	80,000 (racing) 25,000 (gaming)	Leased	2024
Hastings Racecourse and Slot Facility Vancouver, BC	141,000 (racing) 34,000 (gaming)	Leased	2027

Facility and Location	Approximate Square Footage of Facility ⁽¹⁾	Ownership Interest	Expiry Date of Lease
Georgian Downs Barrie, Ontario	35,000 (racing) 65,000 (gaming)	Owned	n/a
Flamboro Downs Flamborough, Ontario	70,000 (racing) 30,000 (gaming)	Owned	n/a
Casino Nova Scotia Halifax Halifax, Nova Scotia	110,000	Owned	n/a
Casino Nova Scotia Sydney Sydney, Nova Scotia	30,000	Leased	2016
Great American Casino (Tukwila) Tukwila, Washington	16,000	Owned	n/a
Great American Casino (Lakewood) Lakewood, Washington	30,000	Owned	n/a
Great American Casino (Everett) Everett, Washington	11,000	Owned	n/a
Great American Casino (Kent) Kent, Washington	6,000	Leased	2011

⁽¹⁾ excludes any parking garage square footage

Specialized Skills & Knowledge

The Company considers the skill, experience and knowledge of its employees to be among its most important assets. Success in the gaming industry requires a combination of both practical gaming experience and business acumen. The officers and directors of the Company are professionals who have extensive gaming, horseracing, and entertainment backgrounds. Several members of our executive team are considered to be pioneers within the Canadian gaming industry, and possess specialized knowledge that is essential for our operations.

Major Developments

The Canadian economy is experiencing a period of economic weakness, and has witnessed a commensurate decline in consumer spending. The Company believes that this decline impacted its results in 2009 and will continue until consumer spending improves. Given this uncertainty, the Company has taken aggressive steps to reduce its operating expenses.

Beginning in the first quarter of 2009, operating hours were adjusted at several properties, and all properties adjusted their staffing levels. During 2009 these expense reduction initiatives generated \$13.4, of associated restructuring expenses. The Company continues to investigate opportunities to further improve the efficiency of its operations.

The Company has also elected to take a conservative approach to capital deployment. Certain projects have been deferred, and revised timelines for their development will not be issued until greater clarity is available around future market conditions.

The following table summarizes the major facility development projects undertaken by the Company during 2009:

(\$ in millions)

Property	Development Project	Est. Completion Date	Est. Total Budget	Spend (Accrual Basis)		
				To Dec 31, 2009	In fourth quarter 2009	Est. for 2010
River Rock Casino Resort	Hotel footings and infrastructure; 1,200 stall parking garage; 21,000 sq ft of commercial space and gaming space; 320 hotel and casino parking spaces (\$90.0)	600 stalls completed in September '08, balance completed in August '09	\$124.0	\$122.7	\$2.5	\$2.2
	New gaming capacity; upgraded amenities and VIP facilities; atrium renovation (\$34.0)	Some upgraded VIP facilities completed January '09, balance completed November '09				
View Royal Casino	560 stall parking garage; new gaming capacity (\$25.0)	Parking garage completed in December '08, new gaming capacity completed in August '09	\$25.0	\$25.2	\$0.1	\$0.0
Hastings Racecourse	Installation of 600 slot machines and amenity upgrades	All slots installed in Q3/08	\$40.0	\$31.7	\$0.1	\$4.0
Georgian Downs	550 slot machines of new gaming capacity and facility upgrades	Gaming capacity increased to 800 slots in August '09, increase to 1,000 slots in Q2/10	\$33.6	\$28.8	\$1.5	\$4.8

Further information on these major developments is available in our MD&A filed on SEDAR.

Regulation and Licensing

Overview

Gaming activities are strictly regulated in Canada by the Criminal Code of Canada (the "Criminal Code") and provincial gaming legislation. The Criminal Code prohibits most gaming activity unless it falls within certain prescribed exemptions. These exemptions include "lottery schemes" conducted by the government of a province in accordance with laws established by the province and pari-mutuel wagering. "Lottery schemes" include games of chance or mixed skill and chance. Pursuant to the Criminal Code, only provincial governments can conduct and manage slot machines, computerized games or dice games.

Gaming

Each province in which we operate has gaming control legislation in force under which that province regulates gaming activities. The gaming control legislation, regulations promulgated thereunder, and rules adopted by gaming regulators take into account a number of public policy concerns, including: the integrity of gaming; the prevention of unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity; the establishment and maintenance of responsible accounting practices and procedures; the maintenance of effective controls over the financial practices of registrants; and the prevention of cheating and fraudulent practices in gaming.

Provincial gaming legislation permits the registration of private entities to provide gaming-related services or to act as agents, service providers or service suppliers to provincial Crown corporations to conduct and manage gaming in the province. Pursuant to certain long-term agreements we have entered into with provincial Crown corporations in British Columbia, Ontario and Nova Scotia, we provide facilities and other services to those agencies for the conduct and management of gaming. We share in the revenues earned by each of those Crown corporations from services we provide at our properties.

While the provincial Crown corporations may determine the form and proposed location of gaming activities offered in a province, the co-operation of local government is needed for these facilities to operate. All new gaming facilities licenses and all facility expansions or relocations must be approved by the local host government, which in making their development decisions typically consider the concerns and comments of local residents and businesses and affected adjacent communities. The sale of alcoholic beverages at our facilities is also subject to the obtaining of appropriate licenses.

In Washington State, regulated gambling is permitted and controlled by the WSGC. Unlike Canada, our gambling operations in Washington State do not involve the participation of a governmental body in the operation of the facilities. Gambling laws and regulations in Washington State, like those in Canada, are generally concerned with the integrity, reputation, responsibility, financial stability and character of the owners, managers, employees and persons with financial interests in the gambling operations.

Horseracing

Pari-mutuel wagering on horseracing in Canada falls under federal jurisdiction pursuant to the Criminal Code. Through the CPMA, a division of Agriculture and Agri-Food Canada, the Federal Government regulates the horseracing industry.

The CPMA is financed through a federal levy of 0.8% collected from each pari-mutuel bet placed on horse races across Canada. The Pari-Mutuel Betting Supervision Regulations, authorized under the Criminal Code, prescribe the mandate and the activities of the CPMA. The CPMA supervises the pari-mutuel betting systems; conduct of race meets and the fixing of dates and places for races; photo finishing, video patrol and drug control and testing of horses, trainers and jockeys; calculation of payables on bets; and provision, equipment and maintenance of accommodation, services and other facilities for the supervision and operation of the pari-mutuel systems.

Every racetrack association must apply for and obtain an annual pari-mutuel betting permit to hold horse races at its facilities. In granting a permit, the CPMA may impose terms and conditions on permits such as the types of bets which may be offered at the horse racetrack; the method of calculating each type of bet; necessary improvements to the horse racetrack; and any other restrictions on pari-mutuel wagering. The CPMA also issues annual pari-mutuel licenses for Teletheatre facilities.

Registration and Reporting Requirements

We are subject to both general and specific reporting and disclosure requirements with our respective gaming regulators including the obligation to provide information pertaining to our financing arrangements and issuances of securities. Gaming regulators may conduct investigations or inquire as to the nature and source of financing, including the identity of persons who acquire our securities or lend us money. These inquiries are made pursuant to the regulator's general powers of investigation and general authority to conduct investigation or inquiry with respect to any participant in the gaming industry at any level of monetary or shareholder interest. The gaming regulations also prescribe specific obligations for us to report and disclose certain financing arrangements and issuances of securities. Normally these specific obligations arise where certain threshold tests of "interest" are met.

Notwithstanding there being specific reporting thresholds, a regulator at any time may exercise its discretion to require reporting by any person who has an interest in our Company, regardless of the type of interest. If we are unable to comply with any reporting or registration requirement, our registrations as a gaming service provider may be suspended or revoked which would adversely affect our business.

Gaming regulatory bodies may from time to time require changes to our practice in complying with the various disclosures and reporting requirements. If we fail to comply with any existing or future disclosure requirements, the regulators may take action against us which could ultimately include cancellation of a gaming registration.

British Columbia, Ontario and Nova Scotia

Gaming Laws. In British Columbia, Ontario and Nova Scotia, gaming activity is subject to the Criminal Code, the provincial gaming control legislation and regulations promulgated thereunder. Gaming regulators oversee the implementation and enforcement of the gaming control legislation and our gaming operations.

Our Gaming Registration. Our companies that own or operate gaming facilities in British Columbia, Ontario and Nova Scotia are approved and registered by gaming regulators. This registration authorizes our subsidiaries to provide certain gaming services such as providing facilities, gaming employees, and security and surveillance services. The gaming regulator issues registration certificates to us that are renewable but not transferable or assignable.

Corporate Registration Requirements. The terms and conditions of registration require, among other things, that we submit to, and co-operate in background investigations, obey standard operating rules of play, identify our creditors and submit detailed financial and operating reports to the gaming regulators. We are required to deliver advance notice to, and obtain the approval from, the gaming regulator of a change in our directors, officers, associates or interest holder. An “associate or interest holder” may include security holders, beneficial interest holders, contingent interest holders, interested parties and suppliers of credit, and goods or services above a certain threshold. We are also required to deliver advance notice to, and obtain the approval from, the gaming regulators of the direct or indirect acquisition or disposition by a person or group of persons, acting in concert, in one or more transactions, of a certain threshold level of our voting shares; or one or more securities issued by us (other than voting shares), if the amount paid up under the securities is equal to or greater than a certain threshold level of our aggregate paid up capital. An applicant seeking registration must submit detailed personal and financial information to the gaming regulators, may be subject to an investigation by them and must pay or cause to be paid all the costs of any investigation. A gaming regulator may deny registration to any applicant and may deny the acquisition or disposition of our shares or securities above a certain threshold. All of our directors, officers, associates and key employees have been or may be required to be found suitable and require registration by the gaming regulator. A gaming regulator may deny an application for registration for any reason which they deem appropriate.

Substantially all of our material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, gaming regulators.

Individual Registration Requirements. As noted above, under the terms and conditions of our registration, we are required to deliver advance notice to, and obtain the approval from, gaming regulators for the acquisition or disposition of our voting shares or of our securities above a certain threshold and for changes to our directors, officers or “associates or interest holders.” Persons acquiring or disposing of our shares or securities above the threshold may be required to submit detailed financial and personal information and undergo an investigation by the gaming regulators to ensure their suitability for involvement in the gaming industry, and may be required to be registered. Our proposed officers or directors are required to be registered and persons wanting to become associates of ours may be required to be registered. An applicant seeking registration must submit detailed personal and financial information to the gaming regulators, may be subject to an investigation by the gaming regulators and must pay or cause to be paid all the costs of any investigation. A gaming regulator may deny registration to any applicant and may deny the acquisition or disposition of our shares or securities above a certain threshold. A gaming regulator may deny an application for registration for any reason which they deem appropriate. At any time, one or more of the gaming regulators may conduct inspections to monitor compliance of registrants with the gaming control legislation, the regulations, the rules and the conditions of registration.

Our Horseracing Licenses. Some of our operating subsidiaries have been issued licenses by GPEB in British Columbia and the ORC in Ontario for the operation of horseracing tracks. These licenses are issued annually and are subject to several conditions including legislative compliance, financial reporting, adherence to facilities and equipment standards and security. In addition to requiring a license,

horseracing regulators require that racetrack operators apply for race dates each year. Our horseracing licenses may not be transferred or assigned. If there is a material violation of one of our horseracing licenses, our gaming operations may be materially affected and it may result in a suspension of one or more of our gaming registrations.

Consequences of Violating Gaming Laws. Gaming regulators may refuse to issue or renew our registration if we, or one of our directors, officers, employees or associates (i) is considered to be a detriment to the integrity or lawful conduct or management of gaming; (ii) no longer meets a registration requirement; (iii) has breached or is in breach of a condition of registration or an operational agreement with a lottery corporation; (iv) has made a material misrepresentation, omission or misstatement in an application for registration or in reply to an enquiry by a person conducting an audit, investigation or inspection under the gaming control legislation; (v) has been refused a similar registration in another jurisdiction; (vi) has held a similar registration, or license in that province or another jurisdiction which has been suspended or cancelled; or (vii) has been convicted of an offence, inside or outside of Canada, that calls into question our honesty or integrity or the honesty or integrity of one of our directors, officers, employees or associates.

If a gaming regulator limits, suspends, revokes or refuses to renew our registration and/or any of our horseracing licenses, it would have a significant negative effect on our gaming operations. A suspension one of our registrations could result in a suspension of gaming registrations in any other jurisdictions, or the suspension of our racing licenses.

Consequences of Being Found Unsuitable. A person who fails or refuses to apply for registration after being ordered to do so by a gaming regulator, or who refuses or fails to pay the investigative costs incurred by a gaming regulator in connection with the investigation of its application, may be found unsuitable. We and/or our subsidiaries may be subject to disciplinary action, including suspension of our registration, if, after we receive notice that a person is unsuitable to hold our securities or to have any other relationship with us, we fail to pursue all lawful efforts to require the person to comply with the requirements of the gaming control legislation.

Gaming Laws and Securities Ownership. The gaming control legislation imposes certain restrictions, as described above, upon the issuance, ownership, and transfer of our voting shares and securities. These restrictions require that we provide advance notice and obtain approval for certain acquisitions and dispositions above a certain threshold. If we fail to obtain approval for changes in our voting shares or securities from a gaming regulator, we may be sanctioned and our registrations may be suspended.

Washington State

Gambling Laws. In Washington State, gaming is subject to the Washington Administrative Code and the rules promulgated thereunder, as well as various local ordinances and state laws. Our gaming operations are subject to the regulatory control of the WSGC.

Our Licenses. Our Washington State subsidiaries are licensed by the WSGC to operate house-banked public card rooms and to provide other commercial amusement games. One of our Washington subsidiaries is also licensed by the WSGC as a service supplier. These licenses are for terms of one year and are not transferable or assignable.

Our License Requirements. The terms and conditions of our licenses require that we submit detailed financial and operating reports to the WSGC and provide any other information that the WSGC may require. Substantially all of our material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, the WSGC.

Individual Licensing Requirements. No person may own 10% or more of any class of shares of our Washington subsidiaries licensed by the WSGC or own 5% or more of our shares without first obtaining approval from the WSGC. The WSGC may investigate any individual who has a material relationship to or

material involvement with us to determine whether the individual is suitable or should be licensed as a substantial interest holder of ours. Certain of our directors, officers and key employees have been or may be required to be licensed or found suitable by the WSGC. The WSGC may require additional applications and may also deny an application for license for any reason which they deem appropriate. An application for licensing requires submission of detailed personal and financial information and may be followed by a thorough investigation. An applicant for registration or an applicant for a finding of suitability must pay or must cause to be paid all the costs of the investigation. Changes in licensing positions must be reported to the WSGC and, in addition to their authority to deny an application for license, the WSGC has the jurisdiction to disapprove a change in a corporate position.

Consequences of Violating Gaming Laws. The WSGC may deny an application, or suspend or revoke any license or permit issued by it including where it deems it to be in the public interest, or where the licensee, or any person with any interest in the licensee, has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by the Washington Administrative Code (the "Code"), or any rules adopted by the WSGC, or when a violation of any provision of the Code, or any WSGC rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control; knowingly causes, aids, abets, or conspires with another to cause, any person to violate any of the laws of the state or the rules of the WSGC; has obtained a license or permit by fraud, misrepresentation, concealment, or through inadvertence or mistake; has been convicted of, or forfeited bond upon a charge of, or pleaded guilty to, forgery, larceny, extortion, conspiracy to defraud, willful failure to make required payments or reports to a governmental agency at any level, or filing false reports therewith, or of any similar offence or offences, or of bribing or otherwise unlawfully influencing a public official or employee of any state of the United States, or of any crime, whether a felony or misdemeanor involving any gambling activity or physical harm to individuals or involving moral turpitude; makes a misrepresentation of, or fails to disclose, a material fact to the WSGC; is subject to current prosecution or pending charges, or a conviction which is under appeal, for certain offences; has pursued or is pursuing economic gain in an occupational manner or context which is in violation of the criminal or civil public policy of the state if such pursuit creates probable cause to believe that the participation of such person in gambling or related activities would be inimical to the proper operation of an authorized gambling or related activity in the state; or is a career offender or a member or associate of a career offender cartel in such a manner which creates probable cause to believe that the association is inimical to the policy of the Code or to the proper operation of the authorized gambling. Limitation, conditioning or suspension of any of our gaming licenses in Washington State could, and revocation would, have a significant negative effect on our gaming operations in Washington State.

Consequences of Being Found Unsuitable. Any person who fails or refuses to apply for a finding of suitability or licensing after being ordered to do so by the WSGC, or who refuses or fails to pay the investigative costs incurred by the WSGC in connection with the investigation of its application, may be found unsuitable. Our subsidiaries will be subject to disciplinary action if, after they receive notice that a person is unsuitable to hold our securities or to have any other relationship with us, we fail to pursue all lawful efforts to require the unsuitable person to relinquish such person's securities including, if necessary, the immediate purchase of the securities.

Gaming Laws Relating to Securities Ownership. The WSGC may, in its discretion, require the holder of any of our debt or similar securities to file applications, be investigated and be found suitable to own our debt or other securities if the WSGC has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the Washington State. If the WSGC decides that a person is unsuitable to own the security, then under Code, we can be sanctioned, including the loss of our license if we fail to pursue all lawful efforts to require the unsuitable person to relinquish such person's securities including, if necessary, the immediate purchase of the securities.

Operating Agreements

Operating Agreements with Provincial Crown Corporations

We have entered into agreements with the provincial Crown corporations that conduct and manage gaming operations in each of British Columbia, Ontario and Nova Scotia. The following is a description of our agreements with provincial Crown corporations:

British Columbia

Each of our gaming facilities has an Operational Services Agreement with the BCLC. Each Operational Services Agreement has an initial 10 year term and is renewable by us for a further 10 year period except for the Operational Services Agreement for Hastings Racecourse and Slot Facility which has an initial term of five years and extension options totalling 15 years. Our ability to renew an Operational Services Agreement is conditional upon the agreement being in good standing, appropriate notice of renewal being given, a business plan for the renewal term being submitted to, and approved by, the BCLC, and there having been no change to government gaming policy that materially adversely impacts on the gaming model reflected in the Operational Services Agreement. It is our practice when we expand a gaming facility or develop a new gaming facility, to negotiate with the BCLC to extend the Operational Services Agreement for the respective gaming facility.

Each Operational Services Agreement may be terminated by the BCLC without notice to us in a number of circumstances, including if:

- we are unable to provide the use, occupation and possession of the casinos to the BCLC for the purpose of conducting and managing gaming at the casinos;
- we discontinue operations of the casinos;
- one of our directors or officers is convicted of a criminal offence which, in the opinion of the BCLC, prejudices the integrity or reputation of the casinos or the BCLC's authority to conduct or manage lottery schemes;
- one of our officers or directors intentionally makes a material misrepresentation on any document submitted on our behalf to the BCLC;
- we become bankrupt or insolvent;
- we commit a material breach of the agreement;
- we fail to carry out a written directive of the BCLC, or
- a law is passed that renders the performance of the agreement illegal.

Ontario

The GDL Site Holder Agreement expires in November 2021. There is a further renewal option at the option of the OLG for an additional five years to November 2026.

The FDL Site Holder Agreement had an initial term of five years and was automatically renewed for a term expiring in 2010. There is a further extension term for an additional five year period, unless, before the commencement of that renewal period, the OLG gives notice that it does not wish to renew the agreement based upon evidence of a material breach by us of the terms of the agreement. Our ability to renew a Site Holder Agreement is conditional upon the agreement being in good standing.

Each Site Holder Agreement may be terminated by the OLG upon notice to us in a number of circumstances, including if:

- we commit a material breach of the agreement; or
- following the occurrence of a specified event where such event is not remedied by us within 30 days or such longer period as may be agreed between the parties.

Each Site Holder Agreement may also be terminated early by the OLG by written notice to us, which notice will be effective on the day which is 270 days following the date such notice is given.

From the commission paid to us by the OLG, we are required to deposit a certain percentage of the Site Holder Payment to a separate fund for capital renewals (which are defined to include, among other things, additions or improvements to the licensed premises during the term for the purposes of maintaining the licensed premises as a first class facility) to be used for the sole purpose of paying for capital renewals agreed upon between the OLG and us, or otherwise settled pursuant to the agreement. The percentage to be deposited to the capital renewals account is negotiated each year. In each 2009 and 2008 the amount was 1% for Georgian and 5% for Flamboro. If no capital renewals are to be paid during the year or a balance remains in the capital renewals fund at the end of an operating year, such amount is paid out to us as previously-earned commission. If the capital renewals in any operating year are greater than the amount in the capital renewals fund, we are required to immediately fund the deficiency.

Nova Scotia

The AROC has an initial ten year term and is renewable by us for a 10 year period, provided that the NSGC has not given us notice of a breach that we have not cured within the permitted time period. We have a right of first opportunity to negotiate with the NSGC with respect to any proposal to pursue the development and operation of a racino (slot machines operated by the NSGC in connection with a presently existing racetrack) during the initial 10 year term or a "New Casino" as defined in the agreement during the initial term or any renewal term. The NSGC has the right to terminate the AROC in a number of circumstances, including if:

- we are unable to provide the use, occupation and possession of the assets of the casinos to the NSGC for the purpose of conducting and managing gaming at the casinos;
- we discontinue operations of the casinos for more than 21 days;
- one of our officers or directors is convicted of a criminal offence which, in the opinion of the NSGC, prejudices the integrity or reputation of the casinos, gaming at the casinos or the NSGC's authority to conduct or manage lottery schemes;
- one of our officers or directors intentionally makes a material misrepresentation on any document submitted on our behalf to the NSGC;
- we become bankrupt or insolvent;
- we undergo a change of control that is not consented to by the NSGC;
- we commit a material breach of the agreement;
- we fail to carry out a written directive of the NSGC; or
- a law is passed that renders the performance of the agreement illegal.

After payment of our Operating Fee, the balance of revenues earned by the casinos are paid to the NSGC, except 5% of total revenues which are deposited into a Capital Reserve Account. The funds deposited into the Capital Reserve Account are to be utilized to undertake capital expenditures, refurbishment, maintenance, upgrading and enhancement of the casino facilities. Commencing during the operating year April 1, 2009 to March 31, 2010, at least \$5 (adjusted for inflation) must be contributed annually for these purposes.

We are required under the AROC to annually consult with the NSGC and prepare a detailed capital replacement and maintenance plan for maintenance, refurbishment, upgrading, enhancing and replacement of the casinos and casino assets. Once finalized, we are required to implement the plan. The expenditures we incur in implementing the plan are reimbursed to us from the Capital Reserve Account.

Before our acquisition of the casinos in Halifax and Sydney, the previous owners operated under a scheme for the reimbursement of capital expenditures that differed from our current Capital Reserve Account and called for the repayment of the Operators' Capital Investment principal and interest and the Mandatory Deferral principal and interest as defined in the AROC. Both the Operator's Capital Investment and the Mandatory Deferral were payable in monthly installments of approximately \$1.2 monthly until April, 2007 and \$0.9 monthly thereafter until August 2008. By April 2007, we, as purchasers of the casinos, had been repaid the full amount of the Operator's Capital Investment principal and interest. By August 2008, we had been repaid the full amount of the Mandatory Deferral principal and interest.

On termination of the AROC, we are entitled to have all our "Casino Assets" (essentially the property, plant and equipment that comprise our two Nova Scotia Casinos) purchased from us by the NSGC. The purchase price will be equal to the sum of (a) approved capital expenditures as defined in the agreement ("Approved Capital Expenditures") made by us which have not been reimbursed from the Capital Reserve Account and, if, and only if, we terminate the AROC, additional payments equal to (b) any unpaid Operators Fee and (c) the unamortized balance of "Operator's Additional Acquisition Costs." If we terminate the AROC pursuant to a breach of the agreement by the NSGC, we are also entitled to the "Compensation Fee" as described below. The NSGC has the additional right to terminate the AROC at any time on six month's notice and to acquire, or designate a third party to acquire, the Casino Assets on payment of an amount equal to (a) any unpaid Approved Capital Expenditures, (b) any unpaid balance of the Operating Fee, (c) the unamortized balance of the Operator's Additional Acquisition Costs, and (d) the Compensation Fee.

If the NSGC has not exercised its rights to acquire the Casino Assets by the end of the term of the AROC, the NSGC or a person designated by it, may acquire the Casino Assets for an amount equal to the sum of any un-reimbursed Approved Capital Expenditures, and one dollar (not in millions).

The Operator's Additional Acquisition Cost is the amount agreed upon with the NSGC and the difference between the amount paid by us in May 2005 to acquire the partnership that operates the casinos in Halifax and Sydney and the amount of the Operator's Capital Investment and the Mandatory Deferral at that time. The Operator's Additional Acquisition Cost is being notionally amortized on a straight-line basis over the first 10 years of the term of the AROC. As at December 31, 2009, the unamortized balance of the Operator's Additional Acquisition Cost was approximately \$24.3 (2008 - \$28.7).

The Compensation Fee is equal to:

- during the initial 10 year term of the AROC, the present value of the greater of (a) 10% of the Operator's Fee and (b) the actual EBITDA of the partnership operating the casinos, in each case for the 12 month period ended immediately before termination of the Contract, such amounts to be indexed over the remainder of the term by the average growth in the consumer price index over the two years before the termination and present valued using a discount rate of 8%, and
- during the renewal term of the AROC, the greater of (a) 10% of the Operator's Fee and (b) the EBITDA of the partnership operating the casinos, in each case for the 12 month period ended immediately before termination of the AROC.

Agreements Related to Horseracing

Several of our operating subsidiaries have entered into agreements related to horseracing in Ontario and British Columbia that deal with the distribution of purses and Racebook operations.

British Columbia

In British Columbia, we have a purse sharing agreement with the HBPA, which acts as agent for all the thoroughbred owners and trainers in the province. Under the terms of this purse agreement, we contribute certain percentages of racing and other revenues earned by HEI, pursuant to a formula, to purses in each racing season. HEI is also required to maintain certain buildings and facilities for the benefit of the HBPA. In order to maintain our horseracing license from GPEB at Hastings Racecourse and Slot Facility and our permit from the CPMA to operate race dates for any given year, we must maintain an agreement with the HBPA. Our current agreement expires on December 31, 2010.

In British Columbia we also have a purse agreement with the BCSA, as agent for all the standardbred owners, trainers and drivers in the province. Under the terms of this purse agreement, we contribute certain percentages of racing and other revenues earned by Orangeville, pursuant to a formula, to purses in each racing season. In order to maintain our horseracing license from GPEB at Fraser Downs Racetrack and Casino our permit from the CPMA to operate race dates for any given year, we must maintain an agreement with the BCSA. Our current agreement expires in August 2011.

In order to obtain a license from the CPMA to conduct pari-mutuel betting at a Racebook facility in British Columbia, we are required to have entered into Teletheatre wagering agreements with each Racebook operator. Through our TBC partnership we offer pari-mutuel wagering at each Racebook facility in British Columbia.

On November 17, 2009, the British Columbia Ministry of Housing and Social Development announced the formation of the B.C. Horse Racing Management Committee. The goal of this Committee is to both revitalize and restore financial strength to the province's horseracing industry. The Ministry has stated that the Committee's immediate areas of focus will include:

- Reviewing and approving all industry finances;
- Managing all revenue generated from horseracing and government grants through a consolidated industry revenue fund;
- Providing financial allocations from the revenue fund to industry sectors and participants who will be accountable to the committee for the use, recording, reconciling and reporting of those allocations;
- Using industry reports to form the basis for annual audits and an annual industry financial report;
- Evaluating and improving the effectiveness of existing business activities; and
- Developing and managing marketing strategies for the industry.

B.C. Horse Racing Management Committee members include representatives for both the thoroughbred and standardbred horsemen, the President and Chief Executive Officer of the BCLC, Milton Woensdregt, the Company's Chief Financial Officer, and representatives from the government of British Columbia, including the Gaming Policy and Enforcement Branch. The Company is cooperating with the Committee's efforts to implement beneficial changes to British Columbia's existing framework for horseracing.

Ontario

In Ontario, GDL and FDL each have purse agreements with the OHHA, which is the agent for all the standardbred owners and trainers in the province. Under the terms of each purse agreement, we contribute certain percentages of racing and slot revenue to purses at Flamboro Downs and Georgian Downs in each racing season.

Under the purse agreement with FDL, if the slot program at Flamboro Downs is changed such that we are provided with additional revenue from the slot machine program, the additional revenue will be shared equally between us and the OHHA. Under the purse agreement, we may not participate in any form of inter-track, Internet, telephone account, simulcast, satellite or Racebook pari-mutuel wagering during the term of the agreement without consultation with, and consent from, the OHHA. We must advise the OHHA of any applications or amendments for racing dates in advance. We must have a horsemen's agreement in place to conduct simulcast and inter-track wagering, however, live horseracing is allowed without a horsemen agreement with the OHHA. This agreement is in effect until December 31, 2012. If this agreement is not renewed, our permits from the CPMA and our horseracing license would not allow us to participate in any form of inter-track, Internet, telephone account, simulcast, satellite or Racebook pari-mutuel wagering, however live horseracing would be permitted. A failure to renew this agreement may cause the OLG to suspend or terminate the FDL Site Holder Agreement.

In respect of Georgian Downs, on March 1, 2007, the OHHA and the Company entered into an agreement to conduct live horseracing for a term ending on December 31, 2009, and subsequently renewed the agreement until December 31, 2012. During the period of the agreement we agreed to share equally the net OLG commission payout with the OHHA, for the benefit of the Horsemen's Purse Pool. The agreement was ratified by the OHHA membership on March 6, 2007.

In order to obtain a license from the CPMA to conduct Teletheatre pari-mutuel wagering, we are required to have entered into Teletheatre wagering agreements with each Teletheatre operator. Under the off-track agreements in Ontario, we offer pari-mutuel wagering at each of our Racebooks in the province. We install and maintain the wagering equipment and provide the pari-mutuel staff to operate the equipment on the premises. We retain 100% of the proceeds derived from any wagering that occurs at the Racebooks. We provide Teletheatre operations with racing programs and they are entitled to keep any revenues from the sale of such programs. The Teletheatre may charge an admission fee to patrons and may keep all revenues from any admission fees. These agreements are for terms of one year and may be renewed subject to the CPMA renewing our licenses to conduct pari-mutuel betting at a Racebook for each location.

RISK FACTORS

The occurrence of any of the events described in this section could have a material adverse effect on our business, financial position, results of operations and cash flows. Readers should consider carefully the risks described below.

Competition

The gaming industry is highly competitive. We compete with numerous gaming establishments of varying quality and size in market areas where our properties are located. We also compete with other non-gaming resorts and vacation areas, and other entertainment businesses and could compete with any new forms of gaming that may be legalized in the future. The casino, entertainment and horseracing businesses are characterized by competitors that vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas and in some markets we face competition from nearby markets.

In recent years, with fewer new gaming markets opening in Canada for development, competition in existing markets has intensified. As a result, we and many other casino operators have invested in expanding our existing facilities. This expansion and the aggressive marketing strategies of many of our competitors has increased competition in many markets in which we compete, and this intense competition can be expected to continue.

If our competitors operate more successfully, if competitors' properties are enhanced or expanded, or if additional hotels and casinos are established in and around the locations in which we conduct business, we may lose market share. In particular, the expansion of casino gaming in or near any geographic area from which we attract or expect to attract a significant number of our customers could have a significant adverse effect on our business, financial condition and results of operations.

Our card rooms face significant competition in Washington from other gaming establishments, including tribal casinos, which have certain competitive advantages such as their ability to offer electronic gaming devices such as slot machines and their exemption from a state-wide smoking ban and certain state taxes.

Our racing and pari-mutuel operations face significant competition for wagering dollars from other racetracks and off-track wagering facilities, some of which also offer other forms of gambling, as well as other gaming venues such as casinos. We also may face competition in the future from new off-track wagering facilities, new racetracks or providers of telephone account or Internet wagering. If additional gambling opportunities become available near our racing and pari-mutuel operations, such gaming opportunities could have a material adverse effect on our business, financial condition and results of operations.

Online Gambling

We face competition from gambling conducted over the Internet. Online casinos and certain Provincial Gaming Corporations offer a variety of games including slot machines, roulette, poker, and blackjack over the Internet. Web-enabled technologies allow individuals to gamble using credit cards and online payment services. Pursuant to the Criminal Code, only the provinces have the jurisdiction to regulate and conduct gambling over the internet in Canada. We are unable to assess the impact of Internet gambling to our future operations.

Management of Capital Projects

Our financial profitability is highly dependant upon the effective management of our various capital projects. The nature of our business, coupled with the desire of the provincial lottery corporations with whom we do business to create better and more sophisticated facilities, dictate a significant amount of expenditure on physical premises, associated amenities and related technologies. Our program of capital expenditures faces the risk that our financial and managerial resources may be insufficient to properly manage capital projects. In the event that we are unable to effectively manage our cost of construction, third party contractors, and third party consultants engaged in our capital projects, our profitability may suffer.

Availability of Financing

The management of our capital projects is also dependant upon the availability of financing. With the current global economic slowdown and corresponding tightening of credit and security markets, our ability to obtain suitable financing is subject to ongoing risk. In the event that we are unable to obtain suitable financing, we may be unable to properly manage our capital projects cost effectively.

Construction Considerations

From time to time, our company undertakes both major and minor capital projects designed to improve both its facilities and future guest experiences. These necessary developments may have an unquantifiable impact on attendance in the short-term, as the disruption caused by construction may impact facilities' appearances and operations.

Construction and development costs may be higher than expected and we may not have the funds required to pay the excess costs. Some of our major construction projects may entail other significant risks such as:

- shortages of material or labour;
- unanticipated cost increases; or
- work stoppages.

From time to time, third parties may undertake infrastructure or other capital projects that may disrupt traffic patterns around and accessibility to our gaming properties. Such disruptions may negatively affect our properties' revenues.

Management of Expanding Operations

As a result of acquisitions and property developments, significant demands may be placed on our managerial, operational and financial personnel and systems. In particular, there may be demands on our operational and accounting information systems and controls and other accounting systems, resulting from growth with our operations. No assurance can be given that our systems, procedures and controls will be adequate to support the expansion of our operations resulting from growth. While we take action to maintain internal systems and controls, future operating results could be affected by the ability of our officers and key employees to manage changing business conditions, expansion opportunities, and acquisitions, and to upgrade, implement and/or improve operational and financial controls and reporting systems.

Unionization of Sites

As of the date of this AIF, the Company employs approximately 4,500 employees in its gaming, hospitality and entertainment operations in British Columbia, Ontario, Nova Scotia and Washington State. At four of

our properties, certain employees are represented by unions. If more of our facilities become unionized or existing union agreements are not renewed, this may result in increased costs for human resources with a corresponding reduction in profitability and potential impact to operations.

Indebtedness

Risks related to our indebtedness could adversely affect our operations. As at December 31, 2009, we had approximately \$409.8 of long-term debt (including both current and long-term portions) and net derivative liabilities, and \$35.1 of letters of credit outstanding. Our indebtedness requires periodic payments of interest and principal.

Long-term indebtedness could increase in connection with the capital expenditures we may make as a result of expansion, development and renovation projects. Our substantial level of indebtedness could have important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, expansion efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

Changes to our business and the incurrence of additional indebtedness in the future could cause downgrading of our credit rating, which could have a material adverse effect on our business, financial condition and results of operations, as well as on our ability to raise additional indebtedness.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

We may need to refinance all or a portion of our indebtedness, at maturity, and cannot provide assurance that we will be able to refinance any of our indebtedness, including our Revolving Credit Facility, the Term Loan B and the Subordinated Notes, on commercially reasonable terms, or at all. We may have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, obtaining additional equity, debt financing or joint venture partners.

Maintaining Covenants under Debt Facilities

The Company's Credit and Guarantee Agreement dated February 14, 2007 requires the Company to maintain certain financial covenants. If the Company breaches these financial covenants, the Company could be required to redeem all outstanding loans under the Credit and Guarantee Agreement, together with interest and repay amounts outstanding under the indenture together with interest.

A failure to meet these covenants will also constitute a default under the terms of the indenture relating to the Company's issue of the Subordinated Notes due 2015. The Subordinated Notes have a covenant which will limit indebtedness which may be incurred.

The debt agreements restrict our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions.

Operational Services Agreements

Our provincial gaming operations are conducted pursuant to Operational Services Agreements with the BCLC, OLG and the NSGC. Although the agreements are renewable, there is no guarantee that we will satisfy the conditions precedent for renewal. Additionally, there is no right of renewal after the first renewal term and there is no assurance we will be able to enter into new agreements following the expiry of the renewal term.

Under the Operational Services Agreements, the BCLC, the OLG nor the NSGC may suspend or terminate our right to provide services under the agreements for certain specified reasons. If we operate gaming in a manner inconsistent with the Criminal Code, violate provincial gaming laws or prejudice the integrity of gaming, the provincial lottery corporations may terminate one or more of our Operational Services Agreements. If one or more of our Operational Services Agreements are terminated, this will seriously impact our business, particularly in British Columbia.

Renewal of Horseracing Agreements

Our pari-mutuel betting permits at our racetracks and Racebook facilities are issued by the CPMA and are subject to each of our racetracks having a written agreement with the respective horsemen's association (BCSA, HBPA or OHHA) for the conduct of live horseracing. Additionally, in Ontario, a written agreement is required by the ORC for our horseracing license at each of Georgian Downs and Flamboro Downs. Similarly, in British Columbia, a written agreement is required for our horseracing license from GPEB in respect of Hastings Racecourse and Slot Facility, Fraser Downs Racetrack and Casino. If our agreements with the horsemen's associations, or any of them individually, lapse without being renewed, our horseracing permit or permits from the CPMA and horseracing licenses from ORC and GPEB would not be renewed or otherwise subject to cancellation. As a result, we would be unable to conduct live races or pari-mutuel wagering at our racetracks. This would result in an adverse affect on our horseracing and gaming business.

Washington State Licenses

Our Washington State card room operations are conducted pursuant to house-banked card room licenses, which must be renewed annually with the WSGC. Although the Company's previous renewals have been granted automatically, there can be no assurance that this practice will continue.

Government Restrictions

The conduct of gaming is within the authority of the provincial government, to the extent permitted by the Criminal Code. The British Columbia and Ontario governments have policies that limit the expansion of gaming sites in each of these two provinces. Relocation and improvement of existing facilities appear to be the only viable means of expansion under the Government of the day. It is uncertain how long these policies will last and whether gaming in these provinces may be reduced or expanded.

The provincial government may also pass legislation or adopt policies that have the effect of restricting gaming, or the involvement of private casino operators therein. Possible restrictions could include the hours of operation, betting limits, the number of tables or slot machines permitted, the location of the casinos and racinos, and the amount payable to operators for providing casino or racino operational services. Such legislation or policies could significantly harm our business and results of operation.

Regulatory Regime

Our gaming operations are contingent upon maintaining all regulatory licenses, permits, approvals, registrations, and findings of suitability. Any change in laws, regulations, or licenses applicable to our business, or any violation of gaming laws by us, or a failure to maintain our regulatory approvals, could require us to make substantial expenditures or could otherwise negatively affect our gaming operations.

High Level of Regulation

There is a high level of government regulation within the casino industry in Canada and Washington State. For example, while we have influence over the mix of table games and slot machines in our Canadian casinos, it is subject to BCLC, OLG and NSGC approval. Regulation of the gaming industry could change at any time and could adversely impact our casino operations.

We are subject to a variety of regulations in the jurisdictions in which we operate. If additional gaming regulations are adopted in jurisdictions in which we operate, such regulation could impose restrictions or costs that could have a significant adverse effect on us, including adverse effects on our business, financial condition and results of operations. If it was determined that any of our operating subsidiaries violated any gaming legislation, the gaming registrations they hold could be limited, conditioned, suspended or revoked. In addition, we and the persons involved could be subject to substantial fines. Restrictions on our gaming registration in any jurisdiction could have a significant adverse effect on our business, financial condition and results of operations.

Dependence on Key Personnel

Our success depends upon the continued services of our senior management team and our technical, marketing, finance and operations personnel. Our employees may voluntarily terminate their employment with us at any time. The loss of the services of key personnel could have a materially adverse effect upon our business, financial condition and results of operations. We currently do not maintain any key personnel insurance.

Aboriginal Claims

Significant portions of British Columbia are subject to unresolved claims of aboriginal rights or title. The governments of Canada and British Columbia are engaged in treaty negotiations with aboriginal groups throughout British Columbia. We are not in a position to assess what treaties, if any, may be made or how they might affect our operations. The treaties may result in increased aboriginal involvement in management of lands on which we conduct operations. There can be no assurance that aboriginal claims will not affect our operations.

Potential Undisclosed Liabilities and Capital Expenditures Associated with Acquisitions

In connection with our acquisitions, there may be liabilities such as environmental liabilities that were not discovered, or we were unable to quantify in our due diligence. We may not be indemnified by the vendors of such acquired assets for some or all of these liabilities. In addition, there may be capital expenditure requirements that we failed to discover, or that we were unable to quantify in our due diligence, which amounts may be material. The discovery of any material liabilities or capital expenditure requirements could have a material adverse effect on the Company's business, financial condition or future prospects.

Although the vendors of some past acquisitions have agreed to indemnify the Company for certain losses, there is no assurance that the vendors will have sufficient funds available to satisfy the indemnities if called upon to do so.

Non-realization of Cost Reductions and Synergies

Acquisitions involve the integration of entities that previously operated independently. No assurance can be given that the combined operations resulting from acquisitions will realize anticipated cost reductions and synergies, or that other benefits expected from the acquisitions will be realized.

As a result of economic declines, the Company may implement cost reduction initiatives. No assurance can be given that our systems, procedures, controls and management personnel will be adequate to support such initiatives or that they will be as successful as planned.

Ability to Utilize or Add Slot Machines

Most municipalities in British Columbia have the right to restrict or prohibit gaming facilities, including slot machines, within their boundaries. As a result, gaming operators run the risk that the host municipality could at some point pass a by-law or zoning change prohibiting or restricting gaming facilities. Such a prohibition or restriction could have an adverse affect on our operations and negatively impact our growth projections.

Negative Connotations Linked to the Gaming Industry

Historically, gambling has been considered to be an undesirable activity in Canada. Until 1969, gambling in most forms was a criminal offence, with the exception of horseracing and social card rooms. Casino management companies still face this stigma in many areas of day-to-day operations. The negative connotation toward gambling could have a negative impact on our profitability. Negative public perception of gaming within any demographic area lessens the likelihood that a new casino can be established there or that an existing casino will be financially viable, which could impact upon possible expansions, developments or acquisitions.

Future Capital Needs

We may need to raise funds through public or private financing in order to achieve our objectives as they exist from time to time. There can be no assurance that additional financing will be available on terms favourable to us, or at all. If adequate funds are not available or are not available on acceptable terms, we may be unable to take advantage of market opportunities, to respond to competitive pressures, or continue to be viable. Such inability would have a material adverse effect on our business, financial condition and results of operations.

Interest Rate and Foreign Currency Risk

Our exposure to changes in interest rates results from investing and borrowing activities undertaken to manage our liquidity and capital requirements. We have incurred indebtedness that bears interest at fixed and floating rates. There can be no assurance that we will not be materially adversely affected by interest rate changes in the future. Our current credit facilities have exposure to foreign currency risk and interest rate risk as described below.

The Company's primary functional currency is the Canadian dollar. Our exposure to foreign currency risk is primarily from our Washington State gaming operations and our U.S. dollar denominated Subordinated Notes and Term Loan B that formed part of a debt refinancing that was completed in February 2007.

The U.S. dollar results of our Washington State gaming operations are translated to Canadian dollars when consolidated, so the Canadian dollar results may vary due to a change in the foreign exchange rate between the two currencies. Our foreign currency risk exposure related to our Washington State gaming operations is limited to our net investment in those operations.

With the refinancing of our debt in 2007, we are required to make payments on the Subordinated Notes and Term Loan B in U.S. dollars. In conjunction with the refinancing, we entered into hedging transactions in an effort to mitigate our exposure to fluctuations in foreign currency exchange rates and interest rates related to this new debt. The Company entered into a cross currency interest rate swap that effectively converted the anticipated long-term U.S. dollar floating interest rate on the Term Loan B into Canadian dollar long-term fixed interest rate debt. In addition, in conjunction with the closing of the Company's debt refinancing, the Company entered into a currency swap that effectively converted the

long-term U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar long-term fixed interest rate debt.

Credit Risk

Parties to the Company's financial instruments may cause a financial loss to the Company by failing to discharge their obligations to the Company.

Other Risk Factors

Other risk factors include: continued weakness and further weakening in global economic conditions may adversely affect consumer spending and tourism trends; dependence on British Columbia properties for cash flow; we are subject to taxation by various levels of government and the rate of taxation could change; or insurance coverage may not be adequate to cover all possible losses.

The preceding list is not exhaustive of all possible risk factors, and other factors and unforeseen events could also adversely affect the Company's results.

DESCRIPTION OF CAPITAL STRUCTURE

Credit Facilities/Lending

On February 14, 2007, the Company completed its debt refinancing. The Company's long-term debt facilities initially consisted of (a) US\$170.0 Senior Secured Term Loan B (the "Term Loan B"), and a \$200.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility"), secured by a common credit agreement and (b) US\$170.0 of Senior Subordinated Notes (the "Subordinated Notes"). The gross proceeds of the debt refinancing were \$401.9. The net proceeds were \$388.7 after transaction costs of \$13.2, and were used to repay and retire other debt existing at the time and provide cash for future capital expenditures and working capital purposes.

a) Term Loan B and Revolving Credit Facility

The Term Loan B is denominated in U.S. dollars (US\$170.0 initial principal) and bears interest at a floating rate (U.S. LIBOR plus 1.50%), payable quarterly. The Company has hedged both the currency risk and the floating interest rate risk to effectively result in a principal of \$200.8 in Canadian dollars and a fixed interest rate of 6.1% per annum. The Term Loan B has a term of 7 years and is repayable without premium or penalty, subject to customary costs, at any time. Principal repayments of \$0.5 in Canadian dollars are required quarterly, with the balance due at maturity on February 13, 2014.

The Revolving Credit Facility is denominated in Canadian dollars and has a five-year term that expires in February 2012. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted EBITDA ratio as described in our Annual Financial Statements, which is calculated quarterly and reported in our quarterly financial statements.

b) Subordinated Notes

The Subordinated Notes are unsecured and guaranteed by the Company and substantially all of its subsidiaries. The Subordinated Notes are denominated in U.S. dollars (US\$170.0) and bear interest at a rate of 7.25%, payable semi-annually. The Company has hedged the currency risk to effectively result in a principal of \$201.1 in Canadian dollars at a fixed interest rate of 6.6% per annum. The Subordinated Notes have a term of 8 years with the principal amount of the notes repayable at maturity on February 15, 2015. There are provisions for early redemption of the Subordinated Notes at the Company's option during defined periods prior to maturity with payment of defined premiums. On February 14, 2007 these provisions for early redemption were recorded at their fair value of \$2.1 as a derivative asset and as a premium on the Subordinated Notes.

All the debt facilities have: (i) mandatory repayments in the case of proceeds from certain asset sales or receipt of insurance proceeds that are not re-invested by the Company within certain time limits; (ii) restrictions on certain asset sales, acquisitions, and distributions; (iii) limitations on the incurrence of additional debt or indebtedness or liens; and (iv) provisions for the Company to re-purchase and re-issue portions of the Term Loan B and/or Subordinated Notes should the holder be required to register with a gaming authority having jurisdiction over the Company and either refuses or is found to be unsuitable for registration.

Credit Ratings

The Company has received credit ratings from both Moody's and Standard and Poor's with respect to its debt. These ratings reflect the general credit worthiness of an issuer or a particular debt issue. Credit ratings do not constitute a recommendation to purchase, sell or hold a particular security. For more information on each agency's rating methodology and specific ratings visit www.moodys.com and www2.standardandpoors.com.

The Company is currently rated by Moody's and Standard & Poor's as follows:

	Moody's	Standard & Poor's
Corporate	Ba3 Stable	BB Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB-
Subordinated Notes	B2	BB-

Common Shares

Each common share carries the right for the holder to attend and vote at all general meetings of shareholders, to receive dividends, if, as and when declared by the directors, and to participate on any liquidation, dissolution or winding up of the Company. We have not declared any dividend on our common shares to date and have no formal dividend policy.

Our common shares are listed on the TSX under the symbol "GC". The Company's authorized share structure consists of an unlimited number of common shares.

Normal Course Issuer Bid

During the year ended December 31, 2009, we did not purchase any common shares through the facilities of the TSX pursuant to either of our approved normal course issuer bids.

Restrictions on Ownership of Securities

Shareholders of the Company are subject to certain restrictions derived from the terms and conditions of registration or licensing and Operational Services Agreements or under the gaming statutes in the jurisdictions that we operate.

Through the Operational Services Agreements, the BCLC, NSGC and OLG restrict share ownership of our common voting shares. Any person or group of persons owning a significant interest in our shares must obtain BCLC and NSGC consent to the acquisition or disposition of that interest. A "significant interest" for purposes of the BCLC and NSGC Operational Services Agreement is an interest equal to or greater than 10% of our common shares ("Significant Interest"). In respect of the Site Holder Agreements, the threshold for consent is 5%.

Constraints and conditions on ownership of our common shares are imposed by the Code Title 9, Chapter 9.46 (Washington State), the Gaming Control Act (British Columbia), the Gaming Control Act,

1992 (Ontario) and the Gaming Control Act (Nova Scotia) and the terms of our licenses with ORC. Security holders must either submit to or obtain registration when certain ownership thresholds are met.

The restrictions on equity and debt securities require careful monitoring by the Company and the security holder. For instance:

- any person holding 5% or greater interest in the Company must be registered with the WSGC and must provide the WSGC with full disclosure of personal and financial information;
- approval of GPEB is required for the acquisition of a 5% or greater interest in the Company;
- prior consent of the BCLC and the NSGC is required for the acquisition of a Significant Interest in the Company and for the disposition of any portion of a Significant Interest;
- any person holding 5% or greater interest in the Company (on a diluted or undiluted basis) must be registered with the AGCO and the Company must provide the AGCO with full disclosure of personal and financial information for the same; and
- the Company must file a disclosure form with the Director of Registration (Nova Scotia) within 15 days of: a person acquiring a beneficial interest in the business of the operator of a casino; a person exercising control, either directly or indirectly, over the business of the operator of a casino; or a person providing financing, whether directly or indirectly, to the business of the operator of a casino.

In order to accommodate and ensure compliance with the various restrictions on ownership of the Company's securities, the Articles of the Company contain specific provisions (the "Share Constraints") restricting the ability of a shareholder to acquire, directly or indirectly, more than 10% of the outstanding common shares of the Company without first obtaining required third party or regulatory approvals. These provisions are in addition to other provisions in the Articles of the Company that require advance notice and prior approval of the Company to acquire more than 5% of the outstanding common shares of the Company.

The Share Constraints provide that a person who acquires, agrees to acquire, holds, or beneficially owns or controls 10% or more of the outstanding common shares of the Company may not acquire or dispose of any common shares of the Company until that person complies with the terms of the Share Constraints. Under its Articles, the Company may enforce the Share Constraints by placing stop transfers on common shares or seeking injunctive or other relief to ensure compliance with the Share Constraints.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets out certain trading information for the Company's common shares on the TSX at the year ended December 31, 2009:

Year 2009 Month	High (\$)	Low (\$)	Close (\$)	Volume
January	4.23	3.55	4.20	2,165,100
February	4.25	2.96	3.01	2,317,500
March	3.05	2.28	2.62	4,454,500
April	3.86	2.55	3.77	2,050,600
May	5.34	3.65	5.25	9,603,200
June	5.64	4.00	4.62	3,596,800
July	6.00	4.39	5.97	3,252,700
August	7.68	5.60	7.02	4,225,100
September	8.81	7.03	8.14	4,176,500
October	8.31	7.10	7.52	3,625,400
November	8.27	7.16	7.20	3,072,600
December	8.15	6.99	7.95	2,924,400

DIRECTORS AND OFFICERS

Directors are elected at the annual general meetings of shareholders for one year terms, expiring at the next annual general meeting. Directors may be re-elected on expiry of their current term of office.

The names of the directors and executive officers of the Company at the year ended December 31, 2009, their place of residence, and their respective principal occupations within the five preceding years are indicated in the table below:

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
ROSS J. McLEOD British Columbia, Canada	57	Chairman of the Board and Chief Executive Officer	Chairman and Chief Executive Officer of Company since November 8, 2004; President since January 2006; Chief Operating Officer from January 2006 to November 2006; Executive Chairman, President and Chief Executive Officer of the Company from November 10, 2003 to November 8, 2004; President and Chief Executive Officer, GCCI since November 10, 2003; prior thereto Chairman and Chief Executive Officer of the Company	August 13, 1996

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
EARNEST C. BEAUDIN ^(2,4) Alberta, Canada	68	Lead Director	Member of the Law Society of British Columbia, Canada since 1969; President, General Counsel and Chief Executive Officer of Decker Management Ltd. and Decker Construction Ltd. (involved in the purchase, redevelopment, construction, ownership and operation of Seniors Care Facilities in BC and Commercial and Residential development and construction in British Columbia and Alberta, Canada) since February 1, 1986; Director, Avcorp Industries Inc. (listed on the TSX), from June 25, 2004 to June 11, 2009	May 28, 2002
RICHARD S. BUSKI ^(1,4) British Columbia, Canada	64	Director	Director of Probe Resources Ltd. (a publicly traded Canadian company involved in the production of natural gas in the U.S. Gulf of Mexico, listed on the TSX-V); Director of East Energy Corp. from June 2007 until September 2009 (a publicly traded Canadian mining company involved in the development and acquisition of coal properties in China and North America listed on the TSX-V); Chartered Accountant (Ontario) since 1972; Managing Partner, PricewaterhouseCoopers LLP (Russia) 2001 to 2004	June 30, 2006

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
LARRY W. CAMPBELL ^(2,4) British Columbia, Canada	62	Director	Senator, Government of Canada since August, 2005; President, Mortis Consulting Ltd., since March 1997; Consultant/Writer, Haddock Entertainment Inc., from February 1997 to February 2008; Mayor, City of Vancouver from December 2002 to December 2005; Served on the Board of Directors of CY Oriental Ltd. (listed on the TSX-V) from May 2006 to April 2009. Currently serving on the Board of Directors of Sino Biomed an OTCBB traded company since November 2007	June 20, 2008
THOMAS W. GAFFNEY ^(1,4) British Columbia, Canada	60	Director	President, Thomas Gaffney Architects Inc. since July 1986; Registered Member of the Architectural Institute of British Columbia; Associate Member of the Alberta Association of Architects	June 30, 2006
PETER G. MEREDITH ^(1,3) British Columbia, Canada	66	Director	Deputy Chairman, Ivanhoe Mines Ltd. (listed on the TSX, NYSE and NASDAQ) since May 2006; Chief Financial Officer, Ivanhoe Mines Ltd. from May 2004 to May 2006; Chairman of SouthGobi Energy Resources Ltd. (listed on the TSX and HKSE) since October 2009. Chief Executive Officer of SouthGobi Energy Resources Ltd. from June 2007 to October 2009	June 9, 2000
DAVID L. PRUPAS ^(2,3) British Columbia, Canada	67	Director	President and Chief Operating Officer, Richards Packaging Inc. (a publicly traded income trust listed on the TSX) since 1977; past President of the National Association of Container Distributors (North America)	June 30, 2006

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
ADRIAN R. THOMAS ^(3,4) British Columbia, Canada	63	Director, Consultant	Advisory Consultant to Company from January 1, 2004 to December 31, 2007; President, Canadian Gaming Institute Inc. (a provincially approved and registered and regulated private company providing training services to the Company), from February 10, 1987 to March 31, 2009; Chief Operating Officer, GCCI from August 11, 2000 to June 17, 2004	March 10, 1997

Name and Place of Residence	Age	Current Position with Company	Principal Occupation
Officers			
ROSS J. McLEOD British Columbia, Canada	57	Chairman and Chief Executive Officer	Reference details above under subheading "Directors"
MILTON C. WOENSDREGT British Columbia, Canada	53	Chief Financial Officer	Chief Financial Officer of the Company since November 7, 2006; Interim Chief Financial Officer, Provincial Health Services Authority (Vancouver), 2004; Senior Vice President, Finance and Chief Financial Officer, Terasen Inc., 1998 to 2004; Partner, KPMG LLP, 1991 to 1998
JOANNA E. BRIERLEY British Columbia, Canada	43	Corporate Secretary	Joined the Company in 1997; Secretary of Company since June 22, 2001; also serves as the Executive Assistant to the Chairman and Chief Executive Officer of the Company; prior thereto, Ms. Brierley held the position of Executive Assistant to senior executives in both publicly traded and privately owned corporations

- (1) Member of the Audit, Risk and Finance Committee.
(2) Member of the Corporate Governance Committee.
(3) Member of the Compensation Committee.
(4) Member of the Corporate Compliance & Security Committee.

Effective December 31, 2009, Vincent Trudel resigned as Chief Operating Officer of the Company. Subsequently, on February 11, 2010 the Company announced the appointment of Rodney N. Baker (age 44) as its President.

The following sets out the principal occupation of the directors and executive officers of the Company who act as officers of a company other than Great Canadian Gaming Corporation or its subsidiaries, with the principal business of the person or company as also set forth below:

Name	Company	Official Title	Principal Business of Company
Earnest C. Beaudin	Decker Management Ltd. Decker Construction Ltd.	President and CEO President and CEO	An owner and operator of extended care facilities and Decker Construction Ltd. is in the business of commercial and residential real estate development
Larry W. Campbell	The Senate of Canada	Senator	As the Upper House of Parliament, the Senate is tasked with examining all legislation, as well as conducting in-depth studies of any and all issues concerning Canada and its citizens
Thomas W. Gaffney	Thomas Gaffney Architect Inc.	President	An architectural firm which provides planning, design and management services to the real estate industry
Peter G. Meredith	Ivanhoe Mines Ltd. SouthGobi Energy Resources Ltd.	Deputy Chairman Chairman	A NYSE/TSX/NASDAQ listed mining company (coal, copper and gold) with operations focused in the Asia Pacific region and Australia A TSX & HKSE listed company focused on exploration and development of coal in Mongolia
David L. Prupas	Richards Packaging Inc.	President and COO	Richards Packaging Inc. is Canada's largest distributor of glass and plastic containers and related pharmaceutical, cosmetic and food industries and is the 3rd largest distributor in North America with offices and warehouses throughout the United States and Canada

Shareholdings of Management

To the knowledge of the Company, based on information obtained from SEDI (the System for Electronic Disclosure by Insiders database), at year ended December 31, 2009, the directors and officers of the Company as a group own, or exercise control or direction over a total of 24,029,312 common shares of the Company, representing 29% of the outstanding common shares.

Audit, Risk & Finance Committee

The Audit, Risk & Finance Committee currently comprises the following three Board members: Richard S. Buski (Chair), Peter G. Meredith and Thomas W. Gaffney, who are independent directors. This

Committee is responsible for reviewing and reporting on the Company's financial information, audit process and system of corporate internal controls and risk management, as well as reviewing compliance with applicable legal and regulatory requirements. In addition, this committee reviews and recommends the annual financial budgets and capital structure of the Company. Messrs. Buski, Gaffney and Meredith are financially literate.

The Audit, Risk & Finance Committee's policy with respect to the engagement of non-audit services is described in the Company's Audit, Risk & Finance Committee Charter, amended on August 7, 2009 and attached hereto as Appendix I. Any non-audit services are documented by the Company's management and presented for consideration and pre-approved by the Audit, Risk & Finance.

The following table describes the education and experience of each Audit, Risk & Finance Committee member that is relevant to the performance of his responsibilities as such a committee member.

Name of Audit, Risk & Finance Committee Member	Relevant Experience and Qualifications
Richard S. Buski (Chair)	<ul style="list-style-type: none"> <input type="checkbox"/> Member of the Institute of Chartered Accountants of Ontario since 1972 <input type="checkbox"/> Managing Partner with PricewaterhouseCoopers LLP – Russia (2001-2004) <input type="checkbox"/> Senior Partner, PricewaterhouseCoopers LLP (1996 to 2001) <input type="checkbox"/> Former director of the American Chamber of Commerce in Russia <input type="checkbox"/> Former member of the Advisory Council of the Russo-British Chamber of Commerce
Peter G. Meredith	<ul style="list-style-type: none"> <input type="checkbox"/> Member of the Institute of Chartered Accountants of Ontario since 1968 <input type="checkbox"/> Member of the Institute of Chartered Accountants of Quebec and British Columbia <input type="checkbox"/> 42 years' experience as a Chartered Accountant and Certified Management Accountant <input type="checkbox"/> Deloitte & Touche LLP for 20 years – Resigned in 1996 as a Senior Partner and Board Member <input type="checkbox"/> Deputy Chairman, Ivanhoe Mines Ltd. <input type="checkbox"/> Chairman, SouthGobi Energy Resources Ltd. <input type="checkbox"/> Was Chief Financial Officer of Ivanhoe Capital Corporation from June 2001 to March 2009. <input type="checkbox"/> Was Chief Financial Officer of Ivanhoe Mines Ltd. from May 2004 to May 2006, currently Deputy Chairman (since May 2006)
Thomas Gaffney	<ul style="list-style-type: none"> <input type="checkbox"/> President of Thomas Gaffney Architect Inc <input type="checkbox"/> Member of the Architectural Institute of British Columbia since 1983. <input type="checkbox"/> Member of the Alberta Association of Architects since 1998. <input type="checkbox"/> Former Vice President Bon Street Developments

Pre-Approval Policies and Procedures

The Audit, Risk & Finance Committee and the Board of Directors of the Company have adopted a policy for approval of external auditor services. The policy prohibits the external auditor from providing specified services to the Company and its subsidiaries.

The engagement of the external auditor for a range of services defined in the policy has been pre-approved by the Audit, Risk & Finance Committee. If an engagement of the external auditor is contemplated for a particular service that is neither prohibited nor covered under the range of pre-approved services, such engagement must be pre-approved. The Audit, Risk & Finance Committee has delegated the authority to grant such pre-approval to the Chair of the Audit, Risk & Finance Committee, with ratification at a subsequent meeting of the Committee.

Services provided by the external auditor are subject to an engagement letter. The policy mandates that the Audit, Risk & Finance Committee receive regular reports of all new pre-approved engagements of the external auditor.

External Auditor Service Fees

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's financial statements or services provided in connection with statutory and regulatory filings or engagements and the review of the Company's interim financial statements. Deloitte & Touche LLP's audit fees billed during the Company's 2009 fiscal year were \$498,013 (2008: \$495,698), not in millions of dollars.

Audit-related Fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fee item above. These services may include accounting consultations and special attest services as required by government entities. Deloitte & Touche LLP billed an aggregate of \$12,000 in the Company's 2009 fiscal year (2008: \$65,800), for services provided to the Company not reported under "Audit Fees" above, not in millions of dollars.

All Other Fees

No other fees were paid in 2009 or 2008.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of our knowledge, having made due inquiry, the Company confirms that, as at December 31, 2009:

- (i) no director or executive officer of the Company is, or was within the last ten years, a director or officer of a company (including the Company) that:
 - (a) was subject to an order (including a cease trade order or an order similar to a cease trade or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, except Mr. Larry Campbell who was a director of CY Oriental Holdings Ltd. at the time its shares were

suspended from trading on the TSX Venture Exchange and were delisted due to the inability of CY Oriental Holdings Ltd. to meet continued listing requirements;

- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (c) within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.
- (ii) in the last ten years, no director or executive officer of the Company has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer; and
- (iii) no director or executive officer of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Other than as disclosed in this AIF, to the knowledge of the directors and senior officers of the Company, there are no material conflicts of interest between the Company and a director or senior officer of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Material Legal Proceedings

From time to time, the Company is involved in litigation arising in the ordinary course of our business. We intend to continue to defend any lawsuits brought against us vigorously. We do not believe that such litigation, including the proceedings below, will have a material adverse effect on our financial position or results of operations. Currently the only litigation outside of the normal course of business are as follows:

Ontario Consultancy Arrangement

In 2005, as part of the acquisition of Georgian Downs, the Company entered into an agreement that provided a consultant a deemed contribution for a notional equity interest in Georgian Downs as consideration for certain consulting services for its operations in the Province of Ontario. The notional equity interest entitled the consultant to future remuneration depending on the operating results of Georgian Downs provided that certain services were performed. The consultant had an option to sell his notional equity interest in Georgian Downs to the Company for consideration calculated using a predefined formula based on Georgian Downs' operating results for the twelve month period preceding the option's exercise. The Company had a call option to purchase the consultant's notional equity interest from June 2012 for consideration calculated using the same predefined formula. On July 30, 2007, the Company terminated the agreement and tendered the sum of \$1.6 being the full amount that the Company determined to be validly due and payable to the consultant. The consultant and the Company have significantly different views as to the consultant's monetary entitlement under the

agreement. The consultant filed an application in the Ontario Superior Court of Justice that disputes the validity of the termination of the agreement. The Company also filed a suit in the Ontario Superior Court of Justice seeking a declaration that the agreement has been properly terminated by the Company. Management believes that the Company has acted appropriately with respect to both the termination and the tendering of payment to the consultant and intends to vigorously defend its position. On January 9, 2009, the Ontario Superior Court of Justice (Commercial List) granted an Endorsement which ordered that the consultant's application be converted into an action and be consolidated with the Company's action. At this stage, liability or quantum with respect to this litigation cannot be reasonably determined.

The Company is involved in various other disputes, claims and litigation. Management believes the amount of the ultimate liability for these will not materially affect the financial position of the Company.

Regulatory Actions

From time to time we are involved in regulatory proceedings or are assessed administrative fines, none of which are material or significant.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In the past three years, we had no transactions that materially affected or will materially affect the Company, in which a director, senior officer, significant shareholder or any of their associates or affiliates had a material interest, except as follows:

- a training services agreement from January 1, 2006 to March 31, 2009, with Canadian Gaming Institute Inc., a British Columbia incorporated company controlled by Adrian R. Thomas, one of our directors, for the training of table games dealers for the Company in its locations throughout Metro Vancouver. On March 31, 2009, the Company acquired 100% of the outstanding common shares of Canadian Gaming Institute Inc. for a total cash purchase price of \$0.6;
- an automated banking machine services agreement with Transac (now known as Evergreen Gaming Corporation) that ended in March 2007 and in which one of our former officers who was a director;
- on May 1, 2009, the company's Chairman and Chief Executive Officer entered into a shareholder agreement with Ridge Capital Amalgamated Corp. "Ridge Capital," which owns four million common shares in Great Canadian Gaming Corporation. Through this agreement, the Company's Chairman and Chief Executive Officer acquired the right to exercise the votes attached to these shares in return for indemnifying Ridge Capital in certain circumstances should the shares lose value. Ownership of the shares remains with Ridge Capital, subject to the terms of the shareholder agreement; and,
- the Company engaged the services of a company (the "consulting company") whose shareholder was, until May 1, 2009, the sole director and officer of Ridge Capital. Human resources expenses for 2009 includes \$0.3 in fees for the consulting company's advice on strategic and operational efficiency initiatives. On May 13, 2009, the Company issued options to the consulting company to acquire 280,000 common shares of the Company at an exercise price of \$4.40 per option.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Company's common shares is Computershare Investor Services Inc. with transfer facilities in the cities of Vancouver and Toronto.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, that the Company or any of its subsidiaries or their predecessors has entered into within the last financial year, has entered into before the last financial year but are still in effect, or that are proposed to be entered into:

- Credit and Guarantee Agreement dated as of February 14, 2007 among the Company as Borrower, certain subsidiaries of the Borrower as Guarantors, the Toronto-Dominion Bank as Administration Agent, TD Securities as Joint Lead Arranger, Joint Book Runner and Syndication Agent in respect of the Term Loans, and as Documentation Agent in respect of the Revolving Loans, HSBC Bank Canada as Syndication Agent in respect of the Revolving Loans, HSBC Securities (USA) Inc., as Documentation Agent in respect of the Term Loans, and Various Lenders;
- Indenture dated as of February 14, 2007 between the Company and each of the Guarantors to 7.250% Subordinated Notes due 2015 with the Bank of New York as Trustee;
- Term Supplemental Agreement dated July 10, 2007 among GDL, the Company and the OLG regarding the extension of the term of GDL Site Holder Agreement;
- Definitive agreements dated August 22, 2008 with the Translink and Canada Line Rapid Transit Inc. to build and operate a 1,200 stall multi-level parking garage at Bridgeport Station, across from River Rock in Richmond, British Columbia; and
- Administration Agent Succession Agreement dated September 15, 2009 among the Toronto-Dominion Bank (the "Resigning Agent"), the Bank of Nova Scotia (the "New Agent"), the Company as Borrower and the Guarantors to the Credit and Guarantee Agreement dated February 14, 2007. The New Agent is appointed Administration Agent effective September 22, 2009 replacing the Resigning Agent.

INTERESTS OF EXPERTS

Deloitte & Touche LLP is the independent auditor of the Company.

ADDITIONAL INFORMATION

Other Additional Information

Other additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of securities and securities authorized under equity compensation plans is contained in the Company's Information Circular for its most recent annual general meeting of shareholders.

Additional financial information is provided in the Company's Annual Financial Statements for its year ended December 31, 2009, and the Management Discussion and Analysis of the Company for its year ended December 31, 2009. Any interim unaudited financial statements of the Company subsequent to December 31, 2009, are available on the Company's website at www.greatcanadiancasinos.com or www.gcgaming.com, or on SEDAR at www.sedar.com.

Copies of the information referred to in this section may be obtained by writing to the Corporate Secretary of the Company at:

Great Canadian Gaming Corporation
350 – 13775 Commerce Parkway
Richmond, British Columbia, Canada V6V 2V4
Telephone: (604) 303-1000 / Facsimile: (604) 279-8605

or on the Company's website at www.greatcanadiancasinos.com or www.gcgaming.com

APPENDIX I - AUDIT, RISK & FINANCE COMMITTEE CHARTER

I. Purpose

The purpose of the Audit, Risk & Finance Committee is to assist the Board in fulfilling its oversight responsibilities by:

- reviewing, considering and reporting on the Corporation's financial information for disclosure purposes, its system of internal control as established by management and the Board, and the audit process;
- identifying the principal risks faced by the Corporation and confirming that management has implemented appropriate systems to manage and minimize identified risks;
- reviewing and considering the Corporation's adherence to accounting principles and compliance with applicable disclosure requirements;
- reviewing, considering, reporting and recommending on all matters relating to finance for the Corporation, including: capital structure; equity and debt financings; share repurchase activities; capital expenditures, cash management, banking activities and relationships; investments, foreign exchange activities, swaps and hedging transactions; annual budgets and new expenditure requests; acquisitions and divestitures; and financial policies including Discretionary Authorities; and
- reviewing and making recommendations to the Board on material¹ expenditures and commitments including proposed capital projects, major contracts and any material out-of-budget expenditures.

II. Composition and Term of Office

- A. Members of the Audit, Risk & Finance Committee are appointed by the Board at the first meeting of Directors following each annual general meeting for a term of one year. In making the appointments, the Board requires that all appointees are Independent Directors who have Financial Literacy and that at least one appointee has an Accounting

¹ Material for the purpose of this Charter means an expenditure above \$5 million in the Discretionary Authorities at Tab 26 under "Out of Budget", "Outside Planned Budget and Contingency Fund" and "Outside Planned Scope" or any other expenditure, commitment, contract or transaction over \$5 million.

Designation. The Board shall interpret these qualifications in its business judgment and shall conclude whether a Director meets these qualifications.

- B. The Chair of the Audit, Risk & Finance Committee shall be appointed by the Board.
- C. The CFO will act as the management liaison for the Audit, Risk & Finance Committee.
- D. The Audit, Risk & Finance Committee will meet not less than four times each fiscal year.
- E. The quorum for the Audit, Risk & Finance Committee is a majority of its members.

III. Responsibilities

The Audit, Risk & Finance Committee has the following responsibilities:

FINANCIAL REPORTING

- A. Review, consider and recommend approval by the Board of the annual financial reports (annual information form, management information circular, National Instrument 52-110F1 forms, financial statements, MD&A, reports to shareholders and related press releases).
- B. Review, consider and recommend approval by the Board of the quarterly financial statements (financial statements, MD&A, reports to shareholders and related press releases).
- C. Be satisfied that in respect of the Corporation's disclosure record, and in particular, its financial disclosure, management has procedures in place to review such information, and that management periodically assesses, and revises as needed, the adequacy of such procedures.
- D. Review and approve all other press releases that relate to material financial disclosures.
- E. Review and recommend approval by the Board of changes to the Corporation's accounting policies.
- F. Review with external auditors any areas of judgment or where estimates have been made, including effects of alternatives under generally accepted accounting principles.

FINANCE

- A. Review and recommend to the Board approval of the Corporation's annual financial budget and annual capital budget so that it supports the business plan for the ensuing year.
- B. Review and evaluate all material new expenditure proposals and capital project proposals, material contracts, and non-budgeted expenses that require new funding or

budget changes. New expenditure requests will be submitted in the form of a business case with the appropriate recommendation from Senior Management.

- C. Review the terms of material acquisitions, investments and divestitures that will be submitted to the Board for information or approval under the Discretionary Authorities at Tab 26. The Committee may also approve the terms of transactions that have been approved in principle by the Board if delegated to do so by the Board.
- D. Review the Corporation's policies at least annually with respect to financial risk assessment and financial risk management.
- E. Review with management the Corporation's capital structure, dividend policy and share repurchase programs at least annually, and make recommendations to the Board for approval, as required.
- F. Review with management the Corporation's treasury activities. In this regard, the Committee shall review the Corporation's principal commercial and investment banking relationships, on at least an annual basis, including its banking and treasury authorizations, and material terms of the Corporation's credit facilities in light of the Corporation's operating strategy, risk exposures, financial policies and changes in the applicable law or accounting requirements.

IV. Other Procedures

- A. Review with management the opportunities and risks inherent in the business and the effectiveness of the controls thereon, including risk mitigation and management strategies.
- B. Oversee management reporting and review of the adequacy of internal controls as designed and implemented by management.
- C. Gain reasonable assurance that the Corporation complies with the Securities Laws and the requirements of government, regulatory agencies and the TSX regarding financial reporting and disclosure.
- D. Oversee the Related Party Transactions Policy.
- E. Review and ratify annually the Corporate Disclosure Committee Charter.
- F. Review and consider significant actual or potential liabilities of the Corporation, whether contingent or otherwise that are reported to it.
- G. Review, on an annual basis, the reasonableness of the expenses of the Senior Officers.

V. External Auditors

- A. The external auditor will report directly to the Audit, Risk & Finance Committee and has unrestricted access to its members. External auditors will meet at least quarterly with the Audit, Risk & Finance Committee to review and consider the annual audit, quarterly reviews, the quality of the Corporation's accounting policies and principles, and the adequacy and effectiveness of the Corporation's internal control and management information systems. In-camera sessions with the external auditors will be held quarterly or as determined by the Audit, Risk & Finance Committee.
- B. The Audit, Risk & Finance Committee will:
- (i) Provide approval and recommend to the Board, the engagement or discharge of the external auditors and their remuneration.
 - (ii) Provide oversight to the audit engagement by way of a direct reporting relationship with the external auditor and confirm the independence of the external auditor.
 - (iii) Annually review external audit plans for each year.
 - (iv) Review with the external auditors any difficulties which arose during the course of their engagement and their relationship with management.
 - (v) Approve in advance all audit and non-audit services to be provided by the external auditor. Such approval may be delegated to one or more members of the Audit, Risk & Finance Committee for ratification at the next scheduled Audit, Risk & Finance Committee meeting.
 - (vi) Review and approve any hiring of partners/employees of the external auditors.

VI. Internal Audit

- A. The Director, Internal Audit, has an independent relationship with the Audit, Risk & Finance Committee with unrestricted access to its members. The Director, Internal Audit, will meet at least quarterly with the Audit, Risk & Finance Committee. Matters discussed will include the annual audit plan, internal audit reports, the quality of the Corporation's accounting policies and principles, the adequacy and effectiveness of the Corporation's internal control and management information systems and if requested by the Audit, Risk & Finance Committee, in-camera sessions with the Director, Internal Audit will be held quarterly or as determined by the Audit, Risk & Finance Committee.
- B. The Audit, Risk & Finance Committee will approve the appointment of the Director, Internal Audit.

- C. The Audit, Risk & Finance Committee will:
 - (i) Provide oversight to and approve the internal audit mandate.
 - (ii) Review internal audit plans for the year.
 - (iii) Review any difficulties which may arise during the course of the internal audit and the ongoing relationship with management and other departments.

VII. Other

The Audit, Risk & Finance Committee will:

- A. Establish procedures for receipt, retention and treatment of complaints and concerns regarding accounting matters, internal accounting controls and auditing matters or related questionable practices, including anonymous submissions by employees. (Reference to Whistle Blower Policy)
- B. Have the resources and authority necessary to reasonably discharge its duties, including the authority to retain independent financial, legal or other advisors.
- C. Record, draft and circulate, on a timely basis, to members, minutes for each meeting of the Audit, Risk & Finance Committee.
- D. Review and, as needed, amend the Audit, Risk & Finance Committee Charter annually, and recommend it for approval by the Board.
- E. Review the Corporation's Director & Officer Liability insurance policies and other corporate insurance policies, including the credit quality of its insurance carriers and re-insurers in advance of the renewal of such policies.